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Insurance

Insuring Our Future Climate

Insurers are in the business of helping society to understand and manage risk, and is one of the largest sectors of our economy. The industry has a long history of advocating for common-sense precautions such as requiring seatbelts in cars, fire codes in office buildings, and safety standards for the workplace. These simple solutions help to keep American citizens— and American businesses—out of harm's way.

Today, we face a new and formidable threat—climate change. Extreme storms, wildfires and floods have devastated communities across the nation, and climate change is expected to increase the frequency, intensity and duration of future events. While climate change creates growing threats to the global economy, it also represents new opportunities for the insurance industry to demonstrate its leadership while also bolstering its bottom line. The business rationale for insurers to develop and promote climate risk resiliency is compelling, and there is a strong need for the industry to play a role.

The insurance industry can't solve the climate crisis on its own, but insurers have multiple tools at their disposal to help reduce climate-related losses for businesses, consumers, governments, and insurers themselves. Ceres works directly with insurance companies to promote six proactive steps the industry can take today to address the climate threat.

1. PLAN FOR THE FUTURE, NOT THE PAST.

Traditional risk modeling uses pastexperience to predict the impact of future weather events. But in the case of rapid and unprecedented climate change, historic weather patterns may not always be reliable predictors of future conditions.

Insurance companies will need to re-assess their risk exposure based on new and emerging climate data, and share these findings with regulators and policyholders.

Working with regulators, insurers can use updated risk models to update their underwriting and pricing to reflect the current reality. Additionally, by educating communities, businesses and individuals on growing climate risks, insurers can help American communities to plan for the future. This in turn will reduce the need for insurers to retreat from exposed regions, leaving government—and in turn, taxpayers—to bear the full cost of future damages.

2. BUILD COMMUNITIES TO LAST.

Climate change, and increases in extreme weather events threaten communities and basic infrastructure such as roads, bridges, airports, water treatment facilities and dams. Insurers can work alongside planners to strengthen the climate resiliency of communities. For example, insurers can influence the creation and enforcement of stronger building codes so that property is secured against high winds, flooding, power losses and extreme heat. Insurers can also lend their expertise to land use planning, ensuring that critically exposed markets are more resilient against the impacts of climate change and are rebuilt to withstand environmental catastrophes. Investing in greater resiliency today will help to ensure insurance availability and affordability in the future.

3. PROMOTE POLICIES THAT REDUCE CARBON POLLUTION.

If insurers are to truly play a role in addressing the threat of climate change companies must also focus on the source: carbon pollution. Insurers have an opportunity to lead the way in advocating for federal and international policies that limit greenhouse gas emissions. By helping society to reduce harmful emissions, insurers can work to decrease the severity of future climate change impacts and help build a secure, clean energy economy.

4. DESIGN CLIMATE-CONSCIOUS PRODUCTS AND INCENTIVES.

Insurers can also enable our transition to a low-carbon economy by scaling up products and services that promote clean and efficient energy use as well as resilient building design. Innovative products, such as “Pay As You Drive” auto insurance (PAYD) and discounted premiums for energy-efficient buildings, provide powerful incentives to reduce energy use and, in turn, climate changing greenhouse gases. Insurers should educate homeowners and businesses about weather-resilient building materials and techniques, while offering incentives for implementation. By developing new products and underwriting emerging clean energy developments such as wind farms and solar power arrays, insurers have an opportunity to not only speed up the transition to a low-carbon economy, but profit from it as well.

5. INVEST TO MANAGE CLIMATE RISKS.

As major economic actors, insurers are also large-scale investors. They can choose to invest in clean energy innovation, or continue to bet on climate-warming fossil fuels. They can invest in corporations that are leading the way in water conservation, energy efficiency and environmental responsibility, or they can support those pursuing “business-as-usual” in an age of ever-scarcer resources.

However, insurers will need to consider the sustainability of their enterprises and investment portfolios alike. Resources such as *The Ceres Roadmap for Sustainability* and *The Ceres Blueprint for Sustainable Investing* can serve as guides for the insurance industry as well. Climate change is no longer an extraneous, non-material financial concern for insurers, or for the firms they invest in. It’s a significant risk that must be managed responsibly.

6. REPORT ON ACTIONS TO CONFRONT CLIMATE CHANGE.

Insurers should measure and report progress on their actions to confront climate change. Continuing to increase the level of transparency and consistency of insurance company public reporting, such as through the Climate Risk Disclosure Survey and SEC filings, enables insurance regulators, investors, and policyholders to assess the materiality of climate risk to a particular insurance company and take appropriate actions in response.

Reports and Resources

Ceres Annual Report 2014
May 15, 2015

> Ceres began as a bold experiment 25 years ago, with just a few investors who envisioned a different way for companies and the capital markets to behave. At the time, our idea was radical: We set out to create a new sustainable business model that could protect the health of the planet and the long-term well-being of its people—all while strengthening, not limiting, our global economy.

Insurer Climate Risk Disclosure Survey Report & Scorecard: 2014 Findings & Recommendations
Oct 21, 2014

Amid growing evidence that climate change is having wide-ranging global impacts that will worsen in the years ahead, Insurer Climate Risk Disclosure Survey Report & Scorecard: 2014 Findings & Recommendations, ranks the nation's 330 largest insurance companies on what they are saying and doing to respond to escalating climate risks.

Building Resilient Cities: From Risk Assessment to Redevelopment
Dec 05, 2013

This paper by urban strategist Jeb Brugmann is one of three documents arising from the “Building Climate Resilience in Cities” workshop series. It explains one of the core concepts developed through our workshop series. This new strategic planning framework, called a “Resilience Zone” is introduced and explored through a four-stage development process.

Building Climate Resilience in Cities: Priorities for Collaborative Action
Dec 05, 2013

This is one of three documents developed by insurance industry leaders and city stakeholders through the Building Climate Resilience in Cities workshop series convened by Ceres and ClimateWise in 2012 and 2013.

Inaction on Climate Change: The Cost to Taxpayers
Oct 28, 2013

When we examine the full costs of public programs that pay for disaster relief and recovery from extreme weather events—ad hoc disaster assistance appropriations, flood insurance, crop insurance, wildfire protection, and state run “residual market” insurance programs—we can begin to understand the price to U.S. taxpayers of inaction on climate change.

Insurer Climate Risk Disclosure Survey 2012
Mar 06, 2013

This report summarizes responses from insurance companies to a survey on climate risk developed by the National Association of Insurance Commissioners (NAIC). In 2012 insurance regulators in California, New York and Washington required insurers that write in excess of $300 million in direct written premiums, and are licensed to operate in any of the three states, to disclose their climate-related risks using this survey. The aim of the survey and Ceres' analysis of the responses is to provide regulators with substantive information about the risks to insurers posed by climate change, as well as steps insurers are taking in response to their understanding of climate change risks.

Stormy Future for U.S. Property/Casualty Insurers: The Growing Costs and Risks of Extreme Weather Events
Sep 20, 2012

This Ceres report examines how extreme weather trends may be a harbinger of significant challenges ahead for a sector in which many companies are already confronting profitability and growth challenges. This analysis is based on a careful review of U.S. property/casualty insurance industry financial results as reported by A. M. Best Company in early 2012.

Climate Risk Disclosure by Insurers: Evaluating Insurer Responses to the NAIC Climate

Disclosure Survey
Sep 01, 2011

This report documents this powerful industry’s sluggish and uneven response to the ever-increasing ripples from global climate change, which could undermine both its own financial viability and the stability of the larger global economy. With the world still reeling from the devastating impacts of an economic crisis triggered by hidden risks in the banking sector, we can ill afford a new problem triggered by hidden risks in another.

Climate Change Risk Perception and Management: A Survey of Risk Managers
Apr 22, 2010

April 2010 - This report describes the results of a survey of corporate risk managers conducted by Zurich Financial Services, the Professional Risk Managers’ International Association (PRMIA) and Ceres. The survey is a first step in assessing whether and to what extent risk managers are concerned about the risks posed by climate change regulation and/or by climate change itself, and how well the insurance industry is or is not serving risk managers to transfer or manage the risks in this arena.

Climate Risk Disclosure in SEC Filings: An Analysis of 10K Reporting by Oil and Gas, Insurance, Coal, Transportation and Electric Power Companies
Jun 10, 2009

June 2009 - This Ceres/Environmental Defense Fund report evaluates the current state of climate risk disclosure by 100 global companies in five sectors that have a strong stake in preparing for a low carbon future: electric utilities, coal, oil and gas, transportation and insurance. It assesses climate risk disclosure in the SEC filings made by these companies in Q1 2008, and finds very limited disclosure.