

# Munich Re's Position as Signatory of the UNEP FI Declaration on Climate Change by the Financial Services Sector

Dr. Torsten Jeworrek  
Munich Reinsurance Company

Climate Change and Financial Service Providers, August 30, 2007



Münchener Rück  
Munich Re Group



**The UNEP Finance Initiative - origin, main goals, activities**

**The three parts of the UNEP FI Declaration on Climate Change**

**Part 1: summary of climate change knowledge**

**Part 2: self-commitment of financial service providers**

**Part 3: commitments required from government leaders**

**Munich Re's approach to climate change risks and opportunities**

**Increasing losses from weather catastrophes**

**Strategic areas**

**Insurance sector's role & required policy preconditions**

## **The UNEP Finance Initiative - origin, main goals, activities**

### **The three parts of the UNEP FI Declaration on Climate Change**

**Part 1: summary of climate change knowledge**

**Part 2: self-commitment of financial service providers**

**Part 3: commitments required from government leaders**

### **Munich Re's approach to climate change risks and opportunities**

**Increasing losses from weather catastrophes**

**Strategic areas**

**Insurance sector's role & required policy preconditions**

- 1991: UNEP FI launched by a group of banks
- 1995: Reinsurance/insurance companies became members
- today: > 160 financial institutions from over 40 countries as signatories to UNEP FI statements

## UNEP FI's goals:

- innovative approaches to finance & sustainability
- incorporation of social, environmental and governance considerations into finance and investment practice

## Core Working Groups of UNEP FI (among others):

- Climate Change Working Group – Munich Re Chair 2002-2004
- Insurance Working Group (2006) – Munich Re member since 2006

## One core activity of the Climate Change Working Group: - CEObriefings on issues around climate change



The UNEP Finance Initiative - origin, main goals, activities

**The three parts of the UNEP FI Declaration on Climate Change**

**Part 1: summary of climate change knowledge**

**Part 2: self-commitment of financial service providers**

**Part 3: commitments required from government leaders**

Munich Re's approach to climate change risks and opportunities

Increasing losses from weather catastrophes

Strategic areas

Insurance sector's role & required policy preconditions

## Three parts of the Declaration:

### 1. Basics of climate change knowledge

... regarding the anthropogenic cause,  
the regions affected most,  
the estimated costs for the economy

### 2. Self-commitment of the financial services sector

... regarding climate change risks and opportunities

### 3. Commitments required from government leaders

... regarding political preconditions for a  
low-carbon, climate-friendly and hazard-adaptive future

### Anthropogenic cause in line with IPCC:

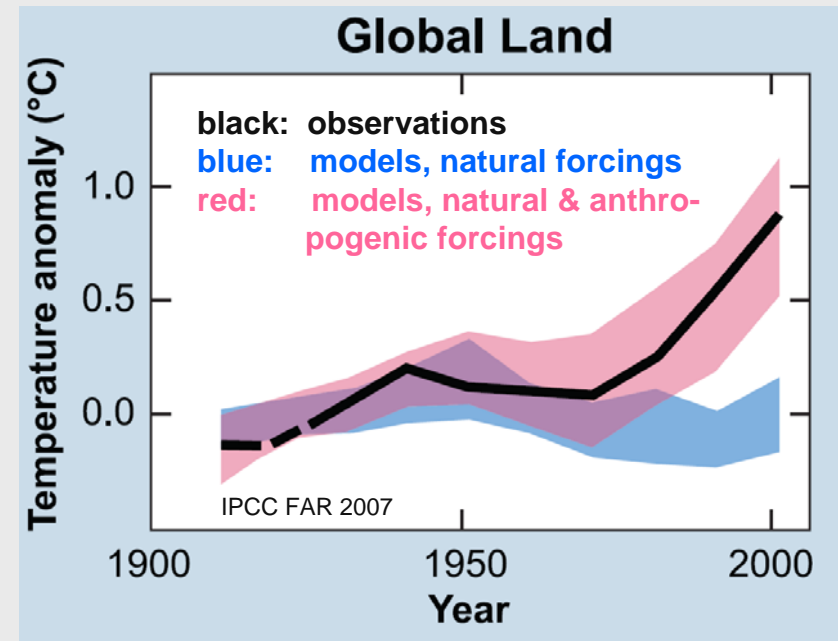
- contribution of GHG emissions essential

### Regions/people affected most:

- people least able to adapt – the world's poor in developing countries

### Estimation of total economic costs (Stern Review 2006):

- By 2050: 5 – 20% of world wide GDP annually expected
- Mitigation (keeping global warming below 2 - 3°C): costs of ~ 1% world wide GDP annually



### The financial services sector commits itself to ...

- advance knowledge and understanding of .....
- quantify & integrate .....
  - investments, product development
  - assessing/reporting cc impacts on company performance
  - reducing carbon emissions of clients and investments
- Assist clients to manage .....
  - assessing clients' exposures
  - improving adaptive capability via services/products
- Reduce own carbon footprint, report annual emissions transparently

**Risks  
&  
Oppor-  
tunities**

## Part 3: Commitments required from government leaders

### Adequate political and economic frameworks should provide ...

- long-term emission reduction targets  
(included in post-2012 Kyoto regime)
- a price on carbon & support for low-carbon investments  
via Kyoto mechanisms ETS, CDM, JI
- ambitious goals/incentives for renewables
- energy efficiency programs,  
deployment of low-carbon technologies
- climate adaptation policies integrating  
sustainable development and disaster management

The UNEP Finance Initiative - origin, main goals, activities

The three parts of the UNEP FI Declaration on Climate Change

Part 1: summary of climate change knowledge

Part 2: self-commitment of financial service providers

Part 3: commitments required from government leaders

**Munich Re's approach to climate change risks and opportunities**

**Increasing losses from weather catastrophes**

**Strategic areas**

**Insurance sector's role & required policy preconditions**

# Munich Re's approach to climate change

## Increasing losses from weather catastrophes

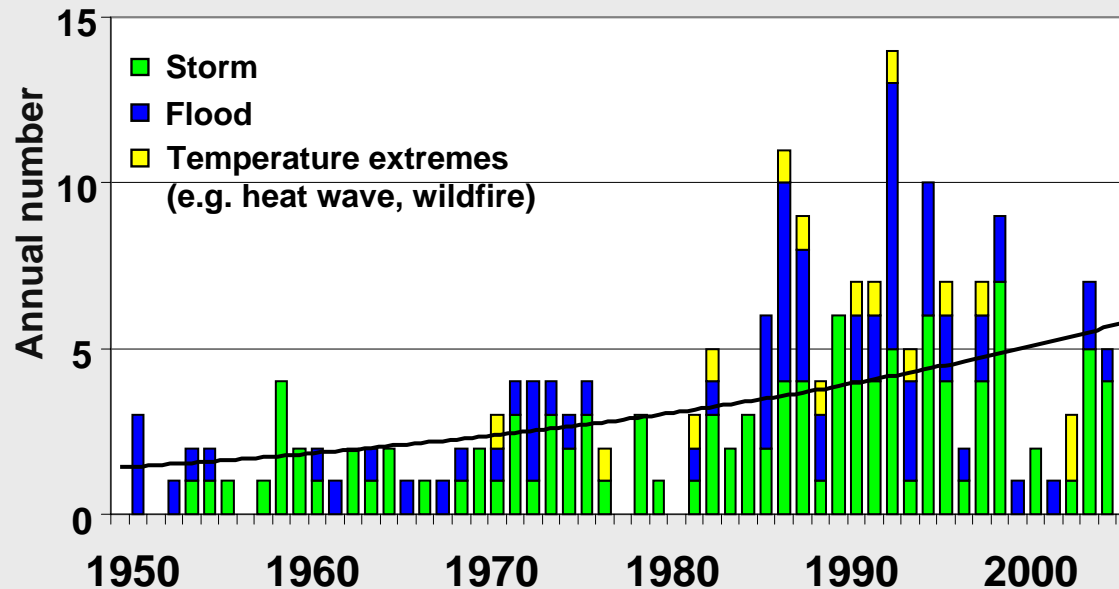
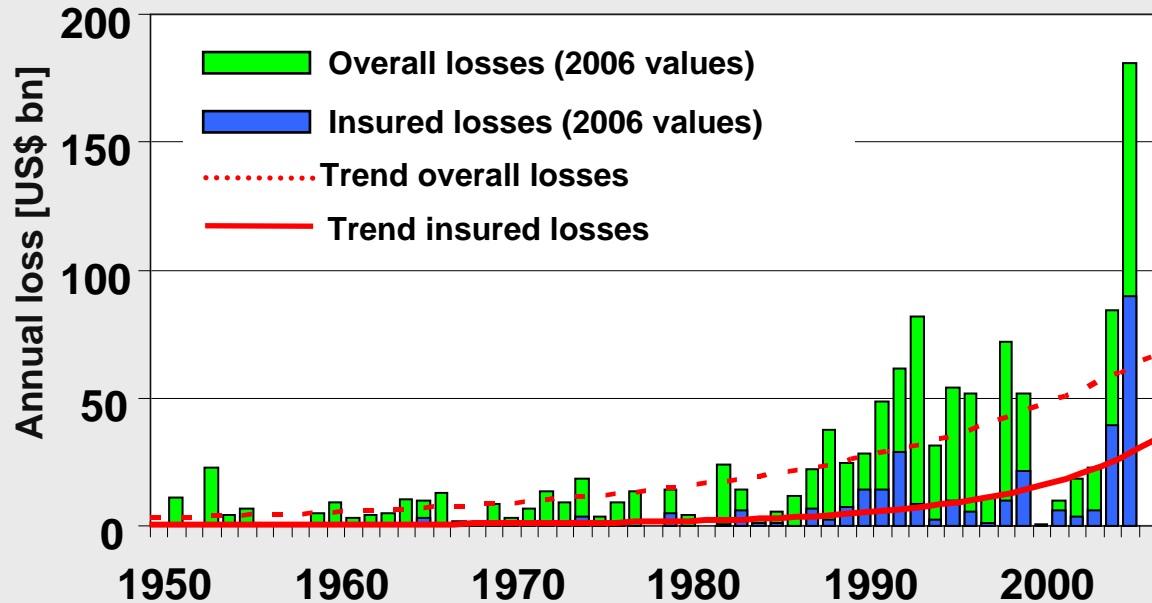
### Weather extremes on the rise:

- intense hurricane activity,
- heavy precipitation events,
- warm spells/heat waves,
- thunderstorms (hail, ...)

IPCC sees contributions from anthropogenic climate change

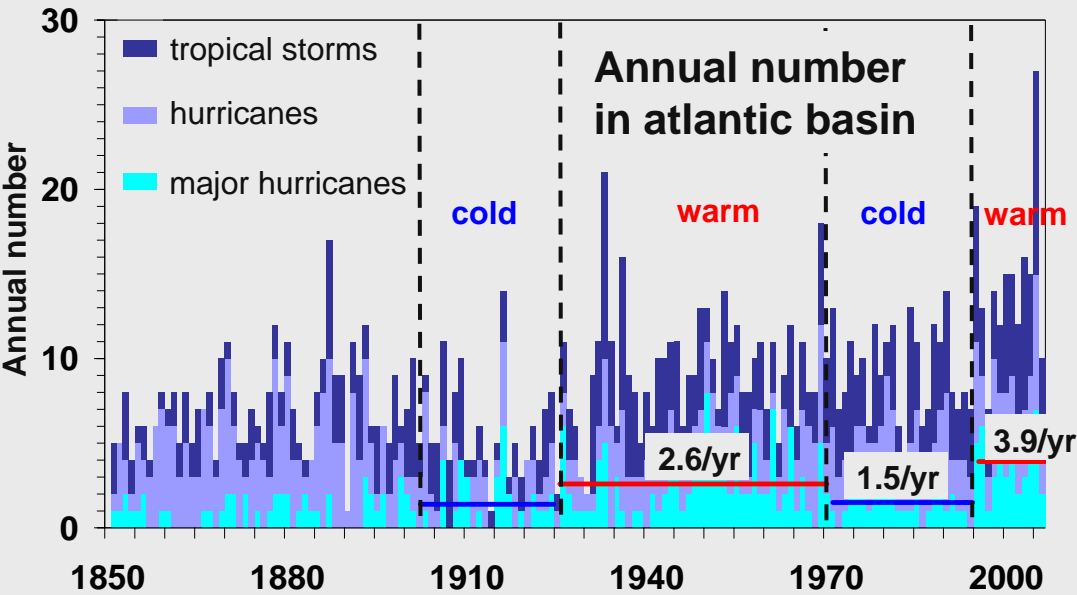
Loss trends mainly driven by socio-economic changes

Increase in annual numbers of atmospheric catastrophes: reflects also climate change



# Munich Re's approach to climate change

## Increasing losses from weather catastrophes

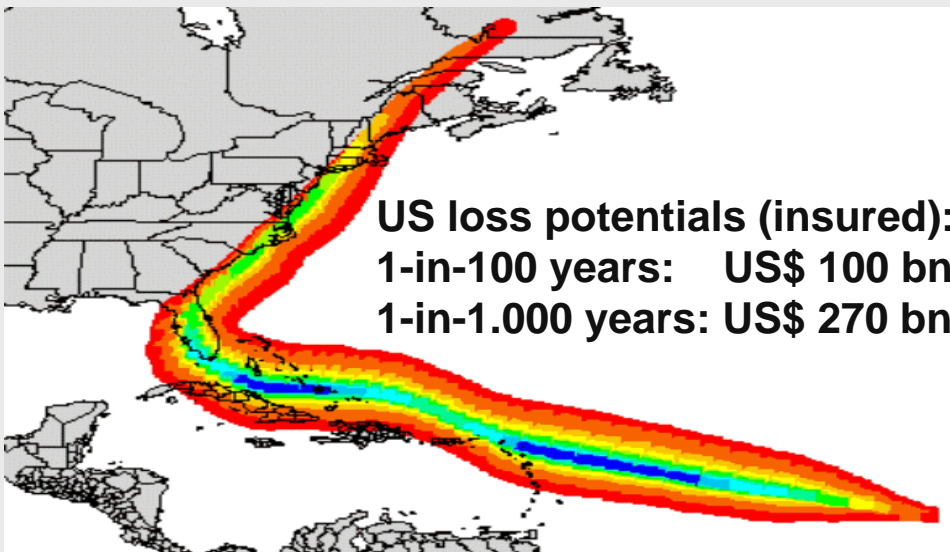


### Recent examples from the Atlantic: (US\$ m, inflation-adjusted)

Date	Event	Region	Econ. losses	Insured losses
2004	Charley	USA, Caribb.	19,700	8,700
2004	Frances	USA, Caribb.	13,100	6,500
2004	Ivan	USA, Caribb.	25,000	13,700
2004	Jeanne	USA, Caribb.	10,100	5,500
2005	Dennis	USA, Caribb.	3,300	1,250
2005	Katrina	USA	133,000	* 66,000
2005	Rita	USA	17,000	12,800
2005	Wilma	USA, Mex.	21,300	13,200

### Recent examples from the NW-Pacific: (US\$ m, inflation-adjusted)

2004	Chaba	Japan	2,200	1,300
2004	Songda	Japan, S Kor.	9,850	5,150
2004	Tokage	Japan	2,500	1,400
2006	Shanshan	Japan, S Kor.	2,580	1,250



\* including 16,700 NFIP

## Strategic areas

### Credibility - Munich Re's carbon footprint

- global reinsurance activities CO<sub>2</sub>-neutral by 2012
- extensive reporting on emissions & environmental standards (e.g. to the Carbon Disclosure Project).

### Building knowledge and awareness of risks & opportunities

- many brochures (TOPICs), book publication 2005
- engagement in insurance and scientific conferences, meetings of decision makers



## Strategic areas

### Three aspects

#### Management of assets

Integration of sustainability criteria into investment strategies

##### Examples:

- investments acc. to sustainability criteria
- development of a climate asset analysis tool
- retail fund investing acc. Dow Jones Sustainability
- transparency (CDP participation)

#### Risk measurement/ underwriting

Changed frequencies/intensities of weather hazards in underwriting/risk management

##### Examples:

- prospective risk management (e.g. tropical cyclones, El Niño/La Niña, ...)
- holistic approach in risk model (budgets)
- climate risk analyses of clients' portfolios

#### New markets/ new products

Pathway to low-carbon, hazard-adaptive economies: new business opportunities

##### Examples:

- Kyoto Multi Risk Cover (delivery of carbon credits as planned)
- catastrophe schemes for most affected countries
- microinsurance in developing economies
- covers for renewable energies



### The role of insurance industry – in aligned interest with society

- products enhancing society's hazard-adaptive capability
- products promoting society's emissions reduction goals
- transparency of risks via risk measurement & risk adequate premiums
  - > sound actions, prevention, reduced loss loads for society
- provision of data on weather-related losses to science, political decision makers and the public

### Required policy preconditions

- regulatory frame (building codes, land use, prevention measures)
- abatement of regulatory restrictions on risk-adequate pricing (w.r.t. climate-driven changes in regional hazard situations)
- long-term enhancement of fiscally privileged equalization reserves (nat cat)
- comparable conditions in terms of reinsurance enterprise taxes world-wide

## Climate change

- large global challenge, also provides large business chances

## Insurance industry's role

- products promoting society's hazard-adaptive capability and emission reduction efforts
- transparency of risks

## Munich Re aligned with societal interest

- good match of Munich Re's business model and societal interest (hazard-adaptive society, emissions mitigation)
- strong support for UN institutions tackling climate change
- leading role by providing economically sound solutions for the society

**Thank you for your attention!**



**Münchener Rück  
Munich Re Group**

