

Triple-I TALKING POINTS: Climate Risk and Resilience

Issue Overview: Regardless of the cause of climate change, the reality is insured losses caused by natural disasters are growing in frequency and intensity. Since the 1980s, insured losses due to natural disasters have grown by nearly 700 percent and four of the five costliest natural disasters in U.S. history have occurred over the past decade. The consequences of climate change remain hard to predict. Yet insurers are working hard to plan for increasing uncertainty, including helping customers better mitigate risks and become resilient. Insurers are increasingly investing in technology and catastrophe models to manage the future exposures of their customers, as well as their own business sustainability.

Key Idea: While Environmental, Social and Governance (ESG) priorities may seem new to many industries, insurers have long been involved in understanding and addressing these and other risk factors as a fundamental part of doing business. Over the past year, insurers and reinsurers have announced investment decisions which likely lead to carbon emission reductions.

Talking Points:

- Insurers rely on multiple models to assess risk.
- Today's catastrophe models have expanded to include risk factors of climatology, meteorology, hydrology and geology.
- A key part of being an insurer is helping customers manage risks and potential losses every day.
- A more resilient customer and/or community creates a win-win because the customer is less impacted and can more easily recover, while the insurer spends less on recovery.
- At the core of every insurer's mission is protect the financial interests of its policyholders, to ensure the company is financially able to pay claims and to foster risk management – for the insured and insurer/reinsurer.
- Insurers work together to build broad risk awareness among policyholders by promoting effective, preemptive mitigation.
- Because the cost of insurance reflects the cost of claims, strategies that reduce future losses will benefit policyholders, who will pay less for insurance protection.
- By its very nature, the insurance industry is uniquely positioned to understand risk and the wide-ranging impacts risk have on individuals, organizations and societies.
- The insurance industry's existence depends on the effectiveness of minimizing the financial consequences of uncertainty.