

INSURANCE COUNCIL OF AUSTRALIA PUBLIC STATEMENT ON CLIMATE CHANGE

ISSUED: JUNE 2019

The members of the Insurance Council of Australia (ICA) accept the international scientific consensus presented by the Intergovernmental Panel on Climate Change and supported by the CSIRO.

The earth's mean surface temperature is increasing and it is extremely likely the dominant cause of the observed warming is the effect of human activity on the climate system. In recent decades, changes in climate have caused impacts on natural and human systems on all continents and across the oceans.

Our members support the ratification of the United Nations Framework Convention on Climate Change Paris Agreement by the Australian Government, including commitments to significantly reduce emissions below 2005 levels before the year 2030. The ICA is also a signatory to the United Nations Principles for Sustainable Insurance.

Climate change is occurring along a rapid and severe pathway, and without intervention it presents a serious risk to environments, economies and communities worldwide. The impacts of human-induced greenhouse gas emissions are becoming increasingly evident through the occurrence of more frequent and intense extreme weather events, sea level rise and global mean temperature increase.

As a shared risk, and a shared responsibility, climate change presents several concurrent pressures for the insurance industry and wider Australian community:

- 1) Changing physical risk, extreme weather patterns, and the need for new tools, modelling and investment to inform decision making, climate adaptation and mitigation
- 2) The continued need for suitable and affordable insurance products to protect the community and businesses against perils
- 3) A changing economy and the transition to a low carbon emissions economy, and
- 4) The need to ensure the solvency and stability of prudentially regulated entities.

Insurance industry action

The role of general insurance is to assist policyholders to recover from losses, such as those caused by extreme weather events. With expertise in risk management developed over hundreds of years of operation, general insurers play a critical role in communicating, managing and responding to the risks that many policyholders face today, as well as how those risks may evolve under a changing climate.

We are working alongside the community, governments and other stakeholders to help ensure insurance remains affordable and accessible through adaptation and increased community resilience.

To achieve this, the ICA has established a Climate Change Action Committee (CCAC) which will operate as a member working committee reporting as required through ICA management to the Board of the ICA. The mandate of this committee is to:

- 1) Support the insurance industry to embed climate change issues and insights into decision making.
- 2) Work with stakeholders to raise awareness of climate change and the impacts of climate change, manage risk and develop solutions including awareness of disaster preparedness in communities, and improve disaster response and recovery.
- 3) Work with governments, regulators and other key stakeholders to promote action on climate change and other environmental issues.
- 4) Support industry disclosure of climate risks and opportunities.

The Insurance Council of Australia has developed a draft strategy based on these four principles and has started work immediately to implement a coordinated industry response. We aim to enable Australia's transition to a resilient and low carbon economy and offer continued support to the communities we operate in for a sustainable future.