



Session Summary

DAY 1 Wednesday 24 October	
Session Details	<p>Workshop 1.3.3 “Sustainable Insurance: Better Risks, New Opportunities” 11:15am – 12:45pm</p>
Speakers	<ul style="list-style-type: none"> • Tony Coleman, Chief Risk Officer & Group Actuary, Insurance Australia Group • Bill Hartnett, Managing Director Asia Pacific, Innovest Strategic Value Advisors • Butch Bacani, UNEP FI Insurance Working Group • Moderator: Joan Fitzpatrick, Chief Executive Officer, Australian and New Zealand Institute of Insurance and Finance (ANZIIF)
Notable Highlights	<p>The 2007 Report, “Insuring for Sustainability: Why and how the leaders are doing it.” Was handed out at the end of the session. It is the inaugural report of the Insurance Working Group of the United Nations Environment Programme Finance Initiative.</p> <p>The highlights from this reports that were discussed are as follows:</p> <ul style="list-style-type: none"> • Knowledge is the first step towards achieving sustainability • Preparedness by insurers for the impact of climate change plays a major role in delivering the best value for products and services to the end consumer • Sustainable business practices reduce costs in the long term • Sustainability must be considered in terms of future benefits, as opposed to the short term focus which is currently prevalent in the investment industry
Preparation Pays Off in the Long Term	
<p>On Wednesday October 24, experts from the insurance industry gathered at the UNEP FI Global Roundtable to discuss the increasing importance of sustainable business practices.</p> <p>Climate change is the premier challenge of sustainability as the insurance industry looks towards its future. While the risks the industry faces are substantial, the opportunities to develop new tools and better business practices are boundless.</p> <p>Tony Coleman Chief Risk Officer & Group Actuary, Insurance Australia Group, used the Florida cyclones of 2005 as an example to highlight the environmental risks that the insurance industry must</p>	

UNEP FI Global Roundtable
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now consider in the face of climate change. Because insurance policies were not correctly subsidized, poorer insurance customers were left footing a disproportionate percentage of the bill after the cyclone hit.

In contrast, the Australian market has the opportunity to learn from the disaster faced in Florida and apply this knowledge in pricing insurance of waterfront property in Queensland. Sea levels are predicted to rise by at least 80cm in this century alone, yet the rate at which this rise will occur is uncertain. Packages similar to life insurance are being offered to people living on the Queensland waterfront, in which they pay the higher premiums now and if their property is left valueless by natural disasters they will receive maximum compensation.

Now, more than ever, there is a greater pull by consumers towards sustainable practices. The issues of sustainability and climate change are thoroughly ingrained in Australia's conscience, coinciding with the drought, the Stern Report and Al Gore's "Inconvenient Truth." Popular insurance products reward consumers for being sustainably minded. For example, Victorians who have in place appropriate bushfire plans will receive up to 15 per cent off their insurance premiums.

Bill Hartnett, Managing Director Asia Pacific of Innovest Strategic Value Advisors presented his company's rating system, which draws upon environmental, social and governance factors. Ninety major companies from around the globe were recently rated on how they manage risk and profit opportunity. There was an overall skew towards better ratings, indicating the major companies are now understanding they will have a competitive edge if they are attuned to sustainability and risk protection issues.

Mr. Harnett went on to explain that the insurance industry must look towards the future and weigh up the potential risks of natural disasters in order to protect the profitability of the insurance cycle. If they do not appropriately manage environmental risk factors, as in the Florida example, insurers may "wipe out the pool" of industry profits, which in turn would result in a rise of insurance premiums.

Increasing numbers of insurance companies are guided by the UN Principles for Responsible Investing (PRI) when managing their company's investment portfolio. Yet, there remains a disconnect between insurers looking towards long term solutions to sustainability and investor groups focus on the short term.

As the insurance industry works towards more sustainable business practices they must bridge the current gap between risk assessment and communication. They face the major challenge of communicating to their consumers the impact of environmental factors on their premium prices. Companies such as the Insurance Australia Group are leading the way as they set their prices for the long term, not instant revenue.