



Association of British Insurers

Financial risks in a changing climate

ENVEC 2007 (- no graphics web version)

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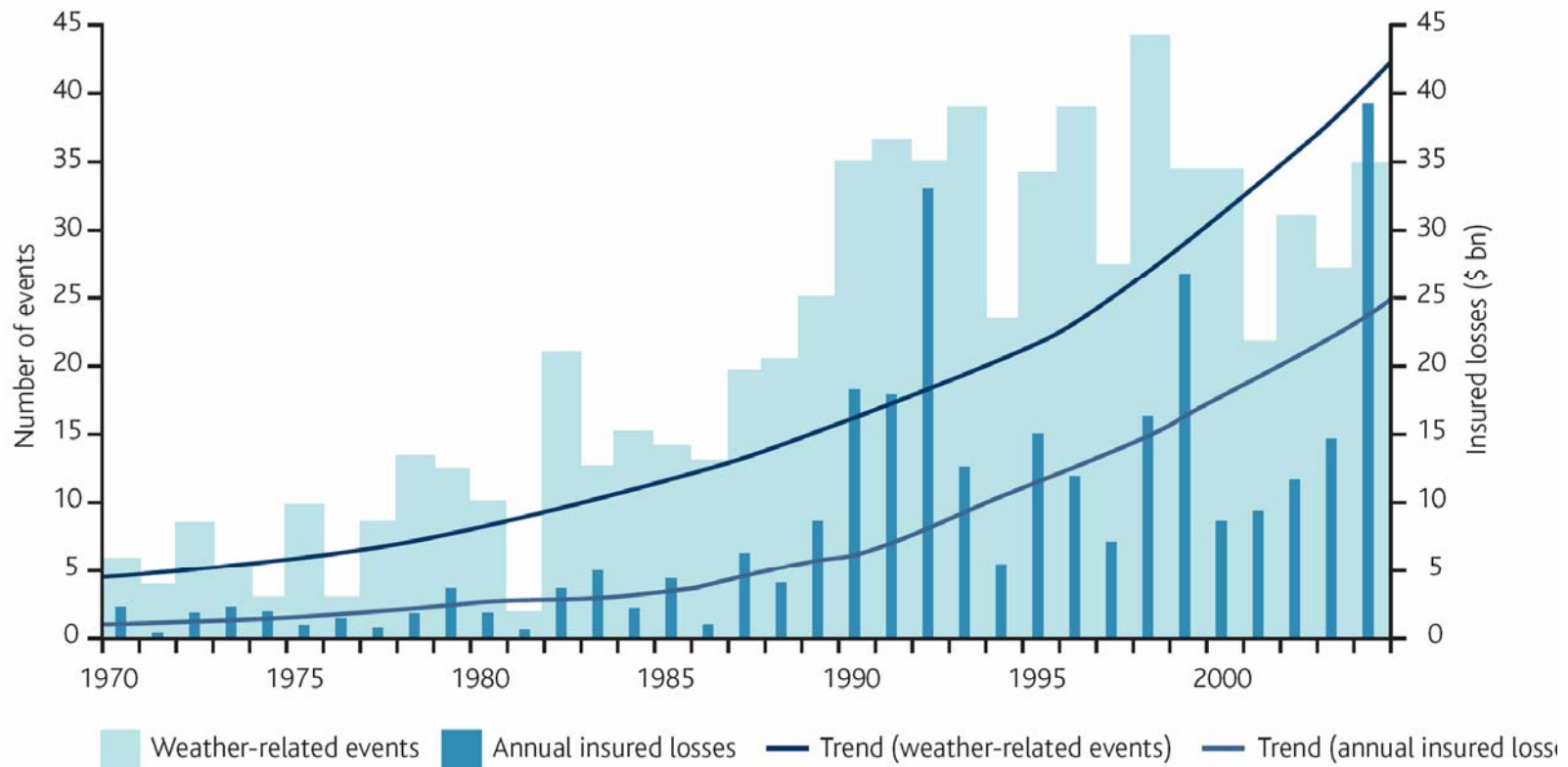


Insurance as a messenger of change

Source: Munich Re



Changing costs of extreme weather



Source: Sigma Database, Swiss Re.



Climate impacts

- Global temperatures have already risen by 0.6°C and are likely to rise further by at least 1.5-2.5°C
- Sea level rises of at least 0.5m expected in UK by 2050-60
- Tropical windstorm effects predicted to increase intensity of storms – damage up by 66-75% in US and Japan



Business and investment risks

- Climate Change is a *significant and growing source of risk* to business performance
- *Impact will vary* according to geography and sector
- *Investors and insurers need to understand* how businesses are affected and how they are managing these risks
- *An important part of non-financial reporting*, with implications for Directors and Officers who fail to address it



Climate change risks

- Physical risks
- Regulatory risks
- Liability risk
- Competitiveness risks
- Reputational risks

....but there are some opportunities too!



New market opportunities

£450m-£1.3bn p.a. in industrial renewables

£33.5bn carbon trading market could give rise to a significant insurance market, including guarantees for CDM delivery

Higher uptake of Household and SME insurance



ClimateWise

REDUCING THE RISK FOR TOMORROW

The commitment

1. Lead in risk analysis
2. Inform public policy making
3. Support climate awareness amongst our customers
4. Incorporate climate change into our investment strategies
5. Reduce the environmental impact of our business
6. Report and be accountable



In conclusion

- Climate Change is happening – faster than predicted.
- Public attitudes are changing rapidly.
- Both will have significant impacts on earnings in exposed companies.
- And longer term (uninsurable) impacts will hit sectors that do not adapt/manage risks.
- But there are new opportunities too!
- Investors and insurers are looking to understand this and decide the returns the risks require.



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www.abi.org.uk/climatechange