



We are Lloyd's of changing climates

Few issues are currently as important and high profile as climate change.

We don't subscribe to scare stories, of course. However, it's clear to us that climate change is happening. And if no action is taken to combat it, forecasters predict that weather around the world will alter, significantly.

We don't pretend to know exactly what changes will occur. But, by actively pushing work and research with universities, insurance companies, financial markets, and government organisations around the world – and by drawing on Lloyd's own expertise in exposure management, risk management and catastrophe planning

– we can at least form a better long-term view.

By taking a coordinated approach, and promoting positive action to begin to reduce and adapt to future changes, we believe the insurance industry can also make a difference.

Sea levels

A rise in sea levels is difficult to measure and predict. Nevertheless, any rise poses significant potential risk. Today, around half of the world's population (some three billion people) live within 200km of the coastline, and by 2025, the number is likely to double to six billion if current trends continue.

As the world's leading specialist insurance market, we work closely with academics and insurance practitioners to model and better understand the impact of natural disasters. By increasing our level of scientific knowledge, that's something we're now able to do with more and more confidence.

Rain

Over the last few years we've witnessed record levels of rainfall and insured losses: July 2007 was the wettest month on record in the UK, and the resulting floods led to insurance losses of over £3bn. But the influence of unpredictable rainfall isn't limited to flooding. Droughts can affect populations and businesses alike. Strong or prolonged rainfall can cause soil erosion and affect crop yields. And in the future, climate change is likely to make rainfall even more unpredictable.

Before the storm

The insurance industry's role isn't just restricted to providing cover against environmental risks. We also have an increasingly important part to play in promoting ways to reduce their impact. We must encourage stricter building codes. We must press for better flood defences. We also do our part in helping policy holders, governments, and disaster relief agencies to plan for disasters - and promote research that can improve the forecasting of weather-related risk.

Hail and snow

As recent events in Europe and North America show, structural damage is a major risk with hail, ice and snow. Then there are other factors to consider. Will blocked roads affect businesses? Could ice storms lead to large-scale power cuts? Could adverse weather keep shoppers away from the January sales? It's difficult to know for sure. However, for Lloyd's, considering such eventualities comes naturally.

Hurricanes

Based upon natural cycles alone, we can expect increased levels of hurricane activity for at least the next 20 years. And, especially with hurricanes Katrina, Wilma and Rita in 2005, we have all seen just how devastating they can be. Can we insure against them? Certainly. It's not easy, however: the challenge for underwriters is to make sure that they better understand the risk, set the right price for the policies they take on, and also manage their accumulation of risk.