



Liberty Specialty Markets

LMA CLIMATE CHANGE EXCLUSION CLAUSE.

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Martin Roberts – Head of Wordings, Liberty Specialty Markets.

As a Lloyd's underwriting market practitioner, I also serve on;

- The Lloyd's Market Association Wordings Committee – Deputy Chair
- The Lloyd's Market Association Wordings Forum – Chair

Lloyd's Market Association.

The LMA is a not-for-profit body, representing Lloyd's syndicates' interests to organisations including governments, regulators, and the market's central supporting body, the Corporation of Lloyd's.

The LMA provides professional and technical expertise in areas ranging from model policy wordings to the implementation of innovative technologies.

Its activities are supported a number of high-level policy committees, specific market sector committees and specialist technical panels These committees & groups are populated by underwriting market practitioners.

All LMA wordings published are purely illustrative, the LMA do not publish guidelines with regard to application nor provide drafting history. It is for Underwriters to decide whether or not any contractual language is acceptable on any given risk.

Background – Underwriter’s 2021 bedtime reading.

Bank of England Climate Biennial Exploratory Scenario (CBES) The 2021 exercise explores the resilience of the largest UK banks and insurers to the physical and transition risks associated with climate change, i.e. the financial risk

Globally, the cumulative number of climate change-related cases has more than doubled since 2015. Just over 800 cases were filed between 1986 and 2014, while over 1,000 cases have been brought in the last six years*

The number of ‘strategic’ climate change cases is dramatically on the rise. These are cases that aim to bring about some broader societal shift*

*Grantham Research Institute. Global trends in climate change litigation: 2021 snapshot

Clause Request & Development.

In Q2 2021, Both the LMA's non-marine International Liability business panel (comprising of 20 underwriting representatives from the Lloyd's market) and the marine Joint Liability Committee (comprising of underwriting representatives from both the Lloyd's and IUA company markets) requested promulgation of an 'absolute' climate change exclusion clause.

The LMA's drafting sub group settled on the use of a concise version of the following definition in the United Nations Framework Convention on Climate Change (highlighted words omitted from the LMA clause):

"Climate change" means a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.

The group also included express language to apply the exclusion to allegations of climate change and consequences, in line with the brief to produce an absolute exclusion

The Clause – LMA5570.

After obtaining approval from both underwriting groups and the LMA wording committee, LMA5570 was published in November 2021:

Climate Change Exclusion

Notwithstanding any other provision in this Policy or any endorsement hereto, this Policy excludes any loss, liability, cost or expense arising out of any allegation or claim that the (Re)Insured caused or contributed to Climate Change or its consequences.

For the purposes of this clause Climate Change means a change of climate which is attributed directly or indirectly to human activity.

10th Nov 2021

LMA5570

Clause Usage.

In line with LMA practice, adherence to competition law means there is no stated mandate or guidance published re usage or suitability across classes of business

As a representative of Liberty, I similarly would not make any statements regarding usage; the clause is available to our underwriters and may be used as published or amended in accordance with our applicable risk appetite.

Questions/Discussion

