



Innovative insurance solutions are key to helping local communities finance the rising costs of climate risks, says new Swiss Re publication

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New York, 20 September 2010 – Innovative insurance solutions hold the key to driving climate adaptation initiatives in the developing world and securing the development prospects of communities threatened by rising climate risks, says a new Swiss Re publication. Released today at the opening of this year’s Climate Week NY° C, “Weathering climate change: insurance solutions for more resilient communities” takes a fresh look at how risk transfer measures help societies adapt to climate change and minimise the financial impact of large natural disasters.

Natural hazards and extreme weather claim scores of lives and cause billions of dollars in damage each year, as recently witnessed by the devastating floods in Pakistan and drought in Russia. According to the report, climate change could severely exacerbate the impact of such disasters, wiping out years of development gains and costing some countries up to 19 percent of annual GDP by 2030.

Cost-effective adaptation measures can mitigate much of the potential loss, in some locations by more than 90 percent. But decision-makers have to make investment choices under great uncertainty and with limited funds. Insurance provides them a cost-effective way to cope with the financial impact of the most severe weather events.

“Insurance is an effective method to finance the costs of climate-related disasters,” says Matthias Weber, Swiss Re’s Division Head Property & Specialty. “It is most effective when viewed as an integral part of a much broader climate adaptation strategy.”

Extending adequate cover to poor communities in developing countries is often difficult because many lack a mature local insurance market. But new forms of risk transfer involving the public and private sectors offer ways to insure climate risks and large natural disasters in such instances. An example of this is the Caribbean Catastrophe Risk Insurance Facility (CCRIF), a multi-country risk pool supported by Swiss Re that innovates in its combined use of traditional insurance and capital market instruments.

It provides 16 Caribbean governments with rapid access to financing in the event of hurricanes and earthquakes.

Swiss Re's 2010 commitment to the Clinton Global Initiative, also presented this week in New York, builds on another success story from Ethiopia, where Swiss Re is working with Oxfam America and local partners such as the International Research Institute for Climate and Society at Columbia University (IRI) to provide weather insurance to poor farmers through an innovative labour-for-premiums scheme. IRI, which provides primary technical support for the project, has been at the forefront of weather index insurance initiatives aimed at meeting the needs of developing countries. Since its launch two years ago, the programme has rapidly expanded to new villages across Ethiopia.

The new publication will be launched at a high-level panel discussion on risk transfer and adaptation in developing economies, co-hosted by Swiss Re and the Climate Group on the opening day of Climate Week in New York.

As the founding sponsor of Climate Week NY°C, Swiss Re actively promotes efforts to mobilise a global response to the challenges of climate change. Says Raj Singh, Swiss Re's Chief Risk Officer, "We are committed to using our capabilities in designing financial solutions that support the transition to a low-carbon economy and help societies adapt to the unavoidable consequences of climate change."

Steve Howard, Founder & CEO of the Climate Group, says, "We are delighted that Swiss Re is supporting Climate Week NYC for the second year running. Recognizing the full impact that climate change could have on all areas of our global economy, they act as a leading example of how the finance industry can restructure products and services, not only to help us adapt to these consequences, but to unlock private sector finance for a clean industrial revolution."

Notes to editors

Swiss Reinsurance Company Ltd

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