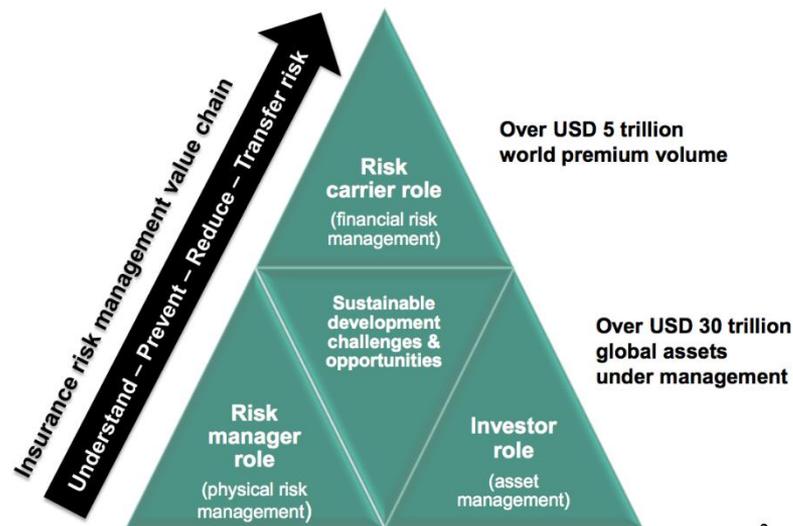


# Where next for sustainable insurance?

**Swenja Surminski, Head of Adaptation Research ,  
Grantham Research Institute LSE  
November 2019**

# Triple role of the insurance industry and climate change implications



UNEP – Principles of Sustainable Insurance

**Sustainability is a strategic issue, with material implications for insurers, their customers and investors.**

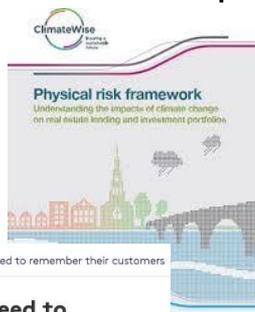
**Example climate change:** it can impact assets, liabilities and advisory services to clients through:

1. Physical risks
2. Transition risks
3. Liability risks

# Strong today and fit for the future?

➤ Reducing physical risk and increasing resilience

The modelling suggests that adaptation measures help reduce the Average Annual Loss from floods to properties in UK mortgage portfolios



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## Insurers disclosing climate risk need to remember their customers

Commentary © 2 August, 2019

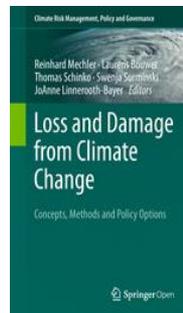


Credit: iStock

By Swenja Surminski, Head of Adaptation Research, and Sam Unsworth, Policy Analyst, Grantham Research Institute on Climate Change and the Environment

Extending climate risk disclosure to customers could yield a range of benefits for insurers, customers and the climate, but the industry will need to deepen the relationships that it holds with customers in order to achieve this, write Swenja Surminski and Sam Unsworth in this post for the [Sustainable Finance Leadership](#) series.

➤ Identifying and managing liability risks: How are insurers reporting and disclosing climate risks? Banking sector seems more advanced in applying TCFD guidance.



## Global trends in climate change litigation: 2019 snapshot

Policy publication © 4 July, 2019

Download

[GRI Global trends in climate change litigation 2019 snapshot \(PDF\)](#)

This policy report provides an overview of current issues in climate change litigation, focusing on selected cases and developments from May 2018 to May 2019. The report draws on the [Climate Change Laws of the World database](#) and the [U.S. Climate Change Litigation database](#).

➤ Assessing impact of transition to low carbon economy: Lloyds of London, Vivid Economics, Grantham Research Institute: Transition to a low carbon economy - implications for insurance (report forthcoming Dec 2019)

Transition to a low carbon economy: implications for insurance

• The three impact mechanisms could have distinct implications for existing and new underwriting activities...

### Sectoral production and competition

Existing cover:

- Level of demand changes as sectors grow and shrink
- Risk profiles vary as asset values change
- Costs of insurance can change if sectoral risks become less diversified or more expensive to verify

New cover:

- New technologies present new risks to insure, new business models to assist companies in risk management

### Supply chain and customer interactions

Existing cover:

- Level of demand affected by volume of transactions
- Risk profiles shift as creditworthiness of counterparties change

New cover:

- Sectoral and geographical shifts in supply chains mean sectors face new risks, including political risks
- New products and new contracting relationships in industries such as autonomous vehicles, hydrogen infrastructure, CCS

### Transition-related litigation and liability risk

Existing cover:

- Disclosure and compliance risks increase with climate-related regulation. These could shift rapidly.
- Sectoral restructuring increases litigation risk related to transactions and defaults

New cover:

- Increased uptake of low carbon technologies may be associated with significant IP risk for companies, which could present an opportunity for new insurance products

Note: The focus on general insurance is aligned with the FSB's evaluation of general insurance underwriting as the industry segment most exposed to transition risk. See annex for more details.

vivid economics

# Strategic questions that need to inform the next phase of the sustainable insurance journey:

1. **Closing the protection and resilience gap:** How can the industry build trust, capacity and long-term solutions where no markets currently exist or where rising risks threaten the availability of insurance?
2. **'Building back better':** Why are not all insurance repairs conducted with a low-carbon and climate-resilient future in mind?
3. **Investing in sustainable assets:** How can the industry address the disconnect between risk know-how on the underwriting side and investment decisions on the asset side? How can insurers play a market-shaping role in terms of driving demand for green and sustainable assets, not least for sovereign bonds, often the largest asset class?
4. **Make resilience an investable proposition:** Why are we not able to attach monetary returns to investments in resilience?
5. **Engaging with clients and customers through better risk signalling:** How could insurers set out requirements for their clients to demonstrate sustainable behaviour? How can insurers use risk signalling to inform other sectors and governments about the urgency of changing to more sustainable practices and policies?

# Thank you!

