Supporting Resilience to Climate Risk and other Weather Risks

Louise Pryor
The full story

https://www.cisl.cam.ac.uk/publications/sustainable-finance-publications/investing-for-resilience
There’s more weather than there was was

A rising tide
Natural disasters by cause

- **Meteorological:** Storms
- **Hydrological:** Floods, landslides and avalanches
- **Climatological:** Extreme temperatures, droughts, forest fires

Source: Munich Re

Economist.com
Colour palette for PowerPoint presentations

- Dark blue: R17 G52 B88
- Gold: R217 G171 B22
- Mid blue: R64 G150 B184

Secondary colour palette

- Light grey: R63 G69 B72
- Pea green: R121 G163 B42
- Forest green: R0 G132 B82
- Bottle green: R17 G179 B162
- Cyan: R0 G156 B200
- Light blue: R124 G179 B225
- Violet: R128 G118 B207
- Purple: R143 G70 B147
- Fuscia: R233 G69 B140
- Red: R200 G30 B69
- Orange: R238 G116 29

Dark grey: R63 G69 B72
Resilience

Suffer less overall damage from an adverse event

• Avoid
• Reduce impact
• Enhance recovery
Resilience is a Good Thing

- For society as a whole
- For investors – how?
- For insurers – how?

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Insurers have levers

• Investment portfolios
• Financial markets
• Underwriting
• Marketing
• Expertise
• CSR / ESG

How can they use these levers to support resilience?
Investment portfolios

- Investments that directly enhance resilience
  - There’s often a problem with financial returns
- Invest in resilient assets
  - Help to kick off virtuous circle via increased demand
- Invest in corporates whose business is to enhance resilience
- Improve your own resilience
  - Avoid risk accumulations
Financial markets

• Investment in resilience produces significant economic returns
  – ... spread over a wide range of beneficiaries
  – ... emerging over the medium to long term

• Green bonds

• Impact bonds
  – Forest Resilience Impact Bonds

• Innovative funding mechanisms
Underwriting

• Is resilience reflected in the premium?
• Do lower premiums provide incentive for investment?
• Are insurance incentives aligned with resilience?
  – Resilient reinstatement
  – Multi-year policies
  – Comprehensive resilience services
Marketing

- Education
- Investment mandate
  - Premiums4Good (QBE)
Expertise

- Green Cities platforms
  - Urban infrastructure investments for the private sector
- Stakeholder partnerships with cities
- Staff secondment
CSR / ESG

• Land management projects
  – Living Lands project (Santam)
  – Mangrove planting (Tokio Marine)

• Education
  – Protecting the North (Suncorp)

• Pressure from investors and others?
  – Aiming for A
  – ClientEarth, Urgenda
A resilience rating system

• For investments, property, cities, corporates...

• Potential uses
  – Investment mandates
  – Underwriting
  – ...

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Questions

• What are insurers’ most powerful levers?
• How would a resilience rating system work?
• What are the most significant barriers? How can they be overcome?
Summary

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