

R J Kiln & Co Limited – Progress Against the ClimateWise Principles

R J Kiln & Co Limited, the Lloyd's managing agency wholly owned by Tokio Marine & Nichido Fire Insurance Co. Ltd, is a member of [ClimateWise](#) a group of leading companies and organisations in the insurance industry committed to taking action on climate change and reporting publicly on their own performance. Signatories commit to lead the way in analysing and reducing risks, support climate awareness amongst their customers, incorporate climate change into their investment strategies, inform and engage in public policy debate and reduce the environmental impact of their businesses. We are in the early stages of individual compliance. Lloyd's is also a ClimateWise signatory and has reported separately on their compliance in the Lloyd's market, which includes R J Kiln & Co Limited.

We are pleased to report on our progress in the year to 30 June 2009:

Commitment 1 - Lead in Risk Analysis

- Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests.
- Support more accurate national and regional forecasting of future weather and catastrophe patterns affected by changes in the earth's climate.
- Use research and improve data quality to inform levels of pricing, capital and reserves to match changing risks.
- Evaluate the risks associated with new technologies for tackling climate change so that new insurance products can be considered in parallel with technological developments.
- Share our research with scientists, society, business, governments and NGOs through an appropriate forum.

Examples

Kiln's hurricane modelling analysis includes recognition of current meteorological conditions and incorporates many of the latest meteorological views of hazard. These parameters are provided by third parties who have done extensive research into current and near future conditions. The models are used in the day to day underwriting process.

We incorporate current hurricane and flood hazard and frequency estimations into their portfolio management.

Kiln's modelling analysis includes recognition of current meteorological conditions based upon third party research. We have invested in a greater breadth of modelling capability in 2009, including licensing the RMS UK Flood model. Additionally we license the Risk Management Solutions (RMS) exposure aggregation tool – RiskManager – to monitor the exposure to natural hazards

Kiln proactively encourages paperless business activities by using the ACORD data transfer system. As part of Tokio Marine we participate in Tokio Marine's Global Warming and Climate Change Summits, which assess the implications for the insurance industry. This year's summit, in April, featured speakers from academia and the commercial modelling world and was designed to assess the impact of climate change on the insurance industry.

This year, representatives of the Catastrophe Risk Modelling (CRM) team have attended the Willis Research Network events, the Risk Management Solutions (RMS) conference and the Reinsurance Association of America (RAA) conference

Kiln has recruited to the CRM team a person who qualified via the UCL MSc in Geophysical Hazards, and we encourage others to complete the same course.

Commitment 2 - Inform Public Policy Making

- Work with policy makers nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.
- Promote and actively engage in public debate on climate change and the need for action.
- Support work to set and achieve national and global emissions reduction targets.
- Support Government action, including regulation that will enhance the resilience and reduce the environmental impact of infrastructure and communities.
- Work effectively with emergency services and others in the event of a major climate-related disaster.

Examples

As a Lloyd's Managing Agent, Kiln seeks to debate, work with, and influence policy makers through its membership of Lloyd's. Examples of recent initiatives by [Lloyd's](#) have included:

- Working with policy makers - Lloyd's assisted the [Lighthill Risk Network](#) in the production of a paper highlighting data issues with trading funds, and has co-authored and endorsed the [Resilient Coasts Blueprint](#)
- Promote and engage in public debate – [Lord Levine](#) has continued to speak to leaders around the world about how the market can work with them to combat and manage the threat of climate change. Lloyd's sent a representative to the [National Initiative on Adaptation To Climate Change](#) in Portugal in June 2008, and has taken part in the [Geneva Association](#) programme on climate change
- Helping to set and achieve emissions reduction targets - Lloyd's supported the ClimateWise group in its preparation of a statement on the [UNFCCC Copenhagen](#) preparations which was presented to the UNFCCC in Poznan in December, and joined around 140 businesses in supporting the [Poznan communiqué](#) which was produced by The Prince of Wales' Corporate Leaders Group on Climate Change. Additionally the Corporation seconded an employee to the [Prince's Rainforests Project](#) (PRP) for the first quarter of 2009.
- Resilient communities - Lloyd's continued to support the [London Climate Change Partnership](#) (LCCP) during 2008 and in 2009.
- Work effectively with the Emergency Services - Lloyd's hosted "[Floodfighters City Resilient](#)" in 2008, an event that brought businesses and emergency responders together to discuss flooding in the context of Sir Michael Pitt's review of the 2007 floods.

Commitment 3 - Support Climate Awareness amongst Customers

- Inform our customers of climate risk and provide support and tools so that they can assess their own levels of risk.
- Encourage our customers to adapt to climate change and reduce their greenhouse gas emissions through insurance products and services.
- Increase the proportion of repairs that are carried out in a sustainable way through dialogue with suppliers and developers and manage waste material appropriately.
- Consider how we can use our expertise to assist the developing world to understand and respond to climate change

Achievements

Kiln's parent company, Tokio Marine is committed to providing insurance products suited to the risk from climate change, and takes its [responsibilities](#) in this regard very seriously.

Kiln continues the process of advising our Third Party Administrators and Coverholders to become more aware of climate risk and how to reduce the impact of claims adjustment by adapting their behaviour accordingly. Examples of this include the fact that wherever possible we will try to use local third party service providers and contractors to reduce the need to travel. Additionally as a member of Lloyd's we support their work on research into [adaptation](#).

The past year has seen real success in reducing the amount of paper used in the claims process, and Kiln has actively supported the use of Electronic Claims Files in preference to paper. Currently 25% of all open claims are traded electronically, an improvement on the 6.5% that were paper free 12 months ago. In order to facilitate this, and encourage an increase in electronic communications, we have established dedicated email boxes for notifications of new claims and ongoing correspondence. Volumes of incoming paper correspondence has fallen by 30% in the last 12 months and outgoing paper correspondence has reduced by 65% in the same period. 95% of claims payments are processed electronically, and we aim to improve on this over the coming year.

When claims are adjusted, Kiln actively encourages adjusters to utilise green or eco-friendly methods and materials as long as the policyholders and the costs are on a par with standard materials. Kiln also offers advice to our policyholders on mitigating the potential of future claims occurring by implementing changes to the structure and location of equipment. Lloyd's started a forum on Sustainable Repairs early in 2009 and we have a Kiln representative on this important forum, charged with finding ways to increase the number of repairs carried out in a sustainable way.

Kiln operates and writes risk mostly within the developed world, but through membership of Lloyd's is able to support their work within the developing world. Examples of this include the [Climate Change and Security Report](#) issued on 28 April 2009.

Commitment 4 - Incorporate Climate Change into Our Investment Strategies

- Consider the implications of climate change for company performance and shareholder value, and incorporate this information into our investment decision-making process.
- Encourage appropriate disclosure on climate change from the companies in which we invest.
- Encourage improvements in the energy-efficiency and climate resilience of our investment property portfolio.
- Communicate our investment beliefs and strategy on climate change to our customers and shareholders.
- Share our assessment of the impacts of climate change with our pension fund trustees.

Kiln's investment portfolio is conservative and is principally invested in debt, issued or backed by central Governments and in pooled liquidity funds. We do not invest in Equities, and therefore have more limited influence over the policy of investee companies. However our investment manager (Threadneedle Asset Management Limited) does consider the impact of climate change as one of the many factors influencing their investment decisions.

As we are a wholly owned subsidiary of Tokio Marine we do not have external shareholders. We cannot therefore impact the second, third and fourth points noted above, (other than via Threadneedle).

As a result of our ClimateWise representative attending the ClimateWise Investment Workshop on 20 April 2009, we have questioned our investment managers on the way they choose the investments that they recommend, and in particular; their expertise in looking at climate risk, how they engage with companies on climate risk, how they factor climate risk into their investment decisions and the extent to which they assess the potential risk of climate change on our portfolio. They believe that 'companies which have good governance and social, environmental and ethical practices will outperform in the long run'. They are signatories to the UN Principles for Responsible Investments (UNPRI), the Carbon Disclosure Project (CDP) and the Extractive Industries Transparency Initiative (EITI). They are members of the European Social Investment Forum, United Kingdom Sustainable Investment and Finance Association and the Association of British Insurers. Additionally they were voted Number 3 in the 2008 Thomson Extel SRI Survey in the category 'Leading Fund Management Firm for Sustainable and Responsible Investing'.

Kiln has a modest pension fund, which is invested in pooled funds. Accordingly we are not able to directly impact the companies in which these funds are invested.

Commitment 5 - Reduce the Environmental Impact of Our Business

- Encourage our suppliers to improve the sustainability of their products and services.
- Measure and seek to reduce the environmental impact of the internal operations and physical assets under our control.
- Disclose our direct emissions of greenhouse gases using a globally recognised standard.

- 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.

Achievements

Building on the success of the last year, Kiln's Green Committee continues to examine ways to reduce our impact on the environment by:

- Discouraging printing. Where printing is necessary we have switched to double sided to reduce paper
- using scanning to share documents
- endeavouring to purchase recycled materials wherever feasible
- examining the necessity to travel and increasing the use of video conferencing where possible
- actively participating in the Government 'Cycle to Work' scheme
- setting up arrangements to recycle a large proportion of waste (paper, glass, plastic, batteries, toner cartridges)
- reducing our electricity consumption by ensuring that lights, screens and computers are switched off automatically out of hours
- encouraging all of our staff to recycle wherever possible and to switch off lights and screens in meeting rooms when not in use

Additionally, environmental issues are key in the planning and implementation of our forthcoming office refurbishment, with reduction in energy and additional recycling in work and rest areas high on the agenda. We have selected a recycling company partly on the basis of their 'green' credentials (e.g. only collecting recycling when they can operate a full van and are donating profits to environmental charities)

In 2009 for the first time we are collecting data on the amount of energy and resources we use so that we can assess our usage year-on-year and ensure that we manage our consumption carefully. We are using a common data collection method with our parent company, Tokio Marine, and other companies in the group, to allow us to examine this globally, rather than locally.

We continue to engage our employees in our commitment to address climate change. Examples of this include periodic emails to remind staff about printing and consultation with staff about the refurbishment of the office. We have organised an all-staff lunchtime lecture on 'Coping with Climate Change - Risks and Opportunities for Insurers' to be delivered by Andrew Dlugolecki on 9 July 2009. Employees from other offices who cannot attend this lecture, will be able to view it on our intranet afterwards.

Commitment 6 - Report and Be Accountable

- Recognise at company Board level that climate risk has significant social and economic impacts and incorporate it into our business strategy and planning.
- Publish a statement as part of our annual reporting detailing the actions that have been taken on these principles.

Achievements

We have publicised Kiln's commitment to ClimateWise to all staff via our internal newsletter and individual group meetings, and encouraged all of our colleagues to play a part in fulfilling these principles. Additionally we continue to debate climate change, and our progress in meeting the ClimateWise principles, at Board level. Our ClimateWise representative has reported to a Board Member on attendance at a number of meetings including the launch of the London Market Faculty Coping with Climate Change Report (and as a result it was agreed that Andrew Dlugolecki should be asked to address all staff), the review of the 2008 report, the Investment Workshop and regular Lloyd's meetings on Climate Change.

Having been acquired by the Tokio Marine Group in March 2008, Kiln Group is no longer listed on the London Stock Exchange and is therefore no longer subject to their regulatory requirements. Accordingly we do not produce a full set of report and accounts and will report our progress against the ClimateWise principles on the R J Kiln website for the review of all stakeholders.