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Insurers need to fundamentally change business models to achieve climate resiliency

World Property and Casualty Insurance Report 2022: research suggests that only 8% of insurers are resilience champions; 73% of policyholders rank climate change among their top concerns

Paris, May 17, 2022 – [Capgemini](#) and [Efma](#)'s World Property and Casualty Insurance Report, published today, reveals that climate change is hurting the insurance industry. It highlights that insurers focused on building climate-resilient business models will be better positioned to generate deeper customer trust while boosting their relevance and profitability. The inaugural report titled '[Walking the Talk: How insurers can lead climate change resiliency](#)', addresses the impact of one of the most pressing issues in modern times on the Insurance industry.

An increasing number of weather events are negatively impacting the insurance industry with insurers being expected to both protect and prevent against future damage. The report notes that:

- Globally, economic losses driven by climate change have increased by 250% in the last three decades¹.
- 73% of policyholders rank climate change among their top concerns.
- Insurers mirror the concerns of their customers with about 40% ranking climate change as a top priority, with insurability and profitability as leading climate-related issues.

Natural catastrophes have led to a 3.6x increase in insured losses and 2x increase in non-insured losses over the last 30 years.² While this is concerning, it presents an opportunity for insurers to pivot and recalibrate to serve customers in a dynamic landscape cites the report.

Future-focused insurers will embed climate risk mitigation strategies into their operating and business models

Fundamental changes are required to create customer focused, resilient business models. The report found that more than 80% of individual and small commercial clients of the insurance industry are keenly aware of climate influences and have taken at least one key sustainable action over the last 12 months. However, more needs to be done to combat the detrimental effects of climate change as only 8% of insurers surveyed are insurance front runners or "Resilience Champions" (described in the report as those with strong governance, advanced data analysis capabilities, a strong focus on risk prevention and who promote resilience through their underwriting and investment strategies).

¹ Economic losses comprise of total insured and uninsured natural catastrophe losses globally

² [Swiss Re Institute](#), "Sigma Explorer;" accessed March 14, 2022.

A need to balance risk prevention with risk management

To 'walk the talk' on climate resiliency, insurers must revisit their own business models and balance risk prevention with risk management. The report findings suggest that a "climate resiliency framework" is key to build the required capabilities within a changing risk landscape. It encourages insurers to rethink current risk assessment models, deploy risk prevention at scale, and drive sustainable investment and underwriting strategies, moving beyond exclusions and divestments, to create a resilience ecosystem. The report highlights that among those deemed as 'Resilience Champions',

- 82% have a chief sustainability officer or equivalent.
- close to 77% have embedded climate-risk data in their products and services.
- nearly 60% are in advanced stages of deploying machine learning-based pricing models.
- around 53% are accessing new data sources, including satellite data, remote sensors, weather stations, geo-data, social media data, ESG models, and water levels to provide accurate, granular, and real-time risk information.

"The impact of climate change is forcing insurers to step up and play a greater role in mitigating risks. Insurers who prioritize focus on sustainability will be making smart long-term business decisions that will positively impact their future relevance and growth. The key is to match innovative risk transfers with risk prevention and assign accountability within an executive team to ensure goals are top of mind," said **Seth Rachlin, Global Insurance Industry Leader, Capgemini.**

Climate resiliency needs to be an integral part of a corporate sustainability strategy

The report concludes with three key actions to fuel insurers' climate resiliency journeys while boosting their relevance and profitability. First, insurers must embed climate resiliency into their corporate sustainability strategy with clear actions assigned to c-suite executives to ensure ownership and accountability. Second, insurers must rework their innovation approach to bridge the gap between long-term goals and short-term planning by embedding resilience across an insurance company's entire value chain. Finally, insurers must redesign their technology strategy with product innovation, customer experience and corporate citizenship at the heart of it. This can be achieved by integrating technologies such as IoT, cloud, AI, ML, and quantum computing.

"While most insurers acknowledge climate change's impact, there is more to be done in terms of demonstrative actions to develop climate resiliency strategies. As customers continue to pay closer attention to the impact of climate change on their lives, insurers need to highlight their own commitment by evolving their offerings to both recognize the fundamental role sustainability plays in our industry and to stay competitive in an ever-changing market," said **John Berry, CEO of Efma.**

Report methodology

The World Property and Casualty Insurance Report 2022 draws its insights from two primary sources – the 2022 Global Insurance Voice of the Customer Survey and the 2022 Global Insurance Executive Interviews. These primary researches together cover insights from 29 markets: Australia, Austria, Belgium, Brazil, Canada, China, Colombia, Denmark, Egypt, France, Germany, Hong Kong, India, Italy, Japan, Luxembourg, Mexico, the Netherlands, Norway, Portugal, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, United Arab Emirates, the United Kingdom, and the United States.

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About Efma

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