



# Climate Extremes and the Role of Insurance in Improving Societal Resilience

Alex Ntelekos | MORO 2022

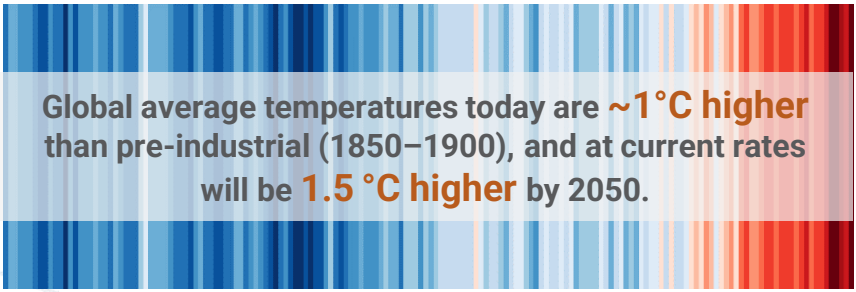
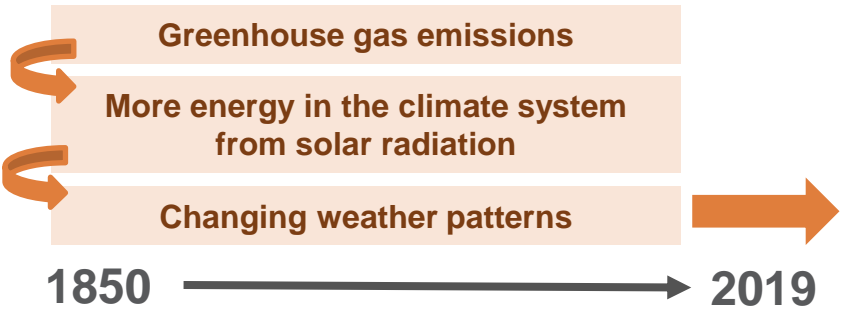


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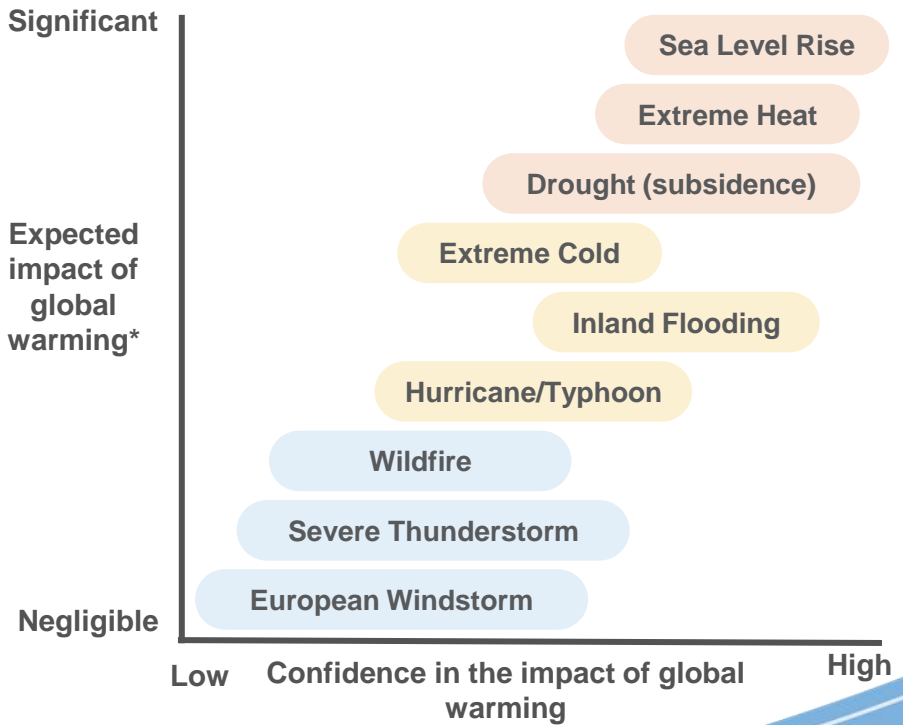
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# Climate Change Science

## What do we know?



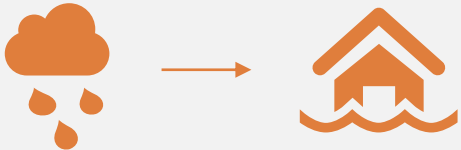
**Anthropogenic emissions have changed the climate and will continue to do so**



\* Expected impact can vary significant depending on territory

# Taxonomy of Climate Change Risk

## Physical Risk



- Changing climate conditions
- Extreme weather events

Direct damage to assets or property

- Lower asset values
- Increased insurance claims
- Supply chain disruption

## Transition Risk



- Policy changes
- Technological innovation
- Social adaptation

Disruption from adjustment to low-carbon economy

- Impacts on pricing and demand
- Stranded assets
- Defaults on loans

## Liability Risk

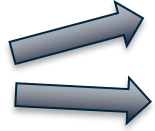


- Stakeholder litigation and regulatory enforcement
- Generation conflict

Not considering or responding to the impacts of climate change

- Business disruption resulting from litigation
- Penalties resulting from litigation

**Climate Adaptation Investment**



**Climate Risk Analytics**

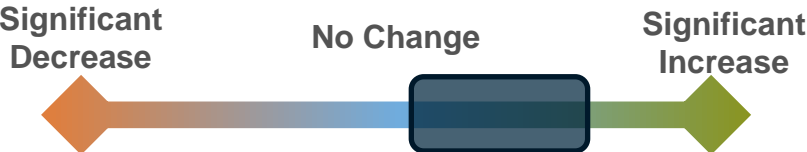
**Risk Transfer Products**

# Climate Change Peril Scorecard

## Inland Flood

### General Global Future Projection

#### Frequency



#### Severity



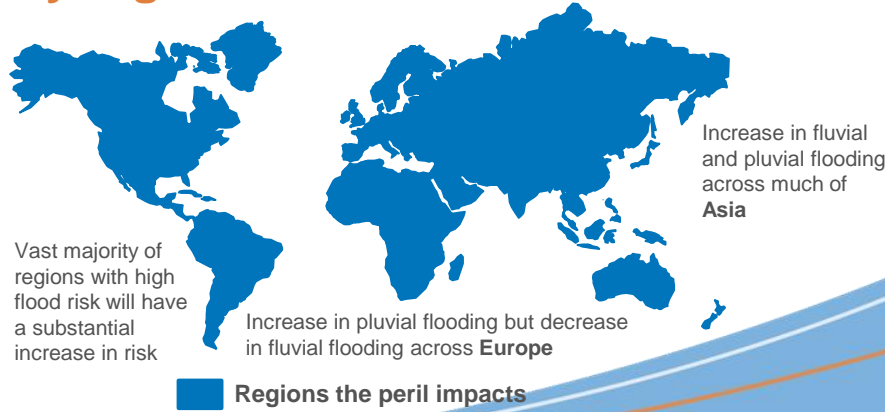
#### Certainty in projection



### Key themes of projections

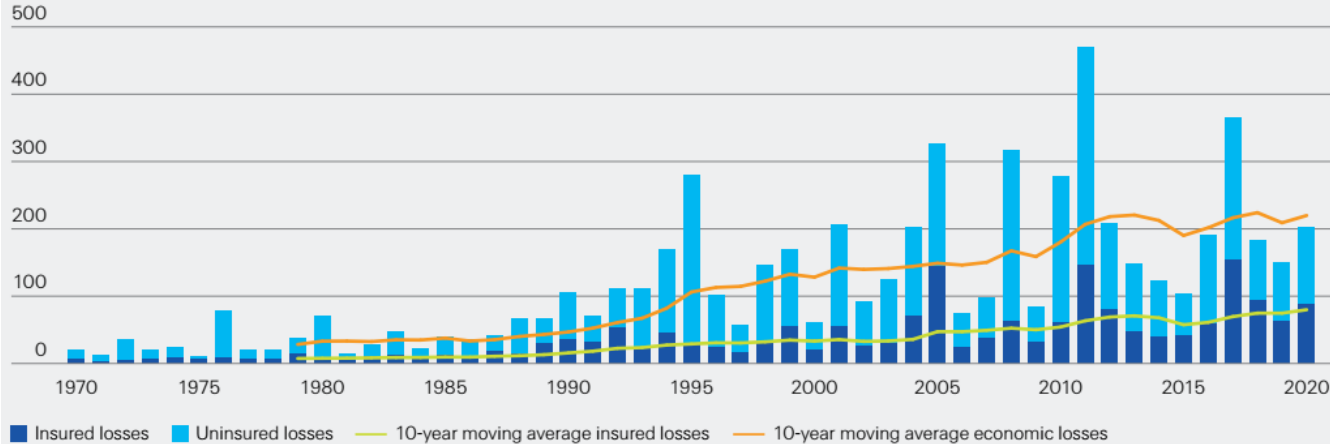
Climatic Change	General impact on Peril
Increasing atmospheric moisture content	More intense precipitation and heightened flood risk
Rising temperatures leading to more evaporation	In general wet areas get wetter and dry areas drier
Earlier snowmelt and decreasing snow cover	Highly regional changes both increasing and decreasing flood risk

### Key regional themes



# The Widening Protection Gap

Insured vs uninsured losses, 1970–2020, in USD billion at 2020 prices



Economic losses = insured + uninsured losses

Source: Swiss Re Institute

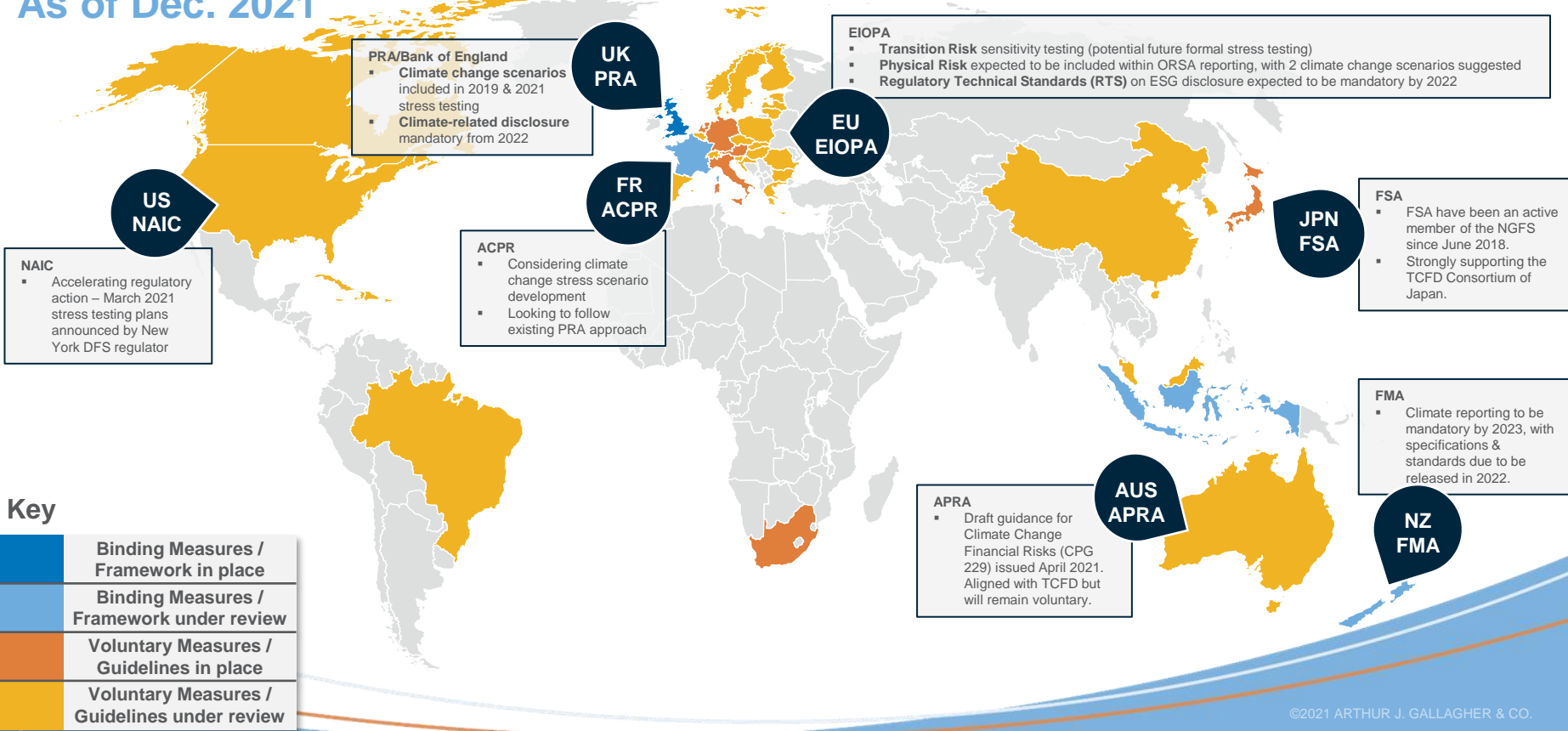
(Re)insurance plays a key role in helping governments manage this exposure – **risk transfer from the public to the private sector**

The insurance **‘Protection Gap’** is growing: only 30% of global catastrophe losses are currently insured\*. Governments are taking on a higher level of risk in an **effort to protect their societies**

**Climate change** impact combined with the underlying **growing exposure** due to wealth creation, likely to reinforce the necessity to **actively manage NAT CAT risks at Governmental level**

# Global Regulatory Approaches

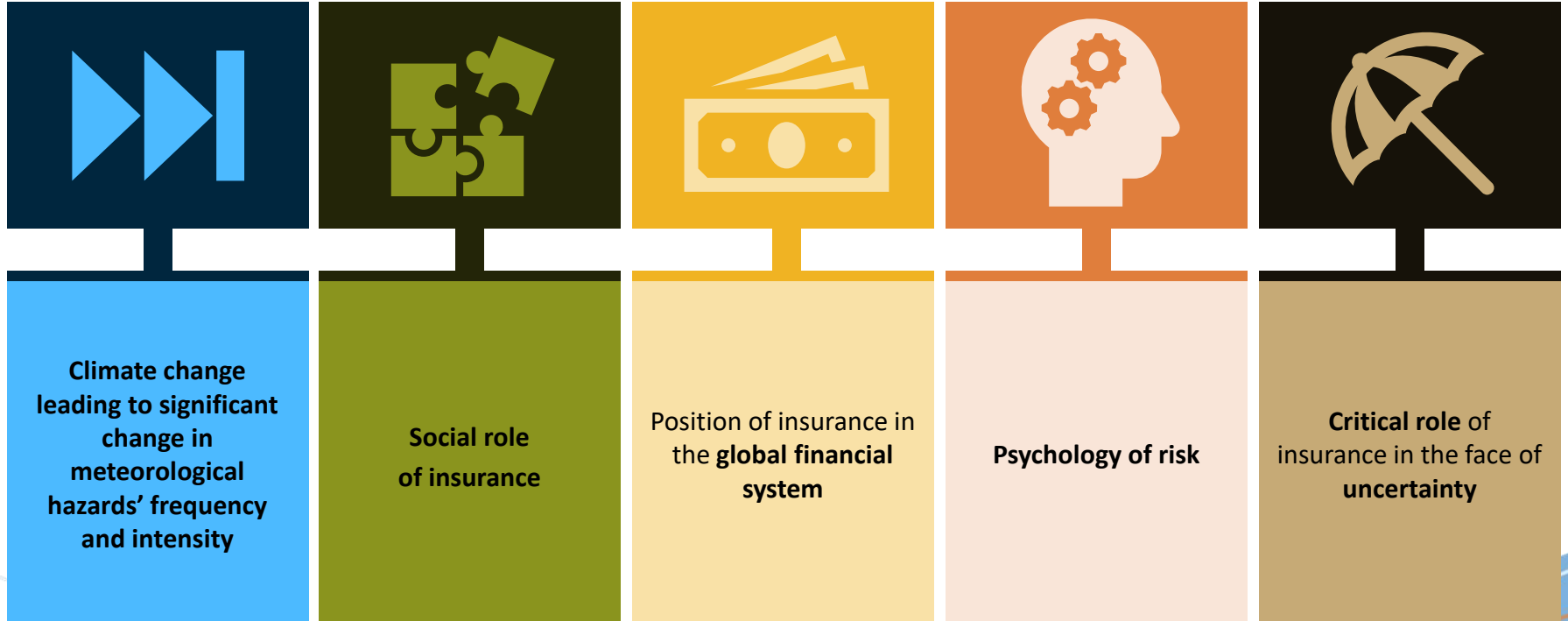
As of Dec. 2021



**Key**

■	<b>Binding Measures / Framework in place</b>
■	<b>Binding Measures / Framework under review</b>
■	<b>Voluntary Measures / Guidelines in place</b>
■	<b>Voluntary Measures / Guidelines under review</b>

# How important it is to be prepared





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## Management of unexpected risks within a private insurance company

- Risk capacity
- Risk appetite
- Risk measurement

## Identification and management of risks that lie outside the risk management framework

Transparency for all those involved as to which risks can be accepted and which cannot

Clear definition of level of risk that can be carried by the private sector and public engagement required to close the respective protection gap



# How important it is to be prepared

- 1** The insurance industry needs to be **part of the solution** and not part of the problem after a loss
- 2** Mapping of possible short-, medium- and long-term scenarios
- 3** **Working with as many partners as possible to find solutions, e.g. government, UN, development banks, NGOs, semi-governmental bodies, etc.**
- 4** Open **sharing of knowledge and skills**
- 5** **Realign internal stakeholders to recognize the value of collaboration**
- 6** **Changing the image of insurance and positioning to achieve a broader recognition of the industry's role in society**

# Mutual Insurers as a Source of Inspiration



**Trust:** Mutual insurers enjoy high-levels of trust by their customers. Interests of customers come first.



**Play the long game:** Profitability is not the exclusive or primary objective. Strong social purpose of mutuals.



**Reputation:** Values associated with mutuals such as sharing-of-profits, long-term horizon and sustainability are key for enhancing reputation.

# Questions

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