



ENHANCING THE INSURANCE SECTOR'S CONTRIBUTION TO CLIMATE ADAPTATION

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and Resilience

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Leigh Wolfrom, Policy Analyst, OECD



Potential contributions of insurance to climate adaptation

Developing climate risk analytics

Incentivising adaptation by households and businesses (risk-based pricing/discounts)

Providing climate risk information and advice and expertise on effective adaptation

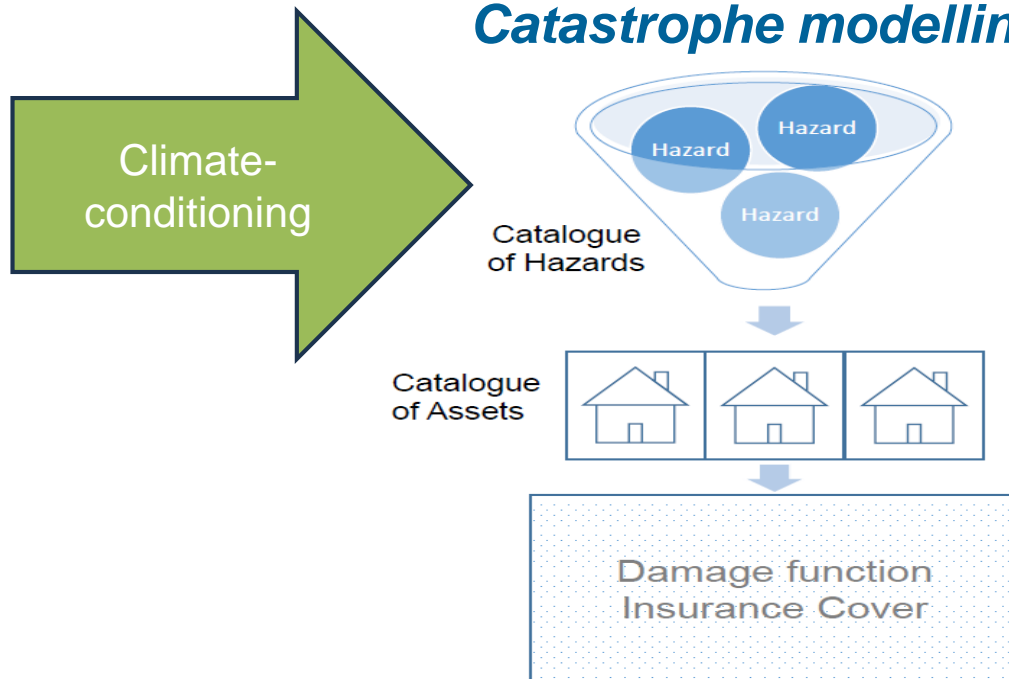
Supporting resilient reinstatement (or build back better) in the aftermath of climate events



Developing climate risk analytics

Context: the insurance sector invests significant resources in assessing natural hazard risks to manage (and price) the exposure that they assume in providing insurance coverage to households and businesses

Catastrophe modelling



Challenges:

- Uncertainty (future emissions, future adaptation, climate change impacts)
- Short-term contracts may limit demand for longer-term climate perspective
- Regulatory constraints may limit incentives for applying new technologies or assessment approaches

Could regulators and supervisors require insurers to undertake longer-term climate risk assessments?



Providing climate risk information and advice on adaptation

Context: the insurance sector has significant expertise on risk management and risk reduction that is (often) provided to (some) clients

SERVICES

Others may treat property loss as inevitable. Work with us and start seeing it as preventable. By investing in property risk management today, you can increase your company's ability to withstand loss in the future.

With access to cutting-edge research and on-the-ground engineering expertise, you'll be better able to identify and assess risk. That's the first step to developing proactive, cost-effective property loss prevention programs.

For example, our claims services professionals work closely with you before, during and after a loss, so that you can avoid major business setbacks or interruptions. Our project services team can help you minimize risk during new construction or renovation, while ensuring you have the right coverage. And our Business Risk Consulting services can help you identify potential exposures that can affect your company's ability to operate profitably after a loss.

To stay ahead of these risks, [redacted] brings a team of advisors who can provide insights and advice to help you:

- Identify and mitigate risks, both known and unknown.
- Develop strategies to build resilience and improve performance.
- Lower your cost of risk.
- Implement new strategies to expand what is possible for your business.

Our needs-based solutions are tailored to your specific goals. We can help you better understand and navigate risk, as well as improve outcomes and maximize controls.

Our risk consulting solutions team works with you to create risk management strategies designed to help you build resilience, applying deep industry expertise, advanced analytics, and specialist global knowledge.

Our analytics solutions provide actionable insights for informed decision-making on managing risk, powered by unrivaled data.

We are providing our customers with direct access to the expertise of our global network of Risk Engineering professionals – beyond property Risk Engineering.

In addition to taking Risk Engineering to the next level by providing a wealth of experience directly to customers, they will also continue to be able to leverage cutting-edge tools. These include our award-winning [Risk Advisor](#) for self-assessment, which is subject to ongoing refinement and enhancement based on your feedback as a user.

Our Risk Engineering services themselves cover a hugely broad variety of areas of risk – far beyond property – including, for instance, employer's liability, construction, motor fleet and general liability.

Challenges:

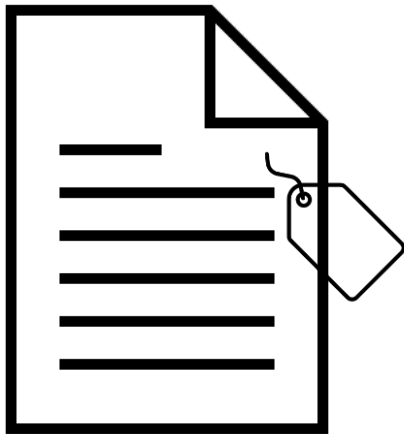
- Some evidence that policyholders are not receiving (or absorbing) information on risk reduction options
- Tailored adaptation advice may not be cost-effective for retail policyholders

Could regulators and supervisors require insurers to (effectively) communicate climate risk information and adaptation options to all policyholders?



Incentivising policyholder adaptation

Context: by setting premiums based on risk – and offering premium discounts for risk reduction - the insurance sector should be able to provide significant incentives for policyholder risk reduction



Challenges:

- Policy, regulatory and business constraints to full risk-based pricing
- Policyholders may not have (financial) capacity to invest in risk reduction)
- Insurers may not be sufficiently confident in effectiveness of measures implemented by policyholders (to provide discounts)
- Short-term outlook in property insurance coverage may dampen price signals and reduce incentives for adaptation
- Most effective adaptation investments may need to be made at community-level

Could regulators and supervisors require insurers to provide more effective (longer-term, climate-relevant) pricing incentives for adaptation



Supporting resilient reinstatement

Context: post-damage reinstatement provides a cost-effective opportunity to enhance property resilience against future risk



Challenges:

- Few incentives for insurers to take-on additional cost of more resilient reinstatement

Could regulators and supervisors require insurers to optional coverage for resilient reinstatement

Could governments provide complementary support for resilient reinstatement (to supplement insurance payments)



Explore our findings

Enhancing the insurance sector's
contribution to climate adaptation



Insurance coverage plays an important role in protecting households, businesses and governments from the financial impacts of climate-related disasters. However, climate change is expected to increase the frequency and/or intensity of a range of climate-related (weather) perils and could potentially limit the availability of affordable insurance in the future. Risk reduction through adaptation to climate change will be the only sustainable means to limit the increase in future climate damages and losses and potential disruptions to insurance markets. This paper examines the contribution of the insurance sector to climate adaptation. It outlines some of the challenges to assessing future climate risks, encouraging policyholder risk reduction and supporting resilient reinstatement. The paper also identifies potential approaches that policymakers, regulators and supervisors could consider to support a greater contribution of the insurance sector to climate adaptation.

<https://www.oecd.org/publications/enhancing-the-insurance-sector-s-contribution-to-climate-adaptation-0951dfcd-en.htm>