

IUCN statement CEPA

*Regulating and reforming the insurance industry to combat climate change and accelerate implementation of the 2030 Agenda*

Excellencies, Distinguished Delegates,

While it is urgent for all of us to take action to reduce emissions and mitigate climate change, it is a fact that we are already locked into an emissions pathway that means that some catastrophic impacts of climate change are unavoidable at this point and already being experienced across the globe. The insurance industry can play a significant role in helping businesses, governments and communities mitigate damages and better adapt to these impacts. Insurance against the loss of ecosystems can provide the much needed protection for people dependent on them for their livelihoods, while encouraging their sustainable management. However, as the background note outlines climate change may be the biggest challenge to the insurance industry to date. With the weather patterns and water cycles changing at an unprecedented pace in many parts of the world, the predictions insurance companies have used to assess risk, based on historical data, are no longer adequate for predicting future risks from natural catastrophes. As such, losses are higher than expected when premiums were calculated, leading to investors in the insurance industry seeing diminishing returns. As a result, we have seen insurance companies cutting back on the coverage they provide particularly for vulnerable countries and communities.

Innovative insurance products and services as well as investment strategies that account for the interlinkages between climate change and nature could lead to win-win situations. On the liability side, insuring nature-based solutions can enhance resilience to physical climate risks and lead to carbon credits. Investments in ecosystems can reduce disaster risks, and when these benefits are quantified and linked to lower premiums, that provides an additional financial incentive for their protection/enhancement as well. Insurers can also invest in the restoration and conservation of nature-based ecosystems and solutions and develop investment strategies that support sustainable business practices. Establishing demand for and supply of insurance products targeted at the protection of nature-based systems will take time and comes with four primary challenges: 1) combatting the misperception that nature can be exploited for free, forever; 2) correctly pricing products and identifying customers who would benefit from them – and who are willing to purchase them; 3) a lack of data and tools for quantifying the value of nature-based systems in monetary terms; and 4) policy and regulatory issues

To effectively address the data gap governments, academia, international organizations and the insurance industry need to work together to ensure that the data required to roll out insurance products and services in areas and communities most vulnerable to climate change. IUCN has developed a wide range of tools and standards to better conserve and manage biodiversity, as well as to inform policy-making with the latest scientific knowledge that can address the gap in data needed for quantifying the value of nature-based systems. These tools include the IUCN Red List for Endangered Species, and the IUCN Green List of Protected and Conserved Areas. The data collection methodologies used in these standards and tools can serve as a source for data for the insurance industry. IUCN, with its network of over 16,000 experts have also provided risk assessments for global insurance companies, such as a report in 2018 on the global risks posed by ocean warming. Such collaboration strengthens the ability of the insurance industry to provide products and services that support climate change adaptation and is a good example of the kind of collaborative approaches that should be scaled up at all levels. I hope that today's discussion serves to spark new partnerships and collaborations of this kind.

Thank you.