The Insurance Development Forum After 5 Years:
Renewed vision and growing ambition toward Stewardship of a Resilient Climate Transition

IDF White Paper by Rowan Douglas, Chair of the IDF Operating Committee

As the Insurance Development Forum (IDF) celebrates its fifth anniversary, Rowan Douglas, Chair of the IDF Operating Committee, and Head of the Climate and Resilience Hub at Willis Towers Watson, reflects on the achievement of its original vision and prompts a discussion on expanding ambitions to meet the challenges of the Climate Decade.

The IDF's public private platform can help insurance to once again play an essential role in managing phases of major economic and social transition. Insurance expertise, the IDF's membership and status and the momentum of COP26 Glasgow, provide an unprecedented opportunity for the industry and its partners to define the central role for insurers as stewards of the whole economy transition towards a Net Zero and climate resilient future.

Since 2015, the Paris accord adopted by 196 countries at COP21 has become synonymous with global efforts to tackle climate change. While countries have made some progress in making their economies more resilient to the physical and financial impacts of climate change, the urgency is escalating, and demand for risk mitigation and adaptation is accelerating.

Five years ago, the Insurance Development Forum (IDF) launched at COP21 in recognition of the critical role that risk management plays in the response to climate change. IDF is now an established and unique international institution that brings together private and public sectors to help countries and sectors build the resilience required to limit the physical, social and financial impacts of climate change.

Our fifth anniversary gives us an opportunity to reflect on our progress so far, invite engagement and ideas from across the IDF and wider community, and most importantly, expand our ambitions to meet the challenges of the Climate Decade and beyond.

Even as we look ahead over the next 10 critical years, when carbon emissions must be cut in half to meet mid-century Net Zero targets and bend the curve disaster losses, looking back in history has some critical lessons to help us frame and deliver a more resilient future.

In this article, I will set out how insurance has enabled more orderly technology, industrial, social and policy transitions throughout modern history – and that should be no less true for action on climate change, but with one critical difference. In the past, these economic revolutions have taken many decades, however, now we have just a few, and failure represents a civilisation level catastrophe within the lifetimes of our children, if not before.

Insurance plays a leadership role.

I also set out that now is the time for the insurance industry to take courage from our heritage and take up its leadership role in the climate transition and, through it, rediscover the potential scope, scale and standing of our core business and expertise.

In earlier social and industrial transformations, public, private and mutual insurance systems played a major role in protecting communities and institutions from excess risk and dislocation to enable a more orderly transition. Unfortunately, these portentous examples from the early 20th century reforms in Britain, the response to the US Depression and post-war European and Asian reconstruction, seem to be overlooked by economists, policymakers and even the industry itself. Insurance is much more than a set of financial products; it is a framework for orderly progress and transition.

In the aftermath of COVID-19 and the urgency of the low-carbon, climate-resilient transition, we need to rediscover these cultural assets and heritage – fast – and the IDF's public, private and academic partnerships can be the hearth of this reawakening.

The road to COP26

Multilateral efforts through these partnerships in the IDF have resulted in many achievements in a very short time, which I will acknowledge in more detail later. But the road to COP26 gives the IDF membership the momentum to renew its ambition in calling upon the industry, with its public sector partners, to be the leading protagonists in the transformation to a climate-resilient global economy.

There are four key steps to achieving this leadership role:

1) The insurance sector has invaluable expertise and resources to resolve complex risk management challenges – and climate change is no exception.
2) Apply our existing risk metrics and management tools to climate transition and resilience, and then expand that toolbox with innovative solutions to ensure a well-managed and more equitable transition.
3) We also need to communicate the value of the insurance sector – public, private and mutual - to the wider community to define our role in the climate transition.
4) The industry first needs to take up its seat at the table with policymakers, regulators and other key decision takers and stakeholders. The IDF provides the perfect vehicle for this elevation.

In this article we will explore these issues and examine what the insurance sector brings to the table as the stewards of financial and intellectual capital towards Net Zero and the Race to Resilience. But first let us anticipate what lies ahead this year and for the coming decade, before looking back into the golden ages of insurance transformation and watershed moments that provide essential guidance as the industry – with the support of policy makers - establishes the sector's role in climate transition and resilience. Finally, I will finish with a wish-list of actions and mindsets we can take today to ensure a better future for all.

COP26, insurance and the Climate Decade

Scotland provides the perfect venue for COP26 and inspires the IDF's next phase. As the birthplace of Adam Smith – the father of modern economics and a founder of the Scottish Enlightenment – COP26's host city of Glasgow is the ideal location to renew ambitions for the role of insurance at the outset of the green financial revolution, where traditional economic models will be updated to incorporate the modern context including, of course, climate and environmental risks to capital and human well-being.

As we look to a period of unparalleled urgency and ubiquity of economic, technical and environmental transitions, it behoves us to anticipate, envisage and create the insurance systems we'll need, rather than delay preparations until the risks, costs and losses reach the crisis levels that will spur the necessary, and albeit belated and less effective actions later.

Risk & insurance: at the nexus of science, capital and policy

The roots of modern insurance lie at the well spring of the scientific and industrial models that require reform. The late Peter Bernstein's 1998 classic Against the Gods, the Remarkable Story of Risk (Wiley) has always informed and inspired me of our industry's illustrious pedigree.

- Insurance was a product of the Enlightenment's achievements of probability theory and actuarial sciences and the age of reason to enable humankind to have an understanding of the relative likelihood of potential futures. It was a philosophical revolution that enabled some understanding and potential control of our destiny.
- Insurance practice has been a practical and vivid expression of the evolving mathematics and philosophical work of Blaise Pascal, Pierre de Fermat, Jakob Bernoulli, Abraham de Moivre, Thomas Bayes, Francis Galton and Harry Markowitz, among others. This tradition also laid the foundations for Smith's economic and wider scientific enquiries of the rationalisation of finance.
- So, it is no surprise that leading scientists of their day, such as Edmond Halley and Benjamin Franklin, were also life and fire insurance pioneers as a practical and commercial expression of their scientific and public leadership to confront acute social and commercial challenges of their day.
- Since 1700, insurance mechanisms have enabled new industries, technologies and social organisations to evaluate, manage and share risks of innovation and disruption. Physical hazards from urban fire, electrification, motor transport, aviation and nuclear power have all been brought under control through the risk governance and sharing of insurance systems. We will see the same with the innovations of the 21st century.
- In response to major social, economic and industrial disruptions, political leaders such as Otto von Bismarck in 19th century Germany, David Lloyd George and Winston Churchill in early 20th century Britain; Franklin Delano Roosevelt in the post-depression US, Clement Attlee in post-war Britain, and Ichiro Hatoyama in post-war Japan, made insurance systems a central strategy of reconstruction and policy reforms. These have endured as national institutions for decades, if not permanently.

As modern history illustrates, risk management and insurance systems will be at the heart of a successful economic transition and will provide enduring structural reforms and institutions. But whereas these revolutions have taken decades to fulfil, our time horizon for transformation to a climate-resilient global economy is much shorter.

Updated thinking on insurance-related capabilities will provide the means for the integrated, orderly, and urgent transitions ahead. That is why we must capitalise on COP26 in November 2021 as a unique opportunity to catalyse innovations in the insurance and wider financial system for the century ahead.

What could insurance contribute to the Climate Decade?

This list could be long and detailed, but instead, summarises key themes and opportunities. Later, I highlight some potential obstacles and how we can clear the path in the months to Glasgow.

- **Risk metrics, evaluation and disclosure**. It's not surprising that the industry that was built upon the mathematical and philosophical foundations of the Scottish and wider 18th Century Enlightenment, could provide some assistance in the quantification of risks and the evaluation of choices and trade-offs. What is less well known, is that since the early 1990s the industry has revolutionised its mainstream assessment of climate-related risks and integrated this into its core pricing, risk controls, regulatory disclosure and capital management.

  A decade ago, the industry – led by Munich Re – came together with the public and academic sector to create a global, consistent, updated, freely available and transparent facility to enable governments, markets and the wider community to assess seismic risk to properties, infrastructure and wider assets, globally. The aim was to support better planning, building codes, investment, insurance and disaster response to help save the millions of lives, livelihoods and assets at risk in the coming century. It took five years to complete, but the Global Earthquake Model Foundation based in Pavia, Italy, which continues to thrive, provides a shining example of what can be achieved. We can emulate that ambition to provide a programme for a Global Resilience Model at COP26, to support physical climate risk scenarios, stress testing and analysis for exposed communities, markets and assets worldwide.

- **Resilience insurance**. Insurance is not the silver bullet for climate resilience (which is the product of many factors), but it is a necessary component. When disaster strikes, the ability to rebuild the economics of lost homes, businesses, jobs and lives is essential to effective recovery. There are all sorts of ways that exposed populations can share in the ultimate community product that insurance represents. Risks can be shared across public, private and mutual systems, via premiums, taxation and hybrid systems.

  Costs, pay-outs and incentives can be designed to support affordability, risk signalling, resilience and wider solidarity; but sound scientific principles, economic sustainability and transparency must be the Golden Rules. By Glasgow, we should be pursuing the objective that access to basic climate related insurance protection systems are available as an essential component of a climate resilient lifestyle. In conjunction with wider financial reforms and processes we should also ensure that companies and local and national governments move further to evaluate and formally manage their contingent climate risks and liabilities.

Closing the risk protection gap is at the heart of the IDF's mandate, and some of our greatest successes to date have been through supporting major sovereign and sub-sovereign programmes via the Tripartite Agreement and wider programmes. This shared success, augmented by inclusive insurance and mainstream market expansion across many territories provide examples and facilities to support countries and regions to develop and implement protection for exposed assets and populations. By 2030 we must scale up the protected populations by orders of magnitude to meet the vision of our shared G20 mandates of the InsuResilience Global Partnership and the prospective targets for Glasgow.

- **Climate resilient investment**. We cannot achieve resilience until investments in infrastructure, homes and other 'real assets' incorporate physical climate risk within their accounting, pricing and design. Without this, our cities will create further risk as they grow along our coasts, rivers and hinterlands. The result will be millions of lost lives and livelihoods, and billions of lost assets in the decades ahead.

  We have managed this type of reform before. At the turn of the 19th and 20th centuries, insurers, investors, engineers and urban planners combined to confront the fires that had decimated Chicago, Boston and San Francisco, among others. They integrated risk reductions standards, resilience facilities (such as fire departments) pricing incentives and inspection regimes. Together this brought the enduring and systemic scourge to an end. Urban morphology was changed through the conditions of insurance policies and their necessity to be able to access public and private investment capital. By the mid-20th century, outside of warfare, major urban conflagrations were over.

  Only by accounting for risk, can we properly value resilience and align economic incentives with secure climate outcomes. As major investors, underwriters and risk managers, the insurance sector has a leading role to enable the wider finance, infrastructure and public sectors to implement the risk informed rating systems, pricing and economic systems that will achieve the same outcomes for climate resilience.

  Working with programmes such as the Coalition for Disaster Resilient Infrastructure, the Coalition for Climate Resilient Investment and the physical climate risk disclosure programmes of the Task Force on Climate-related Financial Disclosures and central banks' Network for Greening the Financial System, the IDF can bring its analytics and capital to bear on this essential finance-wide reform.

- **Stewarding the whole economy towards Net Zero**. The insurance sector's roles, expertise, capital and influence provide a unique platform to shape and guide the optimum pathways for an orderly transition across industrial sectors and geographies. The insurance sector's operational requirement to integrate different risks into a system-wide view, assess the effects on specific communities and assets, and communicate the micro-and-macro level impacts are unique.

  With this comprehensive insight, underwriting and investment policies can combine to have a defining impact on the direction, scale and balance of capital allocations to support a risk-informed Net Zero transition and the parameters that would make this viable and sustainable

Investment policies by insurers as asset owners will be important and this will be amplified by the unique role of insurers and risk underwriters. The influence of underwriting coverage by insurers on the public, corporate or public entities can shape operating norms precisely and directly. stop their operations in their tracks. Businesses may be unable to operate without insurance due to statutory, legal, regulatory or financial obligations and unprotected contingent liabilities. These capabilities and powerful levers are leading towards growing recognition that the insurance sector's hands may be on a tiller that can help navigate the whole economy transition through a safer, prosperous passage and support individual companies on their own transition pathways.

The IDF's work with partners such as the UNEP Principles for Sustainable Insurance can support the programmes that allow best practice policies and implementation in this essential area.

- **Social protection for sectors & economies in transition**. Industrial transformations create risks and dislocation, as sectors retreat, regions decline, and long-established occupational skills become outmoded. The history of the co-operative and mutual insurance systems – covering life, health, employment and funeral insurance – was created in the 19th century industrial revolution in Manchester, England. It protected urbanising populations against the uncertainties of factory work and provided welfare for people uprooted from the support of family networks and rural communities.

National insurance programmes of the late 19th and early 20th centuries in Germany and the UK, were expanded post-war from 1945, when the welfare state and social security system were introduced in response to the impacts of economies and populations in transition.

In today's societies that face industrial and environmental shocks, it may be necessary to consider the updated landscape of public, private and mutual social protection systems to support populations against a wide range of extreme social, environmental and economic risks. It should be of general benefit to research, design and prepare potential insurance systems before major dislocations occur, rather than in response to an unprepared, emergency context. Public, private and mutual-cooperative expertise and capital should be applied to develop the optimum levels of alignment, incentives and risk sharing at local, regional and global scales and across timescale and generations.

Together, these avenues offer a structural response to deliver climate aligned economies, where risk informed capital management coalesces with protecting human security and well-being. What's not to like? Unfortunately, we tend to respond after the catastrophe, but with climate risk, we may have an opportunity to react as the catastrophe is unfolding and limit some of its worst effects.

Back to the future: relearning the lessons of insurance, industrial transition and political economy

During the global financial crisis in 2008-2009, it is widely recognised that the worst potential effects of recession were avoided in the US and elsewhere because key actors – most notably Ben Bernanke, Chair of the Federal

Reserve, were students of the Great Depression. The outcome was to avoid some perceived errors of the early 1930s and maintain economic stimulus during the critical phase via structural and sustained monetary and fiscal interventions.

As we look ahead, insurance systems – public, private and mutual – will be necessary to deliver an orderly and fair climate transition for populations and economies at local and global scales. As things stand, such conversations are almost entirely absent from strategic plans, core policy programmes or financial market frameworks.

The Climate Decade(s) will also require insights and further historical lessons to illuminate viable pathways towards orderly and politically viable technical and economic transitions. Unfortunately, they are not as high profile or fashionable as the macro-economics of the Great Depression, and although they may struggle to be rediscovered and propagated, they are equally as significant.

Since the 1950s, a dangerous gap has grown between financial sub-sectors and key public policy areas. Some, notably insurance systems, have become so unfashionable they are barely mentioned by think-tank commentators, university departments, business schools, economists or politicians.

Meanwhile, across the financial industry, the separate insurance, banking and investment sectors and their related expertise and regulations, have become dangerously siloed, operating in different technical and professional communities. Within this context, insurance has become disconnected from mainstream policy, economic and financial market engagement. It largely operates in an isolated community, detached by its own technical language, intellectual methodology and professional / social networks. It has become, for many, an unfashionable and mysterious poor relation, with little to offer and much to learn.

This opinion is tragically misinformed. Fortunately, the climate agenda is awakening a new curiosity on both sides. Building on its heritage, the operation, regulation and risk management of modern re/insurance markets is highly sophisticated, receiving a massive reboot following reforms and innovations from the early 1990s, driven in part by the impact of unprecedented climate related losses on the stability of the industry. With effective translation and open-mindedness, the wider financial sectors have much to gain and build upon from three decades of climate-related stress testing, risk management, regulation and capital management. This is beginning to happen via new influential bodies such as the Climate Financial Risks Forum.

Insurance futures: some Lessons from 1900 – 1950.

It was not always like this. The early 20th century provides ample evidence of how the most dynamic economic and policy leaders turned to insurance related solutions to address the greatest structural challenges of their times.

Britain and the National Insurance Acts 1911 & 1946

There are few more important and far-reaching Acts of Parliament in Britain during the first half of the 20th century than the National Insurance Acts in 1911 and 1946. The first was the product of a collaboration by two leading politicians in modern British history: David Lloyd George and Winston Churchill. For Lloyd George, this was a product of his People's Budget of 1909 – inspired by the German state insurance system – to introduce a compulsory contributory health and sickness/unemployment insurance for employees. In 1909, driven by a focus on employment dislocation across British industry, Churchill presented a draft National Insurance Bill to the cabinet.

In advocating the legislation, Churchill combined the actuarial and collective nature of insurance to deliver freedom and security.

"It is not only a question of collective strength of the nation to render effective the thrift and the exertions of the individual, but we bring in the magic of averages to the aid of the millions."

Speech on National Insurance, 25 May 1911 (Rhodes James, ed., Winston S. Churchill: His Complete Speeches 1897-1963, 8 vok, New York: Bowker, 1974, 11:1819): https://winstonchurchill.org/publications/finest-hour/finest-hour-133/wit-wisdom-the-magic-of-averages/

In an earlier public meeting in Manchester to support the policies, Churchill also stated:

"If I had my way, I would write the word 'insure' upon the door of every cottage and upon the blotting book of every public man, because I am convinced, for sacrifices so small, families and estates can be protected against catastrophes which would otherwise smash them up forever."

Winston Churchill, Speech, Free Trade Hall Manchester, 23 May 1909; https://www.cii.co.uk/media/4384743/protecting_the_public_web_vf.pdf

The political and economic implications of national insurance, with separate legislation to establish old age pensions and the related expansion of progressive taxation, were so great they provoked constitutional crisis as the upper House of Lords repeatedly rejected the legislation.

The Parliament Act 1911 broke the deadlock and permanently established the pre-eminence of the lower House of Commons in British politics, reducing the unelected Lord's to a reforming chamber without powers to veto legislation.

Thirty years later, as Britain contemplated its future after WWII, the coalition government, led by Churchill, commissioned the leading economist William Beveridge to address what was described as the 'five giants on the road to reconstruction': Want, Disease, Ignorance, Squalor and Idleness and to reward the nation for its collective sacrifices by defining a new system of economic and social welfare.

The Beveridge Report, published in 1942 and officially entitled Social Insurance and Allied Services (Cmd. 6404),1 is probably the most significant and economically influential report of British political history. It laid the foundations for the post war Welfare State, including the expansion of the National Insurance system, including the passing of the National Health Service Act under Aneurin Bevan in 1946 and its formation in 1948.

In 2021, these insurance related institutions still exist over a century later. A wage slip in the UK still has a monthly salary with a deduction for National Insurance contributions, as they have done since 1912. The National Health Service, despite its challenges, remains the most valued and cherished of national institutions and is embraced across the political spectrum as an icon of British culture and national solidarity.

Despite its absence in mainstream debate, insurance represents an overwhelming proportion of the economy so it's no surprise that the sector is sometimes referred to as a sleeping giant because it often supports the social and economic structures that we take for granted.

For example, public insurance in the UK – broadly defined across pensions, welfare and health care – will equate to approximately £500bn in 2021 – around 55% of public spending. This does not include additional insurance related facilities provided by government to support domestic or commercial risks, or to manage government contingent liabilities and all insurance related expenditures by local government. This is augmented by private and mutual insurance industry premiums of approximately £250bn across life, health and non-life sectors. Collectively, this represents around approximately 38% of UK GDP of approximately £2tn in 2020.[2]

Similar trends can be seen across OECD countries, including the United States, where the Social Security Act, signed into law by President Franklin D Roosevelt in 1935, created a federal safety net for 'elderly, unemployed and disadvantaged Americans in the midst of the Great Depression'.

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[1]https://en.wikipedia.org/wiki/Beveridge_Report#:~:text=The%20Beveridge%20Report%2C%20officially%20entitled,state%20in%20the%20United%20Kingdom

2 https://www.ukpublicspending.co.uk/

https://www.statista.com/topics/4511/insurance-industry-uk/

https://www.ons.gov.uk/economy/grossdomesticproductgdp

Clarke, Daniel J.; Dercon, Stefan. Dull Disasters? : How Planning Ahead Will Make a Difference. Oxford University Press, New York (2016) xiv, 139p https://openknowledge.worldbank.org/handle/10986/24805 License: CC BY 3.0 IGO

Two conclusions seem clear from this perspective on history:

- That the physical, industrial and social transition that will need to occur at speed, across all economies, will require forms of public, private and mutual insurance provision (including hybrid approaches) to enable a financially, socially and politically viable process. This is not just about commercial insurance products and or public services, but the application of insurance thinking around risk assessment and the creation of economically sustainable risk pricing and sharing mechanisms. This type of revolution towards insurance type thinking has been synthesised by Professor Stefan Dercon and Daniel Clarke in their 2016 book Dull Disasters? How Planning Ahead Will Make a Difference.
- That the nature, scope and scale of the insurance debate within public policy and economic discourse of financial and business debate is incomparable to the status and priority it had in equivalent phases of industrial and social transitions. The climate related clean energy and resilience revolution is driving this transition and it is necessary for insurance frameworks and policies to be integrated into the heart of the policy response.

The opportunity for the IDF, as a public private partnership, is to elevate this vital pillar into the building blocks of COP26 in Glasgow and from there build an insurance pillar for the climate decade and, if history repeats itself, for the century beyond.

Overcoming some obstacles

Very few gave the IDF a significant chance of success in its early years and insurance as a component of climate resilience policies was actively attacked by many. Five years on, appropriate insurance solutions, provided within a wider framework of resilience interventions is no longer contentious. Some have even considered that access to insurance, in appropriate circumstances, should be considered an essential part of security and resilience.

In 2012, I participated in the IDF's conception as a member of the Political Champions Group for Disaster Resilience – a group which was founded and co-chaired by Helen Clark (then Administrator of the UNDP and former New Zealand Prime Minister); Andrew Mitchell, UK Secretary of State for International Development; Rachel Kyte, World Bank Group Vice President and Special Envoy for Climate Change, among other leaders.

As we wrestled with the challenge of bringing the insurance and public sectors closer together, the idea of a dedicated forum was born. The finer details were not easy; it took more than two years' preparation to announce an industry-led, public-private endeavour at Paris. Since then, the path has at times been challenging, but we have overcome the obstacles, grown and thrived.

Many who wrote the original IDF concept paper in early 2013 remain closely involved, including operating committee co-chairs Olivier Mahul, World Bank; Ivo Menzinger, Swiss Re, and Jan Kellett, UNDP. We had created something culturally new, organisationally ground-breaking and practically ambitious, hewn together by a shared insight and vision: to apply insurance related capabilities to the mainstream climate and sustainable development agenda and increase structural resilience for populations.

Things haven't turned out so differently from the mandate outlined eight years ago. Our commitment to insurance development has grown even stronger and is now shared by thousands of leaders, galvanised by the IDF and its many member and partner organisations.

In its fifth year, IDF reached several milestones. We became an independent legal entity with administration based in London. This was a major achievement, led by the Forum's first Secretary General, Ekhosuehi Iyahen, leading a well-respected Secretariat with related operations in Frankfurt and plans for Singapore. The IDF Steering Committee, chaired by Denis Duverne (AXA), with Achim Steiner (UNDP), and Hiroshi Matano (MIGA, World Bank Group), expanded and deepened its membership and cooperation among public and private sector leaders.

We also mobilised the IDF's flagship initiative, the Tripartite Agreement. Launched with Germany's Federal Ministry for Cooperation and Development (BMZ) and UNDP at the 2019 UN Climate Action Summit, the agreement initiated climate resilience and insurance programmes worldwide that are delivered through IDF Working Groups. To support this, the IDF has also published influential and practical reports to help put theory into action. Our website provides a gateway to all the details.

We have delivered the vision of 2012, and with it the licence to now conceive new horizons towards 2030 and beyond. As custodians of this legacy, we must utilise the hard-won multilateral platform and collective momentum of COP26, to define an expanded vision for the IDF, matching the scope and role the industry can play in the Climate Decade ahead.

However, there are some barriers we need to overcome:

- **Virtues & values:** *Sustainability versus risk versus impact.*

  We frequently hear the phrase 'it's not just about risk, it's also about opportunity.' It is indeed: sustainability and risk are two sides of the same coin and these two professional communities need to combine as there is tremendous value to be had from this intellectual fusion.

  Without the philosophy and tools of risk management to rationally predict and assess future outcomes we have no means to navigate practical pathways towards a sustainable future. But, without a coherent and attractive objective of sustainability, risk management tools will lack direction and purpose.

  Now our risk / return duopoly becomes a trio with *Impact*. In mainstream finance there is growing recognition that the conventional risk / return equation is inadequate because it ignores externalities and wider system risks. Insurance expertise (both analytical and social / economic) sits at the heart of this risk / sustainability nexus.

- **Climate**: *Emissions mitigation v adaptation v resilience v disaster risk reduction*

  We are at long last seeing the erosion of the philosophical gulf between climate emissions reduction (mitigation) and climate impacts resilience (adaptation). The recognition that insurance has a valuable role to play in the Net Zero transition as well as the Race to Resilience will help to bridge this gap. The climate adaptation mainstream needs to integrate related but separate communities and expertise from risk, resilience and disaster risk reduction that have been more integrated with insurance systems.

- **Finance sector**: *Banking versus insurance versus investment*

  Climate with its integrated financial regulatory agenda is providing a welcome sledgehammer to break down the professional, technical and operational barriers and hierarchies across the financial sector. Each community within capital markets has much to share. Reinsurers can help banks with physical climate risk assessment; actuaries can help quants manage extremes of frequency of severity and duration; life insurers can help property insurers consider chronic rather than acute risks; investors can help insurers think through transition risks and banks can translate climate risk into credit risk and integrate its management throughout the financial system. The work of the Climate Financial Risk Forum in the UK and similar groups, bringing insurers, assets managers, banks and their regulators together is providing the means to break down the walls. The IDF can support this positive momentum and accelerate implementation of the outcomes.

- **Aid and international institutions**: *Development sector v humanitarian response*

  For someone from the private financial sector the separation in culture and operation of the international development sector was unexpected, but as the roles and history of these functions emerges it is easier to understand the causes of this unfortunate separation, which insurance straddles. Now the development sector sees that shocks and catastrophes are inimical to development objectives and effective responses, and where possible, preparation needs to be integrated within planning. Similarly, the humanitarian sector has become aware of the value of resilient development and operations. While institutional boundaries and budgets can hinder cohesion, insurance systems can help to bridge this divide and represent one of the most exciting aspects of the IDF's agenda with groups such as Office for Coordination of Humanitarian Affairs and the World Food Programme.

- **Insurance is 'in the room', but not fully *at* the table.**

  Insurance sector communities and programmes have invaluable expertise and resources to address these climate challenges, but that experience is not fully understood or harnessed into the mainstream climate, sustainable development and finance agenda. Using the focus of COP26, the strategic opportunity is to finally and comprehensively bridge this deadly gap.

An insurance wish-list on the Road to Glasgow.

By 2030, perhaps we will refer to "Glasgow" as a pivotal moment in climate financial history in the way that we refer to "Paris" for climate politics. But when we glance over our shoulder in 10 years' time what will we see? A series of missed opportunities and footnotes to progress? Or will the sleeping giant insurance sector awaken to its full potential to use its power and reach to help quell the climate emergency?

Today, we have a choice to act with purpose and in partnership with others in the financial services, private and public sectors. If we are proactive, strategic and business like we have good reasons to be optimistic and follow the growth and value trajectories we see in other sectors in the vanguard of this industrial revolution. To do so we will need to do the following:

- End indifference by placing insurance at the top table within the wider finance, policy and development ecosystem.
- Apply and expand our expertise in climate transition & resilience and locate those conversations in the Boardrooms of the industry.
- Move from theory, pilots and innovation to scale, integration and the mainstream;
- As experienced drivers with a good history we can now change gear and accelerate even bolder ambitions ahead of Glasgow and beyond.

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