



ClimateWise

Aon Benfield 2009 Report

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Introduction

ClimateWise is a group of leading companies and organisations in the insurance industry. Each of us is committed to taking action on climate change and to reporting publicly on our own performance.

The world's climate is changing and the scientific community is overwhelmingly of the view that human behaviour is contributing to this. Climate change is already having significant social and economic impacts and will continue to do so.

The insurance sector enables businesses and individuals to manage risk, including long-term threats such as climate change.

We believe that the long-term stability of our economy depends on an appropriate response to climate change and it is to the benefit of all that we incorporate the risks from climate change and the need for mitigation into our business strategies. We will work openly with policy makers, the scientific and academic communities and others across the world by sharing risk analysis and understanding so that we are all better equipped to mitigate and adapt to climate change.

The diverse nature of our industry means that different organisations will be able to take action in different ways on these principles.

As signatories we will comply with all areas or explain why it is impossible to do so.

1 Lead in Risk Analysis

1.1 Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests.

Aon Benfield recognises that there is an on-going need for the industry to understand and analyse natural and environmental risks in order to develop appropriate insurance and reinsurance solutions.

For the past twelve years, Aon Benfield has supported the Aon Benfield UCL Hazard Research Centre ("ABUHRC"), Europe's leading multidisciplinary academic hazard research centre which is based at University College London (UCL). The ABUHRC is dedicated to both strategic and curiosity-driven academic research into natural hazards and disaster reduction and to facilitating and encouraging the sharing of information and knowledge among stakeholders in these fields.

The ABUHRC also has a strong interest in disaster preparedness and the building of resilient communities especially in the developing world. Much of the Centre's work is applied, supporting international agencies, governments and non-governmental organisations through a range of products and resources. These include:

- InTERRAgate: an online natural hazard database which seeks to draw attention to potential future threats and to help improve hazard preparedness
- REA (Rapid Environmental Impact Assessment in Disaster Project): practical, analytical and decision making framework to help relief workers and affected communities to identify significant environmental issues during disasters.
- Additional handbooks and guidelines to aid scientist, emergency managers and the media through various natural hazards in various locations.



In September 2008, as a collaboration between Aon Benfield, the world's leading independent reinsurance and risk intermediary, and University of Pretoria, the leading research university in South Africa and one of the largest in the country, the Aon Benfield Natural Hazard Centre, Africa was created to provide the African Insurance market with industry focussed natural perils expertise and to promote research into natural hazards.

Aon Benfield also sponsors a number of other research organisations around the world including Risk Frontiers at Macquarie University, Sydney, and the Lighthill Risk Network (LRN), London, a not for profit organisation which facilitates the transfer of risk related research into business and the insurance markets. It is also a founder member of the Insurance Intellectual Capital Initiative, which seeks to sponsor original research for the good of the UK insurance industry and society as a whole.

1.2 Support more accurate national and regional forecasting of future weather and catastrophe patterns affected by changes in the earth's climate.

In conjunction with the ABUHRC and other partners, the Group also supports the Tropical Storm Risk Group (TSR) at UCL. TSR's work is global but with particular emphasis on Atlantic hurricane, NW Pacific Typhoon and Australian cyclone prediction. The TSR venture provides information and innovative forecast products to benefit risk awareness and decision making in the reinsurance and other business sectors as well as government and society.

Over the past seven years, TSR has emerged as the predominant seasonal forecaster of tropical storm activity throughout the world. TSR's Tropical Storm Tracker enables insurers, reinsurers and risk managers to monitor the progress and likely development of storms as they happen, allowing them to prepare for events before they occur. The Tracker is also a useful tool for humanitarian relief agencies and emergency relief charities around the world, helping them to plan their emergency response when storms target populated areas.

For example, the TSR live storm forecast was used by the Bangladeshi government and aid agencies to help mitigate loss of life and damage from cyclone Sidr in 2007.

1.3 Use research and improve data quality to inform levels of pricing, capital and reserves to match changing risks.

In order to assess and understand losses from natural perils, Aon Benfield has developed a suite of GAP and Impact Forecasting models, focusing on Wind, Quake, Hail and Flood.

ExposureView and CatPortal are Aon Benfield's proprietary policy mapping tools that allows insurers to visualize and quantify the potential impact of a specific catastrophic event.

Aon Benfield also markets the world's leading financial analysis product, ReMetrica, which is widely used by insurers and reinsurers around the world to help them plan their business and model their capital. The software allows optimisation of reinsurance coverage and accurate technical pricing. Aon Benfield also market a specific tool, CAPRe, to estimate the marginal cost of catastrophe insurance placements.



1.4 Evaluate the risks associated with new technologies for tackling climate change so that new insurance products can be considered in parallel with technological developments.

In-house developed tools and models are used as the basis for Aon Benfield's GAP Response Reports and Catastrophe Modelling Updates. Standard peril model outputs, on an event-by-event basis, can be imported into ReMetrica and then stressed to reflect different assumptions about climate trends or cycles. For example, the estimated loss frequency, severity and uncertainty can all be stressed and tested. Thus the robustness of different business strategies to changes in underlying assumption can be tested. Reinsurance solutions that best protect the insurer against the stressed assumptions are developed, plus insurers are given the information they need to develop their own product suite.

1.5 Share our research with scientists, society, business, governments and NGOs through an appropriate forum

Aon Benfield GAP Response Reports and Catastrophe Modelling Updates are made available through Aon Benfield's website. Aon Benfield staff also speak widely at conferences arranged by regulators, NGOs, governments and professional bodies. For example recently Aon Benfield staff have addressed a conference in Chongqing on the role of insurance in the Low Carbon economy and in 2008 engagements included a conference of regional catastrophe schemes arranged by the Asian Development Bank and the Bank of Japan in Tokyo and a conference on national catastrophe schemes arranged by the Chinese regulator CIRC in Tokyo.

2 Inform Public Policy Making

2.1 Work with policy makers nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.

Aon Benfield has also been involved with sustainability from a policy standpoint: In 2007, Magne Seljeflot, chairman of Aon Natural Resources, represented the insurance industry as a member of the United Nations Committee on Sustainable Energy. During the hearing, Magne emphasised the potential of the insurance industry to mitigate risks associated with emerging energy issues, describing how insurance companies employ qualified engineers that could play a crucial role in helping to regulate safety standards among hydrocarbon providers. Magne also explained to the United Nations committee how the insurance industry could provide an important link between politicians and hydrocarbon businessmen to ensure that energy supplies across the globe remain safe. Aon Benfield speakers have also addressed international conferences on Climate Change in Davos in 2008 as well as numerous smaller client focussed seminars.

2.2 Promote and actively engage in public debate on climate change and the need for action.

As noted above, in June 2009, David Simmons of Aon Benfield Analytics gave a presentation in China on the Insurance Industry and the Low Carbon Economy. By our membership of various market bodies and our academic sponsorships, we aim to promote debate on this most important of issues, indeed we aim to lead that debate.



2.3 Support work to set and achieve national and global emissions reduction targets

Aon Benfield's environment objectives include: minimising energy, water and paper use, optimising waste recycling, reducing unnecessary travel, incorporating environmental considerations into procurement decisions, including refurbishments and new building projects and raising awareness and influencing our supply chain to reduce their impact on the environment.

2.4 Support government action, including regulation that will enhance the resilience and reduce the environmental impact of infrastructure and communities.

At Aon Benfield, we are committed to improving the environmental sustainability of our business and fully co-operate and maintain open relationships with the regulatory authorities. The aim of some of our sponsored bodies, eg the Lighthill Risk Network is explicitly to be the focus for debate about industry issues, including associate member the FSA. That debate can then be taken to government and opinion formers. Similarly our sponsored University Centre, the ABUHRC, also takes an active role.

2.5 Work effectively with emergency services and others in the event of a major climate-related disaster.

Aon Benfield donated a large amount towards building schools in China after the 2008 Earthquake to aid with the rebuild after the event. Aon Benfield also donated a substantial sum of money to the victims of the Katrina Hurricane to aid with the clear up after the event. The ABUHRC includes a well-regarded team that focuses on post-disaster management. Aon Benfield was also instrumental in the design and placement of the innovative Caribbean Catastrophe Risk Insurance Facility that provides post disaster liquidity to Caribbean governments. The scheme is being actively considered for roll out in various parts of the world – a process that Aon Benfield supports actively.

3 Support Climate Awareness Amongst our Customers

3.1 Inform our customers of climate risk and provide support and tools so that they can assess their own levels of risk.

See above – we offer a range of information services and tools to allow customers to assess their risk, and then design solutions to help them manage them.

3.2 Encourage our customers to adapt to climate change and reduce their greenhouse gas emissions through insurance products and services

Aon Benfield, as a reinsurance broker, is one stage removed from the original insurance client. We can however assist our customers, insurers, to design products that support sustainable development. For example, design of products to insure/reinsure against loss of carbon credits and/or specific products designed to protect a portfolio of policies covering photovoltaic installations.



3.3 Increase the proportion of repairs that are carried out in a sustainable way through dialogue with suppliers and developers and manage waste effectively.

Again, as a reinsurance broker we do not talk directly to the public or companies. We will however, support our insurer customers to cover any additional costs that such policies could incur.

3.4 Consider how we can use our expertise to assist the developing world to understand and respond to climate change.

Our staff engage in constant one to one dialog with insurance staff throughout the world and talk at conferences on climate and climate related issues globally.

4 Incorporate Climate Change into our investment strategies

Aon Benfield will continue to seek to ensure that any businesses it invests in are aware of the impact of, and have a proactive approach towards, environmental issues and climate change.

5 Reduce the Environmental Impact of our business

5.1 Encourage our suppliers to improve the sustainability of their products and services.

All new suppliers are already asked to demonstrate that they have an environmental policy during a pre-qualification process and this can be extended to ensure that they are buying products/materials from sustainable sources and, internally, more can be done to actually specify products that minimise environmental impact (sustainable sourcing/manufacturing process, minimised transportation overheads, etc).

5.2 Measure and seek to reduce the environmental impact of the internal operations and physical assets under our control.

Little measurement information is available today. Tools to improve this are being installed in the building (e.g. electricity meters on each floor) and closer audit of our supply lines to create relevant Management Information will generate an opportunity to set and work towards reduction targets.

5.3 Disclose our direct emissions of greenhouse gases using a globally recognised standard.

55 Bishopsgate has a very basic infrastructure and the opportunity to accurately measure and then reduce utility usage is limited. This is frustrating efforts to measure the existing carbon footprint of the building. However, the building is currently being refurbished and consideration is being given to fitting simple devices that allow lights to be switched off at night, better air conditioning controls and more efficient building plant (cooling and air handling systems) – all these being subject to budget constraints/Cost Benefit Analysis.



5.4 Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.

Some excellent awareness days have been run by the CSR group. Considerably more can be done in this area to encourage staff to actively engage and reduce their product usage and dispose of their waste in such a way as to improve recycling percentages. In order to do this, schemes must be easy to use and have minimal impact on the perceived productivity of team members. The reality is that real savings can be achieved in this area with significantly reduced cleaning and waste disposal costs.

6 Governance, Reporting & Transparency

6.1 Recognise at Company Board level that climate risk has significant social and economic impacts and incorporate it into our business strategy and planning

Dominic Christian has recently signed an 'Environment Policy' (Annex B) and is sponsoring, through the CSR group, our application for ISO14001 accreditation. To gain this level of accreditation a substantial improvement in our environmental performance will be required. This is in hand, albeit at an early stage of deployment.

6.2 Publish a statement as part of our annual reporting detailing the actions that have been undertaken on these principles.

Our Annual report already describes, albeit briefly and in a global context, our environmental performance. Our ability to report more accurately will improve as a consequence of the work to achieve ISO14001 accreditation.