

# CAPITAL, CANARIES OR CATALYSTS

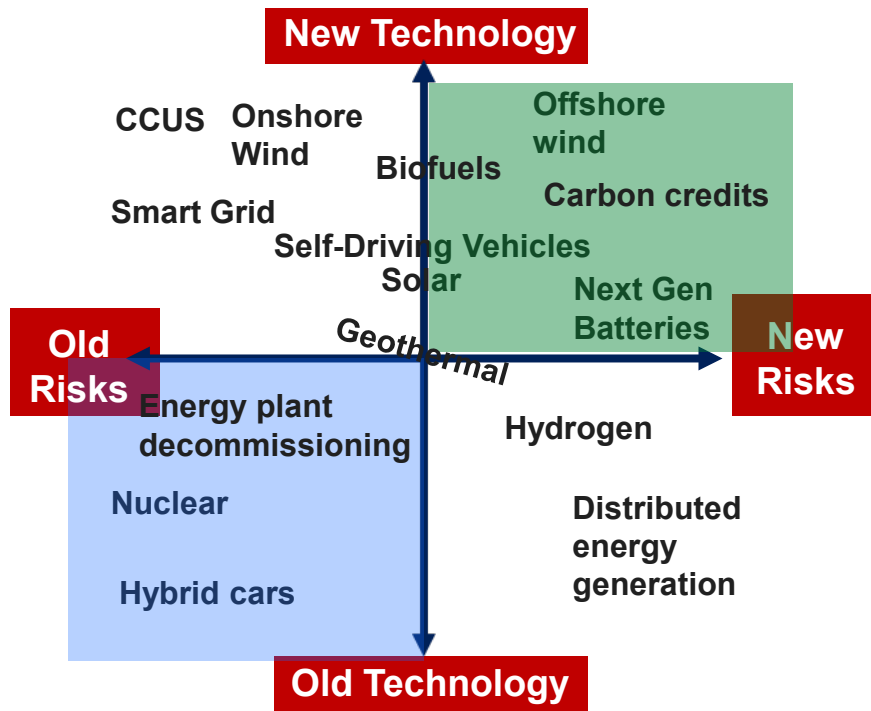
*The role of the insurance sector in enabling the climate transition and ensuring community resilience*

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# Trillion-dollar insurance sector already deploys climate capital

De-risking green technology, funding new solutions and supporting communities

## 1 Deploying risk capital



## 2 Institutional Investor



GFANZ  
Glasgow Financial Alliance for Net Zero



- Insurance sector and pensions are largest pools of patient capital
- Insurers were early movers
- Asset-to-liability matching is key
- Leaders in space supporting shareholder resolutions and undertaking active stewardship

## 3 Muni-bond purchaser

- Insurance sector holds over \$500 billion in municipal bonds
  - 1/8<sup>th</sup> of \$4T muni-bond market
  - A bit more than half are held by property-casualty firms
- 10% of US insurer bond holdings are in municipal markets
- Question is whether sector could leverage market influence to encourage climate-smart projects
- Partnerships with rating agencies could also raise awareness
- Industry model exists with Low Income Housing Tax Credit markets



# Core societal role is to send risk signals

## Risk-reducing behavioral incentives difficult to achieve with long-term system-level exposures

- Like the canary that detects unseen risks, industry uses price to send signals and incentivize behaviors
- Typical transmission method is a 12-month insurance policy
  - Significant regulatory interference in pricing
  - Climate risks manifest over years not months
  - Eco-system nature of climate exposures transcends individual policyholder resilience efforts
- TCFD filings make clear that industry strategy is to raise prices until it must withdraw capital
- Long-term climate modeling is still evolving
- January 2023 reinsurance renewals saw dramatic price increases for climate exposed capital
- “Last-resort” mechanisms emerging as market leaders in several states



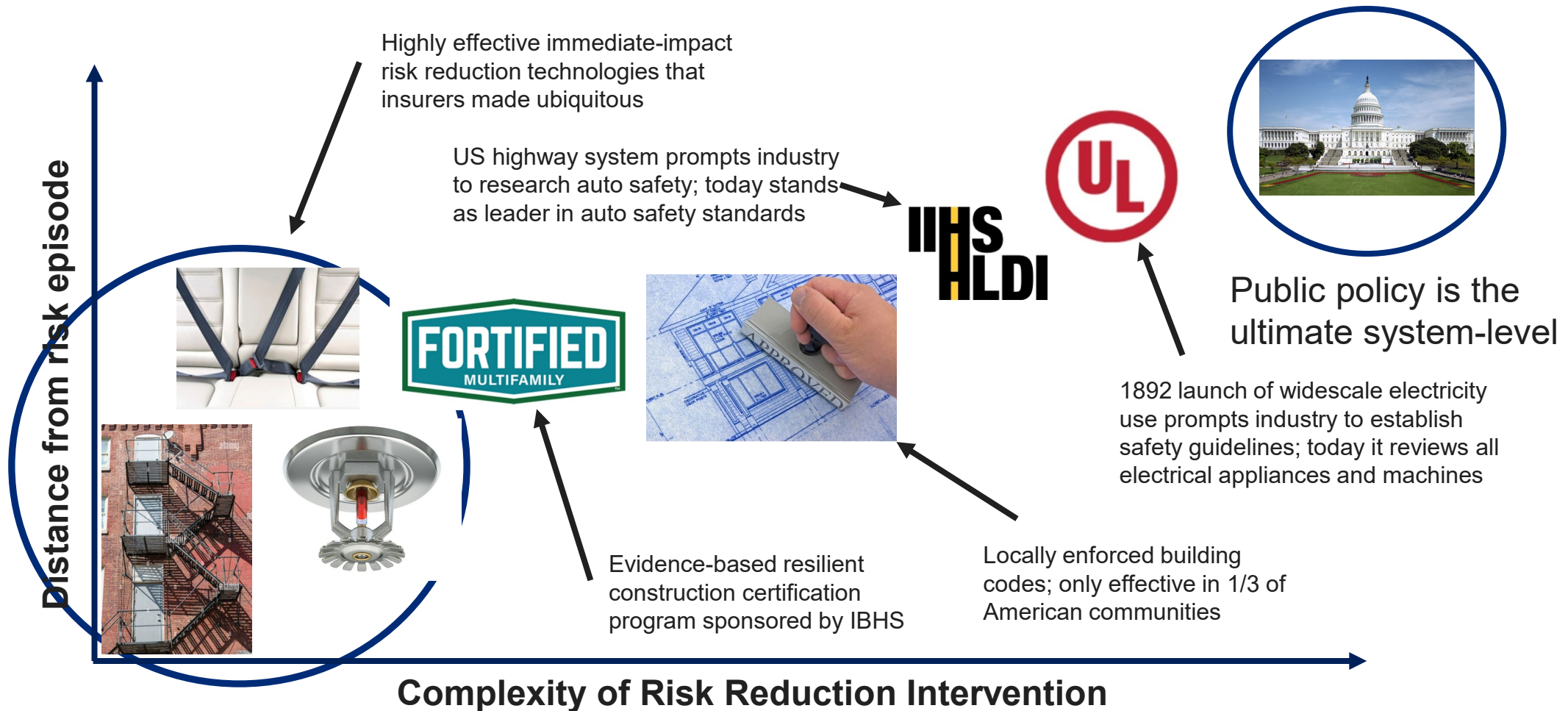
# But remember what happens when the canary does its job

It sends the ultimate risk signal by dying



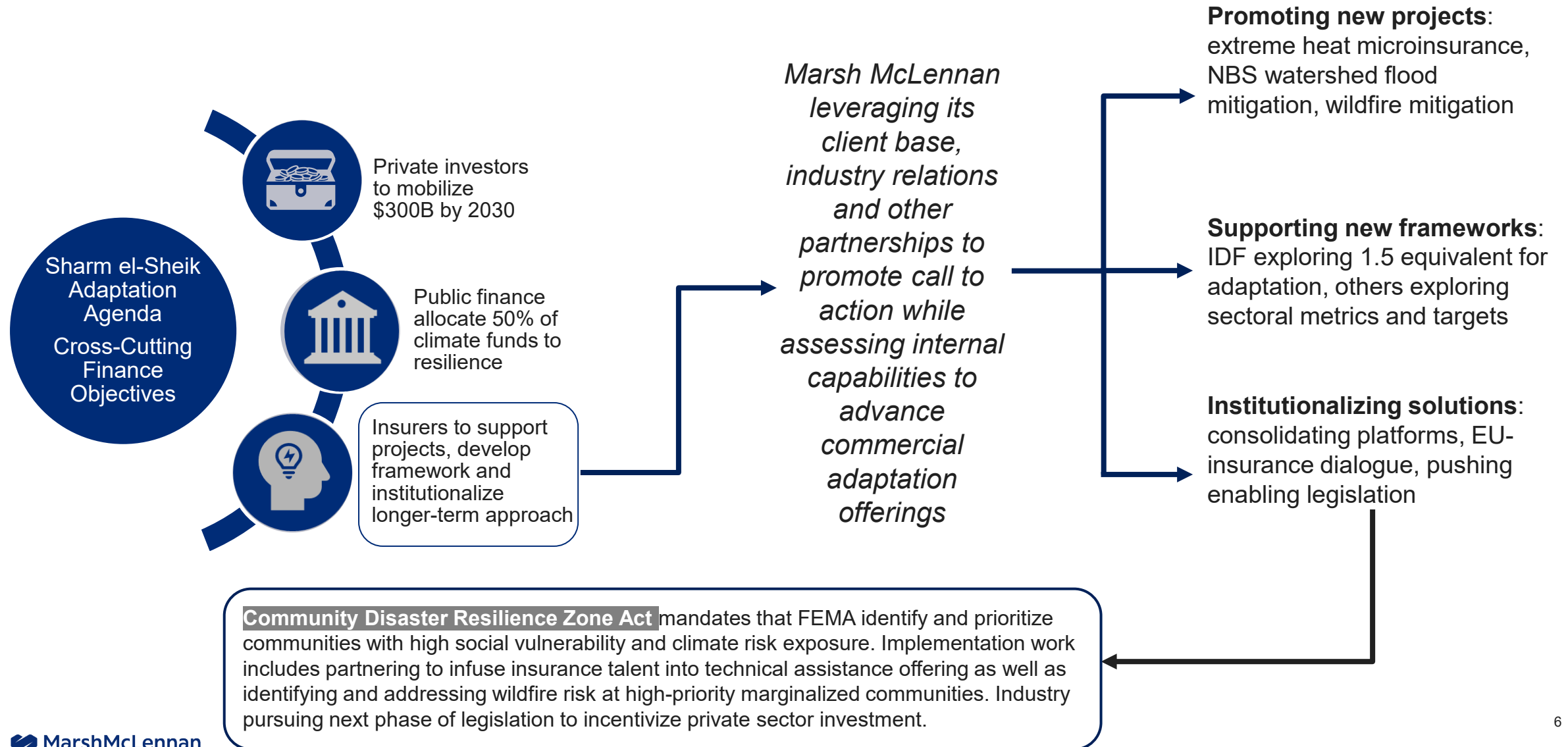
# Insurers have catalyzed all-of-society responses to new risks

As distance between risk and intervention increases complexity demands eco-system level solutions





# Marsh McLennan is catalyzing industry support for climate adaptation projects, frameworks and approaches





We are leaders in risk, strategy and people. One company, with four global businesses, united by a shared purpose to make a difference in the moments that matter.

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