



CLYDE & CO

RESILIENCE



Resilience – Addressing the protection gap

On Wednesday 25 April 2018, Clyde & Co welcomed a wide range of speakers and an audience from insurance, resilience management, construction and engineering and government to discuss the impact of climate change and urbanisation on the protection gap.

2017 was one of the worst years in recent memory for natural disasters with hurricanes and wildfires causing significant disruption and damage. With only 30% of natural disasters in the developed world covered by insurance and less than 10% in the developing world, the event examined how resilience management and risk mitigation could close the substantial protection gap.

Below is an overview of the presentations given at the event with links to video footage and speakers' slides.

Simon Konsta, Senior Partner at Clyde & Co welcomed the attendees. Simon stated that the insurance industry has a huge opportunity to help the world manage and mitigate risks. That means understanding and sharing global best practice in terms of new product development and embracing dialogue with governments, aid agencies, businesses and consumers.

[▶ Click here to view Simon's video](#)

Opening the event **Rowan Douglas of Willis Towers Watson and Nigel Brook from Clyde & Co** both underlined the important role of insurance in supporting resilience strategies. Reinsurer Swiss Re has estimated the protection gap between insured losses and the economic costs of climate change to be in the region of \$1.8trn. Rowan described insurance as “a critical gearbox”, bringing governments, climate scientists and the law profession together. He outlined the opportunity in blending insurance with other products – particularly municipal debt, as national governments are keen to transfer the risk of having to bail out local governments. Suddenly some of these cities are exposed to this risk in a way and to a degree they haven't been before. He surmised that climate risk will be a subset of credit risk.

Nigel also outlined how resilience is a huge topic for mature and emerging economies. There will be major opportunities and substantial risks, and some novel regulatory issues. He explained how insurance is also increasing the UN's Sustainable Development Goals, as evidenced by industry's collaboration with the UN disaster resilience agenda.

[▶ Click here to view Rowan's opening address](#)

[▶ Click here to view Nigel's opening address](#)

Climate change risk presentations

Alice Garton, ClientEarth highlighted the need for the regulatory environment to evolve and encompass the financial risks associated with climate change. A “whole suite” of existing financial laws if applied by firms and policed by regulators, with respect to climate change, “would go far to achieving climate goals”, she suggested.

▶ [Click here to view Alice's slides](#)

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Neil Beresford, Clyde & Co litigation partner examined ongoing US climate change litigation cases in the US state and federal courts. Although, not new, the litigation picture is evolving quickly and becoming a City related phenomenon as municipalities start to pursue the Fossil Fuel industry through the courts. “The allegations are straight out of the big tobacco textbook of the 1970s,” said Beresford, citing lobbying by oil firms that played down climate risks, while their own internal briefings warned otherwise.

▶ [Click here to view Neil's slides](#)

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Dr Tom Herbstein from ClimateWise focused on how transition risks pose a major threat for investors and companies alike. Sudden swings in policy – including new regulations to punish investments in fossil fuels and other pollutants – can lead to stranded assets and massive financial losses, he suggested.

▶ [Click here to view Tom's presentation](#)

Jonathan Gascoigne, Senior Risk Advisor, Willis Towers Watson highlighted the role of the UK's Green Finance Taskforce, which in March identified a need to set up a Centre for Climate Analytics involving government, academia and industry. He also addressed many of the factors that need to be taken into consideration when assessing the risks associated with climate change.

▶ [Click here to view Jonathan's slides](#)

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Urbanisation presentations

James Alexander of C40 outlined the many challenges facing cities due to urbanisation and climate change. The need for resilience is growing as more people move to cities, the majority of which are in coastal areas and exposed to risks such as severe windstorms and flooding. James said that “urbanisation is on the increase with earth’s population due to increase by 2.5 billion by 2050 of which the majority will be going to cities”.

[▶ Click here to view James’ presentation](#)

Lisa Dickson, Resilience Leader at Arup Americas stressed that resilience is undervalued despite the return on resilience always being positive as it is driven more by business continuity. The reason being that “the more we undervalue risk the more we undervalue resilience”. Lisa stressed the potential to gain substantial benefits from investment in resilience planning and highlighted the expected returns and benefits of both resilience investment and planning.

[▶ Click here to view Lisa’s slides](#)

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Daniel Stander, Managing Director of RMS explained that while loss forecasts based on historical data are a solution, it is also important to note that using “historical techniques alone are not enough” to predict the future. Risk scenarios must include “extremes that have happened plus extremes that could happen. Events are not going to be exactly the same”, he added.

[▶ Click here to view Daniel’s slides](#)

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These presentations were followed by two fascinating panel discussions. The first panel discussed flooding and featured the Chair of the Environment Agency, the Operations Director at Flood Re and a representative from the British Consulate in Miami. The second panel focused on building resilient cities with representatives from Arup, C40, Department for International Trade and Clyde & Co.

To find out more about Clyde & Co and resilience visit www.clydeco.com/resilience where you can read our latest insight, blogs, events and you can join the resilience conversation. As a global law firm with a unique understanding of risk, Clyde & Co are well positioned to assist you to understand the legal and regulatory implications of developing new approaches.

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