



**Allianz Public Dialog Munich: Saving Our Planet
Munich, 21 April 2015**

**Address by
Christiana Figueres, Executive Secretary
United Nations Framework Convention on Climate Change**

Ladies and gentlemen,

Thank you very much for the kind invitation to join you here tonight. We went through some of the very impressive achievements that Allianz has done under your leadership: carbon neutral since 2012, two billion dollars of investment in renewable energy and your revenue from green solutions. But you did not talk about something that is extraordinary. You did not touch on the 40 million people you reach with financial services; 40 million people who live on less than \$4 a day. I think that is a fantastic achievement that really speaks to the self-imposed targets and societal role that Allianz has. I thank and honour you for that role.

I had the honour to be invited to my grandfather's 105th birthday party, and I knew exactly what he wanted. But, I have never been invited to a 125th birthday. That was definitely a first for me. I thought, "What on earth do you bring to a 125th birthday party?" So I brought Elizabeth Kolbert, a fantastic journalist who just yesterday won the Pulitzer Prize. Elizabeth is here with us today to bear witness to Allianz's achievements and the targets you have in the future.

Herr Diekmann briefly went through 125 years of Allianz history. What strikes me about 125 years is the fact that Allianz has been around for almost the entire history of the industrial revolution. You witnessed the industrial revolution, and you have certainly witnessed the growth and economic prosperity that came with that industrial revolution.

In fact, I dare say that Allianz and others in the insurance sector were actually the backbone of industrialization. Because you managed over those years of industrialization to identify the risks and uncertainties brought about by industrialization, and then you used the power of your financial instruments to influence both policy and human behaviour to help

establish an equilibrium. We have all, or at least most people have enjoyed this equilibrium, this stable business environment which has led to a prosperous economy, a productive society and profitable industry. A very good overlap of people, planet and profit, and one we should not wish to change in formula but in application.

The equilibrium you helped construct meant that you were able to manage the risks of growth. And you did an excellent job at that. In fact, if I were to use a nickname for the insurance sector, you are the risk-gurus. You can imagine how difficult it is for me to speak about risk in a room full of risk-gurus. I may be completely out of depth here, but I have to tell you I interpreted the invitation from Herr Diekmann as a question: “What else can Allianz and the insurance industry do? We know what we have done, but what else can we do?”

When anybody asks me “what else can I do to address climate change?” I never spare any effort to stand up and suggest a couple of things. So I will offer you my thoughts.

The equilibrium you helped construct over the past 125 years has vanished. It has vanished in front of our eyes during this generation, if not before. The situation we now face represents not only a new level of risk, but a completely different type of risk. We have transformed the frequency of severe weather events, we have transformed the severity of most of those events and we have certainly transformed the scale of the impacts. We see so many simultaneous events happening around the world.

That change we are experiencing is not linear. It is actually a radical shift in the very basis of life and society. We are feeling it exponentially. We are, if you will, at the bottom of the curve of impacts and of experience and we will see those impacts materialize over the next few decades, if not hundreds of years, unless we do something about it now.

What we can expect is still in the category of the unexpected. Now I will pose to you that, from the insurance industry perspective, your challenge is to take the “unexpected” out of those impacts, to remove that level of uncertainty. That must be the focus of your efforts over the next five, 10, 20 years.

We are now at a level of risk exposure that is magnified from the level we were at for the past 125 years. Or to put it in terms of Allianz history, in the 1990s given the flooding here in Munich, we were extremely hopeful that flood modelling would help Germany figure out how insure flooding. Fantastic job. That’s not where we are right now. Now we must figure out how we determine cost and cover flooding and drought across the world – often coming together, because that’s how weird the weather is right now.

I told Allianz the topic of conversation tonight would be: “How much risk can the world bear?” The ideal answer to that question is: only as much risk as the insurance industry can manage. That’s the ideal answer to that question. But, my friends, we are far away from that.

The systemic risk that we face goes beyond the instruments at hand. Right now, we are more or less doing an adequate job insuring against a certain subset of weather disruptions. But certainly as a global society, we are not insured against climate change. Definitely not.

The question is now: “Can we insure against unbounded climate change?” No, we cannot insure against unbounded climate change, because the scale is so large. So I say that our first task is to reduce risk and bring the risk down from its current level to a manageable bandwidth.

I am the first to admit that the governments are moving very slowly on this risk, but I am also the first to tell you they are moving slowly but steadily. They will come to an agreement in Paris; we have a negotiating text on the table. None of the 195 countries that are negotiating this agreement come and tell me they are out of the game or they don’t want a global agreement.

They all have different national interests, they all have different natural resource bases, they all have a unique situation. But all of them have realised that they cannot get out of this without a global agreement. So we will have a framework in Paris that will guide decarbonisation process over the next couple of decades. What does that mean for insurance?

First, it means you should not underestimate your influence on international policy decisions. My day job is to support governments. My night job is to ensure there is as much information sharing with governments from outside of governments, so that they understand better that they need to step up to the plate. So they can grow in the confidence needed to step up to the plate.

I have in front of me 100 to 150 risk-gurus. You represent exactly the kind of confidence that governments need to understand that they are not jumping into a pool of cold water without knowing how to swim. We do, as a society, know how to swim. And you can take the lead on that. So your voice gives confidence to governments that yes, they can move to ambitious action and green growth and drive the decarbonisation. That is actually a very helpful thing.

Secondly, at the national level it means using the power of your financial tools to do adaptation planning or increasing resilience. There is not one aspect of the climate change challenge that is more vexing for governments than what to do about adaptation. How do we fund it? How do we measure it? How much will it cost? It is the most vexing question, and you are experts on that.

You can use the power of your tools to encourage government policies that are going to bring down those risks and increase resilience, just like you did with building codes. You can do the same now with resilience of infrastructure.

Thirdly, the new agreement means we must change investment allocation. You are long-term investors with huge responsibility. Allianz has two trillion dollars under management and the sector as a whole has 25 trillion. That is one third of institutional investor assets. What you do with those assets is absolutely key.

This is not the time to be timid about your investment. I do not underestimate the difficulty of moving your investment portfolio towards cleaner and lower carbon intensity. But I also do not underestimate the power of what you can do. In particular, you can do much by working with regulators to transform the investment space and, in time, that is going to make a difference.

It is not a moral imperative for insurers to act, it is a business imperative. You cannot afford to invest in assets that undermine your business continuity. Those of you seeking a leadership role here need to look at this. I know you have 2 billion dollars in renewable energy – but let me make a very unfair statement here – that represents zero point one per cent (0.1%) of your investment portfolio. Can that be improved? I hope that can be improved.

As a whole we know that institutional investors are holding two to three per cent (2–3%) of their portfolios in fossil fuels. Is that something we want continue to do or is that something we want to look at and start an orderly transition toward the kinds of technologies and the kinds of energy sources that are much more helpful to your business model and bottom line?

It is not about a radical shift. Nobody benefits from a radical shift. It is about an orderly transition. It is about setting goals. It is about setting deadlines and then figuring out how we are going to get there. There is even space for more leadership by Allianz in this area, and I certainly think there is space for more leadership by the insurance industry among institutional investors.

The New Climate Economy Report clearly states that 90 trillion dollars will be invested over the next 15 years in energy infrastructure around the world, mostly in developing countries. How those 90 trillion are invested, whether they go into what I call the technologies of the past century or whether they go into the technologies of this century – into low carbon and high resilience infrastructure – is going to make all the difference in the world.

Investment over the next 15 years will lock us into the economic model and infrastructure we will have over the next 50 years. Nobody should be more interested in having these 90 trillion going to clean technology and infrastructure investment that brings down risk than the insurance company. So be leaders in that investment.

Assuming that we have done all that, we come to the second family of issues for the insurance sector. We have to get out from the uninsurable, and get to the insurable. And there, my friends, the bandwidth of what is insurable has got to grow.

We no longer live in the reality of risk of 125 years ago. We are living in a completely different reality. The bandwidth of what is insurable must grow. And increasing the cost of the premium is not the answer.

It cannot be the answer. You must figure out how to manage much higher risk, how to increase your client base, how to provide more security for more people and broaden your income base. It is scary to think that between 1980 and 2004, weather-related losses were insured only thirty per cent (30%) in industrial countries. In developing countries, less than one per cent (>1%) of weather losses were insured. That is an untapped business opportunity.

Looking at the reality of global insurance penetration compared to risk from climate change, we see global insurance penetration is frankly negligible. Let's read that as a huge opportunity – a challenge, yes – but an untapped business opportunity.

The second part of this reality is that financial products are yet not pricing and carrying the new ladders of risk. Hence they are leaving a vast majority exposed to economic and human burden. I put this in the category of unaddressed business responsibility, in addition to opportunity.

Why is this unaddressed business responsibility by the insurance industry? Because insurance is a business unlike any other. You chose it. You chose this as your profession. It is your choice how you interact, not just with your company, but with society as a whole. Of

course you have to be profitable, but you also have to minimize societal risks and maximize prosperity and wellbeing around the world.

And with that I thank Allianz and the many partners here tonight. I thank you for the leadership you have displayed around the world. And I thank the audience for joining tonight. I recognize that insurance companies are grappling with this new complexity. What I don't see yet is progress that governments can latch onto and say, "Aha! Here we have something we can work with."

There are, of course, a couple of inspirational projects out there – the African Risk Capacity Insurance Company, the Caribbean Catastrophe Risk Insurance Facility, the Pacific Catastrophe Risk Assessment and Financing Initiative. It is time to mainstream these examples. It is time to take this to scale. We cannot wait because otherwise the risk truly is going to go through the ceiling.

I know that with the leadership in this room, you can be role models in the economic and social transformation that we must see – to low carbon and high resilience.

I also know that the insurance underwriters of tomorrow will be able to look back to 2015 and recognize the moment in which Allianz, alongside its other partners in the insurance sector, decided to stand up to this challenge, put their elbow to the wheel and help governments and, above all, help all their clients manage a risk that is right now unfathomable for most, the risk from climate change.

Thank you.
