



ABI ClimateWise Report 2012 / 2013

June 2013

Introduction

Climate change is a complex and long term challenge, characterised by great uncertainty. Insurers have a key interest in understanding the effects of climate change and as the trade association representing the insurance industry in the UK, the ABI was instrumental in facilitating the launch of the ClimateWise initiative in 2007. We remain fully committed to understanding and responding to the risks and opportunities posed by climate change – a commitment demonstrated by our Director General, Otto Thoresen, who spoke at the ClimateWise annual review in November 2012.

The ABI's role is to represent the UK insurance industry, to voice its concerns, to suggest private sector solutions to problems shared by the Government and society, and to deliver the best outcomes for policyholders. As a forward-thinking organisation, the ABI works with government, regulators and policymakers – both in the UK and internationally – to ensure the insurance industry meets the highest standards. In the year to June 2013 this has involved the continuation and intensifying of our work on developing proposals to manage the long-term availability and affordability of flood insurance, as well as work to help our members develop sustainable investment policies. The former is one of the most significant issues currently facing the UK General Insurance market, and is right at the top of the ABI's agenda.

Policy development

The ABI is committed to working with insurers and policymakers to ensure the UK is as well adapted to the inevitable impacts of climate change as possible.

With the Statement of Principles expiring in the summer of 2013, the ABI has continued to commit significant resources to develop a sustainable solution which safeguards the future availability of flood insurance. We have developed the Flood Re model – a not for profit scheme which will provide flood insurance to any home at a set price, funded by an industry levy and supported by the Government. We have built stakeholder support for this proposal, working with consumer groups, the surveying community and property and mortgage representatives, and have driven an intensive negotiation process with Government. On June 27th 2013 the Government and ABI announced agreement on a Memorandum of Understanding, setting out our plan to work together to implement Flood Re over the next two years. In parallel, Government announced an increase in the capital budget for flood defences from £344m to £370m, and significantly indexed this to inflation until 2021. This excellent outcome was heavily driven by the ABI's negotiation on Flood Re.

Given the extent of flood risk in the UK, and the fact that it is only going to increase, flood insurance is one of the most important climate adaptation measures provided and is vitally important in ensuring homeowners have financial resilience to a potentially devastating climate impact. The example of our flooding work is a clear demonstration of the industry's commitment to responsible capitalism and management of long term risks. We are taking every step possible so that when the current unsustainable agreement with Government expires, people are not left without cover in areas susceptible to flooding.

We have also worked on broader climate change policy this year – advising the Committee on Climate Change on their future strategy and working with the Government on the implementation of their National Adaptation Programme. In Europe we have worked with Insurance Europe on the on-going policy thinking in Brussels on the role of insurance in managing natural disasters, and on the European Commission's climate adaptation strategy.

Investment management

The insurance industry is a critical global player in investment management. The scope to influence the whole of society in a positive way through our position as a major financier of UK plc and the treasuries across Europe is vast. We are pleased to see the Government taking a lead with initiatives like the Green Investment Bank to address climate related, sustainable investment. Through our Investment Affairs team, we actively engage with the fund management function of our members on a variety of issues, including climate change, with the aim of promoting efficient markets and long term value.

Through our publication 'Guidelines on Responsible Investment Disclosure' the ABI provides a list of disclosures, which institutional investors would expect to see included in the annual reports of listed companies. The Guidelines encourage companies to identify and manage material environmental, social and governance risks to the long and short-term value of the business, including climate change, where appropriate. The Company's disclosures should include information on how the Board considers these risks and the policies, procedures and verification systems in place to manage them (the full Guidelines can be found at www.ivis.co.uk/ResponsibleInvestmentDisclosure.aspx).

During 2013 the ABI hosted a roundtable discussion with former US Vice President Al Gore and co-founder of Generation Investment Management David Blood. Al and David discussed their views on sustainable capitalism and Generation's approach to integrating environmental, social and governance factors into fundamental investment analysis.

Sustainable Claims

Following collaborative work with ClimateWise last year, the ABI has assumed ownership of the Sustainable Claims initiative, helping UK insurers improve the sustainability of their property claims processes by sharing lessons on the implementation of the ClimateWise Sustainable Claims guidance and developing best practice. The working group is now beginning a process to create a 'menu' of drying options for water-damaged properties. This

aims to help insurers realise three objectives within the drying process – CO2 reduction, cost savings and improved customer experience.

This work allows the ABI to maintain an industry view on progress towards sustainable claims and helps member firms consider and investigate further opportunities for improving the sustainability of insurance claims. We are also working to develop a process that will enable members to benchmark and report on their progress towards sustainable claims management.

Reducing the environmental impact of our business

The project to replace the two main chillers in the ABI building completed in April 2012 and the resulting efficiency gains have been evident over the past twelve months. Energy consumption has reduced significantly, with electricity usage down by 13% and gas usage down by 41%. In addition, a centralised recycling system for paper, cans and plastic has been installed. We continue to ensure that all suppliers have their own environmental policy in line with ClimateWise principle 5.1.