
IAG's Public policy position on climate change

The latest report from the Intergovernmental Panel on Climate Change (IPCC) asserts that the emission of greenhouse gases from human activity is “extremely likely” to be the dominant cause of the observed warming of the climate over the last half century, and global greenhouse gas emissions must be reduced to prevent further warming. IAG supports the 2015 Paris Agreement to limit global average temperature rise to well below 2°C above pre-industrial levels¹, and supports the development of well-designed policies that enable the delivery of this Agreement.

Changes in the climate system are already increasing the frequency and severity of extreme weather events and natural disasters, and these changes are projected to become more severe as the climate continues to warm². In Australia, changes will include an increase in the possibility of extreme rainfall events and flash flooding, as well as the number of days with harsh fire weather³.

In tandem with the effects of climate change, the impacts of natural disasters are becoming more devastating and expensive for communities around the world, due to the increasing concentration of populations and their insured assets in locations with exposures to natural disasters. These locations of concentrated risk could often benefit from more adequate risk controls, such as risk appropriate building codes, land-use planning, and localised defensive infrastructure.

IAG has long assisted policyholders to recover from natural disasters. With expertise in risk management developed over hundreds of years of operation, general insurers will play a critical role in communicating, managing and mitigating the evolving risks that individuals and communities face under the changing climate.

By sharing industry expertise, the general insurance industry can advocate for community and policy adaptations that reduce emissions and increase the resilience of communities exposed to natural hazards. General insurers can also develop new and innovative products to transfer, manage and mitigate the long-term risks posed by a changing climate. These efforts will assist policy-makers and communities to:

- Reduce exposures by making development control decisions for exposed locations that are appropriate for both the location and the planned life cycle of the development, accounting for the increased risk posed by the changing climate.
- Reduce vulnerability to natural disasters by implementing localised defensive infrastructure where necessary to achieve an acceptable residual risk of damage to an exposed community.
- Reduce vulnerability to natural disasters by improving building codes to ensure that built structures remain viable following predictable events over their planned life cycle, accounting for the increased risk posed by the changing climate.
- Understand the long term economic implications of climate change impacts, and the impacts of any appropriate greenhouse gas emission mitigation schemes, by providing credible data on current exposures and vulnerabilities, as measured by the general insurance industry.
- Implement practical solutions to greenhouse gas emission mitigation through the development of innovative risk-transfer products that encourage mitigation solutions to be brought to market by other industries.
- Manage the commercial, individual and community-level risks posed by climate change via innovative risk-transfer solutions.

IAG will continue to work constructively with government, industry, non-profit groups and local communities to increase resilience and address the risks posed by the changing climate. IAG will also continue to incorporate environmental, social and governance (ESG) considerations into IAG's Investment Policy and approach.

¹ “Adoption of the Paris Agreement”, Conference of the Parties, Twenty-first session, Paris (30 November - 11 December 2015)

² IPCC Special Report on Extremes (2012), IPCC Fifth Assessment Report (2014)

³ CSIRO, Climate Change in Australia (2015)