

ENVIRONMENTAL INSURANCE

THE APPLICATION OF SUSTAINABLE DEVELOPMENT WITHIN THE INSURANCE INDUSTRY

The insurance industry, like other industries, has to be constantly aware of the effects that factors in its environment have on its products, services and consumers.

Factors such as the changing climate, the US legal system and consumer preference are important to the insurance industry given that probabilistic assessments of the future are the basis on which the industry makes multi-million pound decisions. If this future cannot be predicted then the industry has to change its consumer's attitude to insurance and the risk transfer service it provides.

Insurers increasingly feel that the staggering increase in natural catastrophes is being caused by human induced climate change. Subsequently they have begun to look at the effect climate change is having on their capital base since their entire business is founded on historically based probability calculations that would have to be overhauled if, for instance, insurers were no longer able to assume that weather in the future will be similar to past weather.

Insurers cannot continue to increase rates to meet ever increasing losses exacerbated by pollution and the severe changes to our weather. It makes more sense to deal with these problems at their source rather than using insurance as a "maintenance contract" to pay out for the effects. The industry should be encouraging people not to pollute rather than paying out for pollution claims.

Furthermore consumers are becoming especially resentful of firms which take more than they give from the natural environment; likewise people today are especially appreciative of firms which conduct operations that improve and restore the environment as opposed to harm it.

There is a growing desire from consumers for businesses to become more environmentally aware in their trading practice. This desire stems from the customer's demand upon the business sector to be more sensitive to its impact on the environment. Consumers increasingly boycott goods deemed harmful to the environment either in their manufacture or finished state.

The industry has a long tradition of spurring important policy changes to help reduce the risk presented to it. Consequently there is no reason why the industry cannot be used as a vehicle for the long term adoption of more environmentally aware trading practices and the spread of sustainable development business practices.

Sustainable development is commonly defined as

"development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

People are becoming more aware that our consuming habits have an effect on the state of the environment both financial and natural. Damage to the environment is already considerable, but by consuming in a sustainable manner we can slow the pace of destruction down and hopefully avert the difficult times ahead.

The insurance industry makes important investment decisions in the face of large uncertainties. It is a transnational industry operating in a global market interrelated through reinsurance. It is now at the front line of the climate problem. Given that the transnational economy and the transnational ecology are strongly related the insurance industry must recognise the problems it faces for its own survival.

Naturesave Polices Ltd provides buildings and contents household and annual travel insurance where 10% of all the premiums are deposited in a fund (The Naturesave Trust) to benefit specific environmental and conservationist projects which support sustainable development.

By using the insurance industry as a vehicle the longer term objective of the company is to encourage the adoption of more environmentally aware trading practices within the business community. We offer a commercial policy which includes an environmental performance review (EPR) to assist companies in becoming more aware of their environmental position.

Further information can be obtained from Naturesave Polices Ltd on

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