

## **ClimateWise**

### **Reducing the risk for tomorrow**

I recently represented the CILA at the ABI Climate Change conference which launched ClimateWise. This is a major insurance industry initiative to tackle the challenge of climate change and encourage more climate friendly customer behaviour.

The ClimateWise principles have been developed by leading global insurers, re-insurers, brokers and Lloyds of London to promote action on climate change. The intention is that they will enable companies and organisations throughout the world to build climate change into their business operations. They have been developed following nine months of intense activity by a working group consisting of the ABI and HRH The Prince of Wales Business in the Environment Programme and Business in the Community. It is hoped that the principles will encourage more climate friendly behaviour amongst individual and business customers.

The message coming out of the conference is that the world's climate is changing and the scientific community is overwhelmingly of the view that human behaviour is the major contribution to this. Such change is already having significant social and economic impact and will continue to do so.

The insurance sector enables businesses and individuals to manage risk, including long term threats such as climate change. The philosophy of ClimateWise is that the industry believes that the long term stability of our economy depends on our appropriate response to climate change and it is for everyone's benefit that the sector incorporates the risks from climate change and the need for mitigation into business strategies. Insurers need to work openly with policy makers, the scientific and academic communities and others by sharing analysis and understanding so that we are all better equipped to mitigate and adapt to climate change.

The diverse nature of the insurance industry means that different organisations will be able to take action in different ways on the ClimateWise principles. Working individually and collectively to reduce the long term risk from climate change, the industry will:

#### **1. Lead in risk analysis.**

- support and undertake research on climate change to inform their business strategies and help to protect their 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 their research with scientists, society, business, governments and NGOs through an appropriate forum.

## **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.

## **3. Support climate awareness amongst their customers**

- Inform customers of climate risk and provide support and tools so that they can assess their own levels of risk.
- Encourage 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 they can use their expertise to assist the developing world to understand and respond to climate change.

## **4. Incorporate climate change into their investment strategies**

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

## **5. Reduce the environmental impact of their business**

- Encourage their 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 their control.
- Disclose their direct emissions of greenhouse gasses using a globally recognised standard.

- Engage their employees on their 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.

**6. Report and be accountable**

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

Angus Tucker  
Deputy President