



## Media Release

### **Insurers Warned: Financial turmoil does not eclipse climate change risks**

**23 October 2008:** A new global research report on insurance – the world’s largest industry<sup>1</sup> - underscores the importance of tackling climate change despite the current global financial crisis, given that climate change in 2008 is named the top strategic threat to the insurance industry<sup>2</sup>.

“Today insurers effectively face a clash of two major storms: the global financial crisis and increasing vulnerability to climate change risk,” said Dr Karl Mallon, Climate Risk Pty Ltd Director and report co-author. “There is a danger some will assume this economic storm eclipses the need for insurers to contend with climate change risk. This is akin to presuming that because one hurricane has hit, there’s no need to prepare for a second.” said Dr Mallon.

The report, by international corporate climate specialists Climate Risk Pty Ltd, is part of a wide-reaching climate change risk management project by Zurich Financial Services Australia.

“The global insurance industry is paid nearly 8% of global GDP to manage risk. There is already evidence documented in this report of insurers withdrawing cover from high-risk areas – at a time when businesses and home owners will increasingly need general insurance to deal with mounting climate change impacts,” Dr Mallon said. “Yet withdrawing insurance because of climate change risk would constitute a race to the bottom for the industry and society,” warned Dr Mallon.

Zurich Australia have released its own industry White Paper, based on the report findings, and called on the industry to respond proactively to climate change. Zurich Australia Chief Executive David Smith states, “Insurers who work with their customers – often through brokers – to increase their resilience to climate change hazards, such as floods or extreme weather, are likely to see reductions to property damage and insured losses, while sustaining and even enhancing premium income.”

Dr Mallon said, “An efficient, effective insurance sector is fundamental to a healthy economy. This emphasises the danger of ignoring climate risks in the current economic environment. Although some forward-looking insurers are taking steps to proactively manage climate change risk, we found only a minority have responded in any substantive way – revealing insurers are still a long way from fulfilling their natural role as society’s shock absorbers for climate change risk.”

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Report: [www.climaterisk.net](http://www.climaterisk.net)

Zurich FSA White Paper /Media Release: [www.zurich.com.au](http://www.zurich.com.au)

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<sup>1</sup> Mills , E. (2005)

<sup>2</sup> Ernst & Young (2008)