

***Building sustainability into corporate strategy
-- options for cooperative and mutual insurers
to address climate change***

Speaking notes
(check against delivery)

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Climate change is the most important issue facing our generation. Many people fear the potential of climate change to destroy much of what is essential to life as we know it. For insurers, climate change represents a remarkable opportunity, an opportunity serve property owners concerned about the growing frequency and severity of extreme weather events. Today, I would like to share with you some options that cooperative and mutual insurers could follow to build sustainability into your corporate strategy and address climate change.

I have a small medallion. It was designed by Erik Lindberg, the Swedish sculptor who designed the medals awarded to winners of the Nobel Prize. It has an image of Alfred Nobel in deep thought. The medallion serves to remind me of my responsibility as a member of the United Nations Intergovernmental Panel on Climate Change. Our Panel and Al Gore were awarded the Nobel Peace Prize for our work "to build up and disseminate greater knowledge about man-made climate change, and to lay the foundations for the measures that are needed to counteract such change." Everyone here can help address this important issue. Moreover, your experience working in the insurance industry equips you with a set of skills that will allow you to take concrete actions to promote sustainability and confront climate change.

Let me set out options for a three-part action plan. First, as individuals and as insurers you should measure and then establish a multi-year strategy to reduce your environmental footprint. Second, against the backdrop of accelerating change in the climate, it is more essential than ever that property owners are able to secure affordable insurance coverage and loss prevention advice from skilled underwriters and claims professionals confident in your capacity to provide coverage against the risk of loss due to severe weather. And third, the International Cooperative and Mutual Insurance Federation and its members are uniquely situated to expand your efforts to champion micro-insurance as a mechanism to bring insurance to millions of people around the world who do not have access to financial protection, by adding a focus on promoting insurance against climate risks. Let me explore each of these elements in more detail.

Current and anticipated demands on the environment exceed the capacity of our planet, and cannot be sustained. Since the 1980s, world grain production per capita has been declining, the fish catch per capita has been declining, and the demand for many resources we use has been greater than new production. The challenge may be most evident in terms of population. One hundred years ago there were 1.7 billion people living in the world. Today there are 6.8 billion, an increase of 300 percent, and the experts predict that fifty years from now the world population will be 9 or 10 billion.

Unsustainable use of fossil fuels is changing our climate. We may avoid a dangerous warming of the planet if we move quickly to reduce greenhouse gas emissions by 80 percent. This is a major challenge. It will require all of us to contribute. World leaders will meet later this year in Copenhagen seeking agreement on an international strategy to prevent a dangerous change in the climate.

Insurance is not an energy intensive industry so it may be easier for insurance companies to contribute early and fully to this effort. A plan to reduce harmful emissions begins with an assessment of the environmental footprint of each company. Information about current emissions provides the foundation to develop a strategy to sustainably reduce over time the company's impact on the climate and the

environment. Experience shows that the greatest challenge is often securing a commitment to act.

Specific actions to reduce your environmental footprint involves recycling; reduced use of paper; and, investments in energy-efficient lighting, heating and cooling. It is important to regularly report on the actions you are taking to enhance sustainability.

More involved efforts to promote sustainability focus on actions you can take to change the behaviour those supplying services to you and by your policyholders. This can be extended to include in your business strategy an investment policy, corporate giving practices, and governance regime that reflects the importance of sustainability.

The second element of the plan provides an opportunity to showcase the skills evident in the insurance industry. The last publication issued by our Intergovernmental Panel on Climate Change reports that there is clear evidence around the world that the climate has been changing; that the pace of change accelerated over the past thirty years; and that even more rapid change is expected over the next thirty years. In particular, since the 1970s there has been an increase in extreme weather events that cause damage to property. As a result, property owners around the world are growing increasingly concerned about the risk of damage from weather perils. They seek to buy insurance protection and are willing to pay a fair price.

Insurance is the business of risk management. The skills present in the insurance industry are ideal for helping society cope with the increasing frequency and severity of extreme events. Moreover, the use of insurance is well established for property owners in developed countries. Insurers need to invest in increasing their knowledge about weather trends so they can confidently price and assume these risks. This will involve rigorous analysis of historic weather data, and an investment in climate models.

Policyholders are looking for coverage for new, green products like wind turbines, rooftop gardens and zero emission vehicles. Insurers will support the increased

use of these approaches through the timely provision of coverage at a fair price.

Insurers also have a long history of promoting loss control, including fire prevention and road safety. The increasing frequency and severity of extreme weather events provide an opportunity for insurers to communicate directly with policyholders about best practices to prevent severe weather damage. This should include incentives for policyholders with a reduced risk of loss. Insurers should also become more involved in public policy discussion about land use zoning, building codes, flood defense and other property loss prevention issues. Most insurance companies speak frequently about the role of government agencies to address fire prevention and road safety, and this should extend to discussion about promoting resilience to severe weather.

The third element of the plan would involve actions to make coverage available to millions of people who have never had access to insurance. The Federation and its members are leaders in the international effort to promote micro-insurance. I urge you to include climate risks as you advance this important work.

Over the past twenty years the international climate change negotiations have frequently identified insurance as an important mechanism for managing climate risks. Presently there is a discussion underway about how the world community could support action to expand the role and availability of insurance as a mechanism to help manage severe weather risks.

I am participating in the Munich Climate Insurance Initiative, a leading group providing specific advice about actions that can be supported by the United Nations and other international agencies to promote the increased availability of insurance for climate risks. Our research shows that those with the lowest incomes are often most severely affected by extreme weather, and the least able to cope with catastrophe. The promotion of insurance against climate risks should be one dimension of comprehensive international plan to address climate change.

The early micro-credit and micro-insurance experience demonstrates that local cooperatives and mutual societies are often essential for the initiatives

to succeed. Local groups often have the greatest credibility, as many property owners may be unfamiliar with the concepts and benefits of insurance coverage. Moreover, these micro-insurance facilities will operate in communities where traditional insurance coverages are likely inappropriate, so coverages must be designed locally to serve actual needs.

The approach adopted by the Federation to champion micro-insurance is ideally suited to support the efforts to promote insurance tools to manage climate risks.

Let me share with you an example of leadership to address climate change coming from the Canadian insurance industry. More than 70 percent of the catastrophic damage claims paid by insurance companies in North America over the past twenty years were due to severe wind events, including hurricanes and tornadoes. Accordingly, the industry directed our Institute, the Institute for Catastrophic Loss Reduction at the University of Western Ontario, to create a world-class wind engineering research program to document best practices to design and construct buildings resilient to severe winds.

The Insurance Lab for Better Homes is a facility for testing full-scale homes. We also conduct research on model homes in a wind tunnel, and are building a new \$35 million dome where engineers will be able to generate tornadoes in a controlled setting to help us learn more about loss prevention. The knowledge generated from this research allows the insurance industry to provide a science foundation for the development of building codes. It is also applied to improve underwriting decisions and support claims response.

Five weeks ago, fourteen tornadoes struck this region and the engineering team leading the forensic assessment of the damage was supported by the insurance industry. Within days of the event the team was available to share their findings directly with member insurers.

In addition, the Institute has used the information we are learning in the laboratory to inform insurers, home builders and other stakeholders about specific design features that will further increase the resilience of new homes to wind damage. This is our “Designed... for safer living” program. In partnership with The Co-operators, three homes have been built in Canada to these higher standards. We are taking lessons learned in the lab directly into the design and construction of new homes. The home The Co-operators and our Institute built in Atlantic Canada was later struck by Hurricane Noel and it experienced no damage. The “Designed... for safer living” program, led by the insurance industry, demonstrates that cost effective options can be identified to respond to the growing frequency and severity of climate perils.

On behalf of the Institute for Catastrophic Loss Reduction, I extend an invitation to work with the International Cooperative and Mutual Insurance Federation and its members to support the actions you are taking to promote sustainability, including actions to address the issue of change in our climate. In particular, I believe that there is a remarkable opportunity for the Federation to expand upon its leadership as a champion of micro-insurance by adding a specific focus of support for initiatives that address climate risks for the millions of people that have never had the opportunity to purchase affordable coverage. I would be pleased to share with you our experience working with the United Nations Environment Programme's Finance Initiative, the World Bank, the UNESCO International Flood Initiative, the United Nations Framework Convention on Climate Change and other international efforts that have the potential to partner in the promotion of micro-insurance. I understand that such an effort would be consistent with the leadership you have provided over the past 87 years to promote cooperative and mutual insurance.

I appreciate the opportunity to speak with you today about building sustainability into your corporate strategy. Sustainability issues, like climate change, are issues of growing concern to people around the world, and everyone here today has the potential to provide leadership to help society address these challenges. Options for cooperative and mutual insurers to address climate change include, in my opinion, a strategy to measure and reduce the environmental footprint of each insurer; a commitment to provide property owners with coverage against damage from severe weather perils at a fair price and accompanied by valuable loss prevention advice; and a chance to expand your leadership to promote micro-insurance by adding a focus on coverage for climate risks in markets where traditional insurance coverages have never been present.

To conclude, the most important message I would like to leave with you is that climate change represents a remarkable opportunity for insurers to serve. Thank you.