

The Climate Risk Challenge – The role of insurance in pricing climate-related risks

Zurich, September 1, 2009 – Given the exceptional complexity of the climate risk challenge, the core insurance mechanisms of underwriting, claims management and asset management can play a central role in dealing with climate change, according to a new report published today by Zurich Financial Services Group (Zurich).

Zurich's brief white paper "The Climate Risk Challenge – The role of insurance in pricing climate-related risks", highlights that there is a strong need to create a structure of sustainable, market-friendly incentives for climate risk adaptation and mitigation and that insurers, whose core expertise is managing the balance between risk exposure and financial stability, are in an ideal position to suggest how this can be done effectively.

The report concludes that for insurers, the most important concepts for any public policy response related to climate change are:

- Terms and conditions of the policy response must continue to allow insurers to use their core skills to send risk-based price signals and manage risks
- Climate policy must close the global governance gap, including provisions, which allow for the quick and efficient resolution of situations involving a conflict of laws both within and between sovereign jurisdictions
- Climate policy must enable markets to function properly. To do so, public policy makers must properly assign property rights, and where they cannot be assigned because the property in question is a public good, governments must align incentives to reflect the goals of climate policy.
- Climate policy must recognize the regional nature of climate change and the resulting intersection of energy, water, and carbon risk management strategies

Note to Editors:

For additional information about Zurich's global climate initiative please see www.zurich.com/climate. The report can be downloaded from www.zurich.com/insight.

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