



Association of British Insurers

# **Adaptation: Managing climate risks in developed countries - the insurance perspective**

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# Insurance as a messenger of change



Source: Munich Re



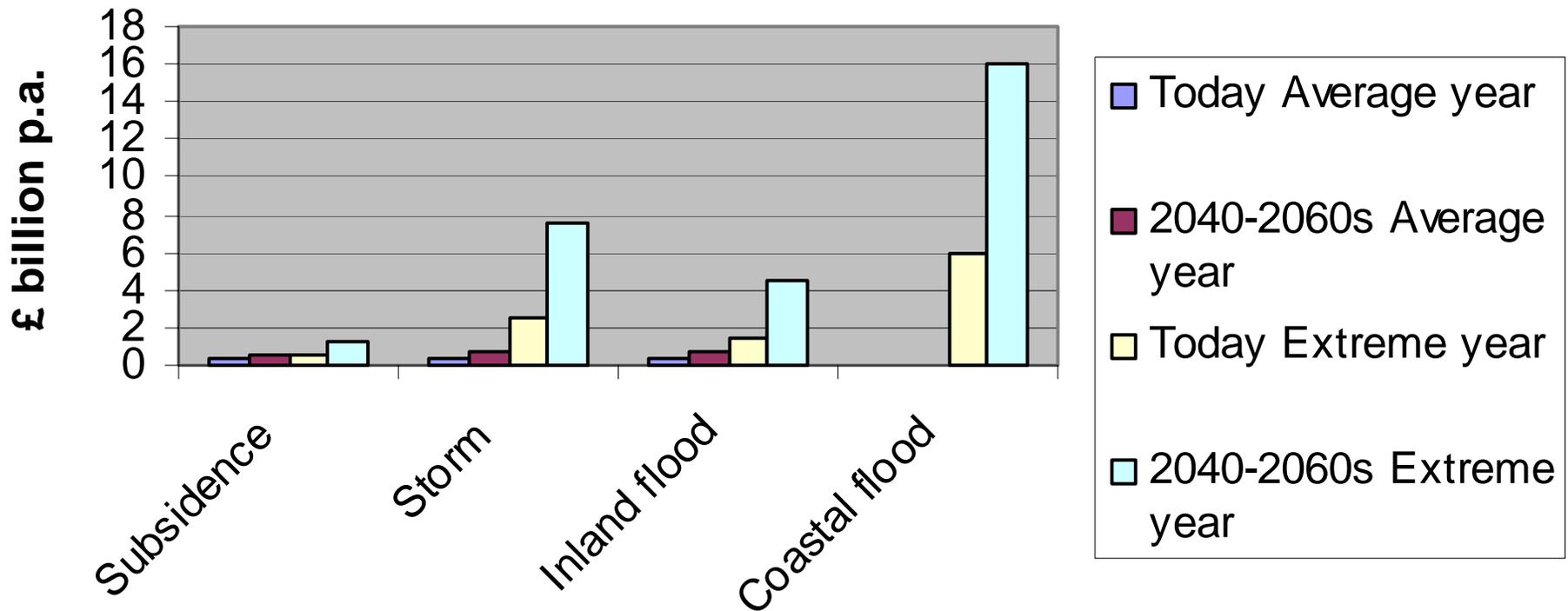
# The story line

- Climate Change is happening.
- Investors and insurers are looking to understand the implications and decide the returns the risks require.
- Adaptation and mitigation need to go hand in hand.
- Loss prevention and increased resilience are the key pillars – but clear regulatory signals are still missing.
- A public-private partnership approach is needed to keep the risks manageable, so that insurance will remain an affordable and sustainable solution.
- It is a challenge, but there are new opportunities too!



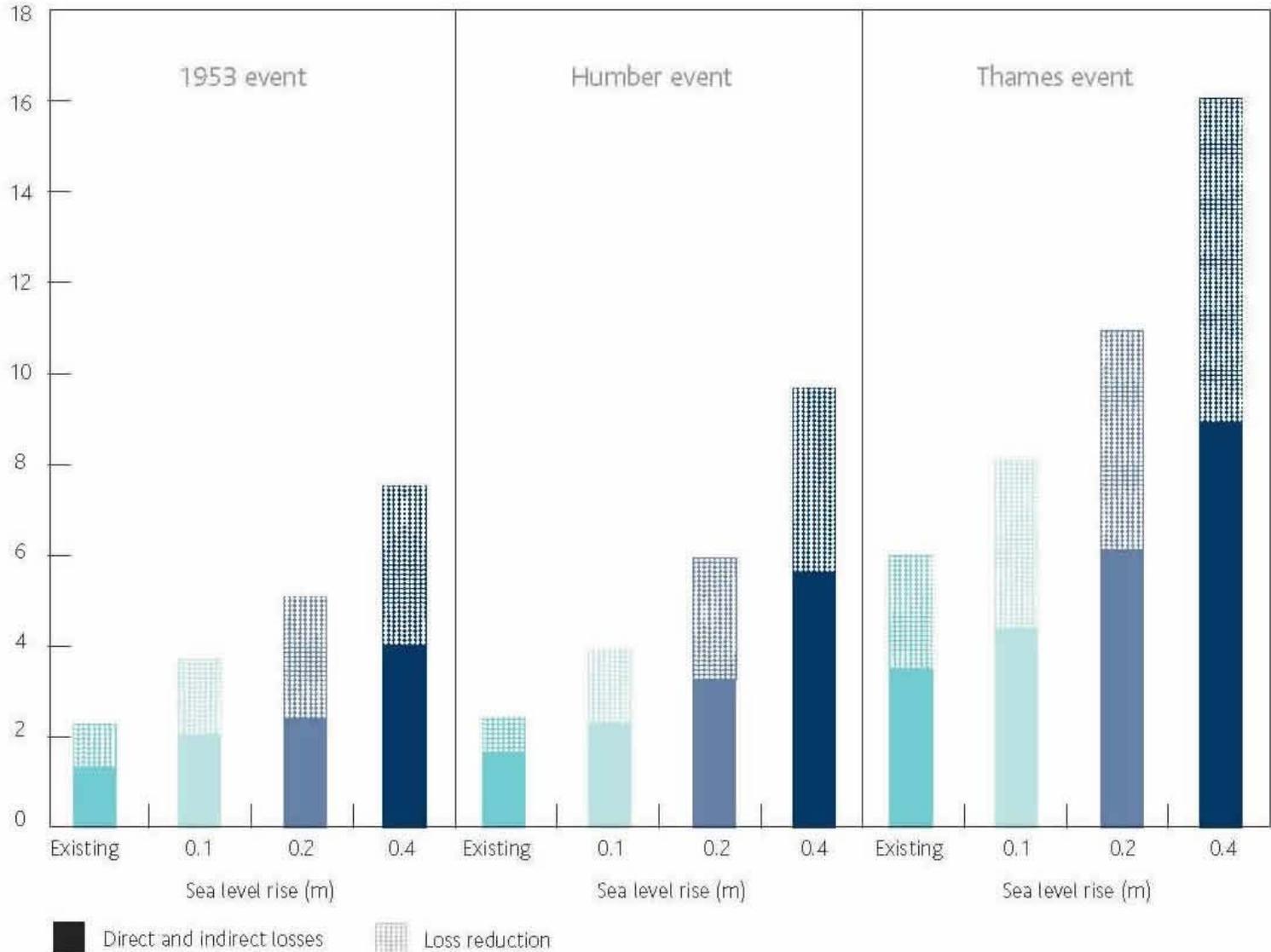
# Climate Change and Cost of insured losses

## Climate change and UK weather damage



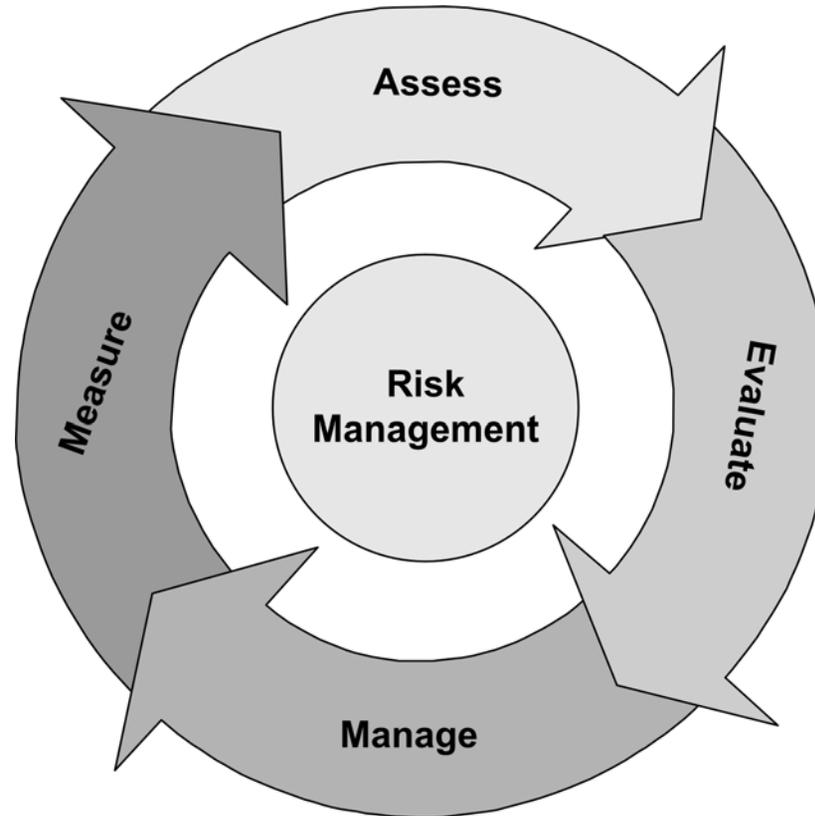


# Financial losses – after coastal protection improvements





# Adaptation = Risk Management





# Hierarchy of choices for adaptation

**Can site/properties be located outside the floodplain?**

If not...

**Can properties be located in the lowest flood risk areas?**

If not...

**Can occupied areas be raised above flood heights?**

If not...

**Are flood defences feasible/ cost effective?**

If not...

**Identify relevant property resilience options and examine alternative flood alleviation measures.**



# Adaptation responses needed – the ABI's Adaptation Manifesto



- Habitable housing
- Flexible commercial buildings
- Risk based development
- Reliable transportation
- Secure energy supplies
- Safe and secure water supplies
- Well educated workforce
- Healthy people
- Resilient trading partners



# The regulatory framework – examples:

- Making adaptation an integral part of existing policies/regulations
- Focus on certain hazards: “UK Flooding Bill”
  - Surface water flooding and drainage are fully assessed and considered as part of the planning process
  - Sustainable Urban Drainage Systems are used where practical
- Building Regulations
  - Revision to require resilience in flood risk areas
  - A voluntary ‘quality’ standard for resistance/resilience
  - Sustainable Building Codes



# Insurance and adaptation

- In markets with an existing natural hazard insurance market: adaptation is the key to maintaining insurance products affordable and available
- In emerging markets: adaptation is one of the conditions for establishing a functioning market



# New market opportunities



Increasing market penetration and uptake of existing weather-related insurance products.

New climate-friendly and resilient products – cover options/customer relations/added services.



Changing business risk profiles.



# 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





# Thinking for tomorrow, acting today

