



Kuscco Mutual Assurance
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17TH AIBK ANNUAL REGIONAL CONFERENCE

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Overview

- ❑ Climate change is important to insurance
- ❑ One climate change related event could result into massive economic losses running into billions of shillings
- ❑ Insurance industry players (underwriters, brokers, etc.) must therefore start shifting their business models to incorporate climate change impact
- ❑ UN Net-Zero Insurance Alliance
- ❑ UNEP Principles for Sustainable Insurance
- ❑ Nairobi Declaration – Committing African Insurance organisations to be involved in playing sustainability role



Shift to Green Energy

Mitigating climate change

- ❑ The main contributors of carbon emissions (globally) are
 - ❑ Buildings (23% of energy related CO₂);
 - ❑ Agriculture (20%);
 - ❑ and Transport (15%)
- ❑ Is it possible to remove carbon dioxide from the atmosphere?
 - ❑ Carbon sequestration – enlarging forests, restoring wetlands, and using other natural\technical processes
 - ❑ Solar & wind power have the greatest potential of mitigation at the lowest comparative cost

Reducing Emissions

Mitigating climate change

- Is it possible to reduce emissions from infrastructure that directly burns fossil fuels?
 - Vehicles;
 - Heating appliances;
 - and Transport (15%)
- Can industrial processes create carbon capture and storage and reduce net emissions?
- Is it possible to cut the greenhouse gas (methane & nitrous oxide) emissions from agriculture?
 - Big culprit is livestock and food waste – switching to more plant-based diet

Climate change Mitigation

- Changing the below factors can reduce emissions:
 - Energy sources – green energy
 - Industrial Processes
 - Farming methods –by protecting the ecosystem
- Can industrial processes create carbon capture and storage and reduce net emissions?
- Is it possible to cut the greenhouse gas (methane & nitrous oxide) emissions from agriculture?
 - Big culprit is livestock and food waste – switching to more plant-based diet

Climate change Mitigation

- Climate change policies:
 - Carbon pricing – by carbon taxes
 - Carbon emission trading
 - Regulations that encourage investments in renewable energy deployment
 - Reduction of fossil fuel subsidies
 - Divestment from fossil fuels and subsidies for clean energy
- Can we have sustainable energy and sustainable transport?
- Can we have energy conservation and efficient energy use?

Case for a shift to green Economy

- Health & well being
 - Green energy reduces air pollution
 - Access to urban green spaces improve mental health
- Every shilling of investment in green energy creates more jobs
- Renewable energy makes economic sense in the long run – especially for a country such as Kenya which is an importer of fossil fuels such as oil
- Financial markets can rapidly reprice assets that are exposed to climate risks
- Structural changes associated with transition to green economy must be managed

What role can the insurance industry play

- Insurers play an essential role in facilitating the flow of capital to mitigation projects through:
 - Providing de-risking solutions to investors
 - Can leverage their underwriting to reduce capital flow to fossil fuel industry
- The industry can deploy its expertise in managing complex long-term risks to managing the unavoidable long-term consequences of a warming planet
- Once risk is understood and evaluated – it needs to be managed
 - Investing in physical risk reduction (irrigation systems or flood defences)
 - Pre-arranging risk finance

Are there opportunities for the industry?

- The growth in value at risk and possibly volatility should increase for new product solutions and services
- The demand for insurance solutions to go beyond traditional risk transfer to explicitly address risk mitigation
- The industry has an opportunity to offer innovative solutions to cover newer and more frequent hazards
- The industry must be careful not to underestimate the true threat of climate change



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Are we ready for the shift?

- The industry have long helped customers to mitigate risks
 - Focus should shift on mitigating and even preventing physical climate risks
 - Focus on risk engineering and risk mitigation
- Need to shift the existing business models
- Are we incorporating climate-risk considerations in new product developments and underwriting processes?



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THANK YOU