

**AIDA WORLD CONGRESS**

**PARIS 2010**

# **CLIMATE CHANGE**

## **QUESTIONNAIRE**

### **Foreword**

*1. Climate change has been chosen as one of the topics for the AIDA World Congress to be held in Paris in 2010. Thank you for accepting to prepare a national report.*

*2. This subject is obviously one of great importance, and very much has already been written on it. For an AIDA World Congress, the focus should naturally be on the impact on the insurance sector, and more precisely on the impact on insurance law – a domain in which AIDA can make a significant contribution. When preparing your report, please stress the legal aspects (legislation, regulation, policies, clauses, legal nature of new products, etc...) – even though describing the context will always be necessary.*

*3. National reports will be particularly useful for such a subject where perceptions of the phenomenon may vary, and mainly, where the feared consequences of climate change can be widely different in the different regions of the world. Please see that your report gives the necessary information about the local context in which it is written (see part A of the questionnaire below).*

*4. The questionnaire is indicative. Try to cover all points you find relevant for your country, but do not hesitate to include additional information and comments in part C below.*

## A. Your local context

In your country :

1. What is the degree of awareness of climate change and its consequences :

- in the general public. – MODERATE TO HIGH
- in the business sector - HIGH
- in the insurance industry – HIGH
- in public authorities ? - HIGH

2. Which are locally the main expected consequences of climate change (please specify: “not applicable”/”medium risk”/”high risk”) :

- floods (including flash floods)- HIGH RISK
- rise of sea level - MODERATE TO HIGH
- melting of ice, of snow, avalanches - NA
- earthquakes – NA
- storms, tornadoes and Cyclones – HIGH RISK
- heat waves, draught, fires ,Bush Fires - HIGH RISK
- spread of diseases - NA
- other adverse effects – AIR QUALITY /POLLUTION
- any favourable consequences ? – YES. Australia will be forced to look at commercially viable alternative energy sources, such as wind power , wave power , solar energy production and the development of desalination plants .

3. Which economic sectors, critical for your country, could be particularly affected :

- agriculture – YES
- fisheries – YES
- forestry – YES
- energy – YES
- industry (which ?) – Industry relying on high energy consumption such as Aluminium production . High probability that electricity will become very expensive particularly as Australia relies on coal fired and Hydro electricity production. Any industries heavily reliant upon high levels of electricity consumption will be affected
- tourism - YES . Profoundly .Bush fires, demise of lakes due to drought , Coral bleaching on the Great Barrier Reef and the demise of tropical marine species and the coral itself . Potential closure of the Australian

ski resorts due to poor snow conditions. With rising sea levels, the risk of coastal inundation in resort areas . Heavy rain fall and cyclones in the tropics will profoundly impact upon tourism .

- others ?

4. Have some concrete measures already been taken or envisaged (other than in insurance sector – see B below) :

- legislation, regulation – Very tough water restrictions have been imposed on both domestic and industrial consumers . Increased power and water costs. National flood zone mapping , Tighter fire restrictions imposed during the vulnerable months . Limitations on the use of firewood for heating ,Mandatory use in some states ( eg NSW ) of low energy electricity globes .

- initiatives of economic agents – NGERs .National Greenhouse Energy Reporting System . .Local Govt focus is on mitigation , adaption , and the global solution . Sound policy requires robust data and information base . NGERs ( Act 2007 ) .

Will be put in place to ensure ;

- 1) Robust /transparent emissions and energy reporting ,
- 2) Single streamlined reporting point ( national collation)
- 3) Ensure that Australia's global obligations are met .

Reporting will be mandatory for corporations that exceed certain thresholds .

CPRS – Carbon Pollution Reduction Scheme , a national Govt initiative This will involve a cap on carbon pollution and the ability to trade carbon credits are key features . Question the international responsibility for this initiative

- others ? – There are also other initiatives /schemes/requirements , particularly specific and unique to the energy industry

5. How much is your country involved in international efforts and initiatives related to climate change :

- Kyoto Protocol – SIGNED UP /RATIFIED
- International Strategy for Disaster reduction, Hyogo Framework
- National Platforms – High profile actions and comments by the current Prime Minister
- Emission trading systems – CPRS . See previous observations above
- others ? - . Engaging on World front issues concerning carbon capture and storage ( CCS)

6. Please provide references to literature on climate change concerning your country.

- Climate change solutions for Australia 2008 ( Australian Climate Change Group )
- Insuring for sustainability – Why and how the leaders are doing it

**B. Climate change and insurance** *(please stress legal aspects)*

### 1. Which are the lines of insurance that could be affected ?

- Property – YES
  - Agriculture (crops, forestry, livestock) – YES
  - Buildings - YES
  - Business interruption – YES
  - Others (specify) – YES . From a general insurance perspective, almost everything insured is impacted , in one form or another by climate change and global warming .
- Liability – YES
- Transport, marine – YES
- Life, health – YES . Concern that certain diseases particularly in the tropics can proliferate due to climate change . eg Ross River Fever .borne by mosquitos . As continent dries incidence of allergic reactions to pollens increases – asthma . Australia has one of the highest incidents of asthma in the world .

### 2. How are the risks linked to climate change to be defined ?

Building in increasingly dry, fire prone areas. Flood risk in relation to construction in low lying areas , flood plains and coastal regions prone to tidal surge and rising sea levels .Construction in cyclone prone areas of northern Australia . . Massive population shift to coastal regions increases the vulnerability of the insurance industry to climate change exposures

- Problems of interference of human and natural causes
  - (e.g. building in an area prone to being flooded)
- Problems of causal links
  - (e.g. increase of losses often due to a combination of factors
    - natural, but also demographic and economic)

### 3. Insurers' measures of protection against excessive exposures

- Flood mapping , greater data accumulation in relation to area PMLs , particularly in cyclone prone regions . Improved management of accumulated risk exposures. Greater reliance on co insurance and reinsurance. Accumulation of data on Coastal Flood Risk .

- Improvement of statistics
  - Cartography of risks
- Raising risk awareness (communication campaigns, lobbying, ...)- Awareness , mitigation and adaption . Constant media attention
- Prevention - Flood Levees and limitation on the issuing of building permits in flood prone areas. Requirement that all buildings constructed , in cyclone prone areas meet a minimum construction code .
- Limits of indemnity – NO
- Deductibles – NOT REALLY

- Exclusions - FLOOD EXCLUSIONS
- Premium increases - SIGNIFICANT PREMIUM INCREASES
- Cancellations - LIKELY
- Withdrawals from markets – UNLIKELY
- Adaptation of reinsurance agreements (or develop under point 4 below)
- Cover or climate risks on the financial market  
(or develop under point 5 below)
- Others

### 3. Insurers' initiatives to develop « new products »

*N.B. Climate change is seen as opening new opportunities by a growing number of insurers. Some examples are listed below, but they are far from exhaustive and new products keep appearing. Please investigate the situation in your country and provide as much information as possible (obtaining models of clauses and policies would be extremely valuable).*

- New policies to cover the consequences of climate change
  - Coverage for producers of new energies (e.g. wind-mills) – YES
  - Liability of architects
  - D & O environmental liability
  - Micro-insurance products for developing countries
- Climate risk management services, expertise
- New policies as incentives to reduce greenhouse gas emissions
  - “Pay as you drive” motor insurance - Available through UK brands
  - “Energy saving”, “Green-building” insurance
- Initiatives in the carbon market
  - Carbon credit insurance (covering failure to deliver emission rights)
  - Options to buy carbon credits to offset emissions (vehicles) – Currently available through a small number of insurers in the Australian market
- Others - Green Car profiling , Tips for Green Living , Green Appliance profiling

### 4. Reinsurance

In your country, what is the role of reinsurance companies with respect to the above problems ?

- Reinsurance will need to adapt and change according to the NSR profile of the company

## 5. ART (Alternative Risk Transfer)

Have any of the following techniques developed in your country in connection with climate change :

- Derivatives. - Developing far more information on this but process in Australia is still not mature
- Swaps
- Cat bonds
- Others ?

What is the legal nature of these different products ? Can they qualify as “insurance” ?

6. Cooperation or competition with public sector. – Limited but improving . Starting to see greater cooperation in the public sector . Section interests still impede progress .

What is the state of cooperation (or competition) between public authorities and the insurance sector in your country in issues related to climate change ? - .Flood mapping , and cyclone risk identification . There are now some restrictions , being imposed that constrain construction in low lying coastal , and flood prone regions . the challenge is the lack of a national or coordinated approach . Decisions are made by state and local govt , not the federal govt .

Are there specific public schemes concerning some of the risks involved ?

## C. Any additional information or comments

Thank you !

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