

Munich Re US White Paper Wants to Know: Can We Use Lessons Learned from COVID-19 Pandemic to Mitigate the Risks of Climate Change?

“How can our society avoid the disastrous consequences associated with climate change risk?” asks a new Munich Re US white paper, *Reimagining Resilience in a Post Pandemic World*. The COVID-19 pandemic has led to societal and economic disruption on a global scale, and climate change is also expected to result in far-reaching societal and economic impacts. The white paper explores how our society might become more resilient to a similar disastrous situation with respect to climate change risk.

“Climate change is one of the greatest long-term risks in the insurance industry, and the early impacts are already here—right now,” said Raghuv eer Vinukollu, Nat Cat Strategic Products Team Lead, Munich Re US. “As the COVID-19 pandemic has illustrated, the best course of action is preparation on an ex-ante basis rather than an ex-post one. Severe flooding, devastating wildfires and hurricanes... no place on earth is immune to extreme weather events. There is strong evidence that climate change has already had a significant influence on the frequency and severity of some types of natural disasters and extreme weather events in regions across the world. Society needs to act immediately to mitigate and adapt to the effects of climate change if we want to strengthen our resilience.”

What do pandemics and the future catastrophes that climate change could bring have in common? They are both systemic by nature. They also highlight the need for longer-term prevention strategies that are often sidelined in favor of short-term priorities. If vulnerable regions continue to deprioritize long-term strategies, the risk of unexpected and severe global disruption due to extreme weather will likely exacerbate. Extreme weather might also widen the protection gap that already exists between economic and insured losses if steps are not taken to reduce the vulnerability of property and adapt to the changing risk landscape.

“Extreme weather events are not anomalies or black swans, but more like gray rhinos,” said Vinukollu. Gray rhinos, a term popularized by the American policy analyst Michele Wucker, are events that are highly probable, highly impactful and often neglected. “Extreme events, such as a pandemic or a natural catastrophe, may seem like they are once-in-a-lifetime black swan events, but they are not. Urbanization, deforestation, resource consumption and mass travel have the potential to make these events more common, especially if our collective behavior remains unchanged.”

As the white paper notes, the importance of embracing gray rhino events was evident in the COVID-19 response. Those countries that understood the risks associated with a global pandemic were the most prepared, suffered less disruption and were able to return to everyday life more quickly. A greater acceptance of climate change and the risk of gray rhino events opens the door for governments, enterprises and others to build resilience.

The work to promote resiliency in the face of climate change must be collective in nature, with the insurance industry having an important role to play. Better risk transfer solutions and a higher take-up rate of insurance across communities means a faster recovery. The insurance industry has an advanced understanding of climate risk and extreme events, and its modelling, analyzing and forecasting capabilities offer vital insights to other participants in the resilience ecosystem, helping them better comprehend the risks, identify potential weaknesses and plot a course toward prevention. Education and expertise in risk assessment can guide governments and businesses towards making meaningful policy shifts such as improved building standards and land-use practices. This new generation of technologies, practices and standards will help reshape the way society mitigates and manages the risks of climate change.

“Climate change can feel daunting, but we are in a critical period where powerful steps need to be taken to help make society resilient against future catastrophes and mitigate the impacts of living in a warmer world,” said Vinukollu. “It took a virus only a few months to give our modern world its first experience in understanding what global societal and economic disruption looks like. The world has known about the disruptions climate change may cause for decades. Right now, we have the unique opportunity to reimagine how businesses function, redesign standards and practices, and strengthen the relationships and knowledge sharing between the multitude of parties that have a stake in climate change and resilience. There is power in partnerships. We only stand to lose if we collectively choose to do nothing.”

To learn more about climate change and what Munich Re is doing to better understand the issue and address the changing landscape, read the [white paper here](#).

About Munich Reinsurance America, Inc.

Munich Reinsurance America, Inc. (“Munich Re US”) is one of the largest reinsurers in the United States. We provide reinsurance coverages, specialty reinsurance, and risk management solutions to commercial and personal lines insurance carriers, agents and brokers, program administrators, and managing general agents. Our admitted and non-admitted insurance company affiliates offer specialty insurance products. We provide insurance carriers with white label products to help protect against the devastating effects of natural catastrophes and emerging risks, while our Innovation Lab offers client solutions in a rapidly evolving technology risk landscape. We believe that by looking out for our clients’ best interests with innovative risk solutions we can help build more resilient communities and close insurance gaps.

Munich Reinsurance America, Inc., a subsidiary of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (“Munich Re”), earns high ratings for financial strength from A.M. Best Company. We serve our clients from our Princeton, New Jersey campus and regional offices throughout the United States.

Munich Re first began tackling the emerging issue of climate change risk in the 1970s. Since then the company has been analyzing long-term data on meteorology and losses in order to better understand the risks of change in a warmer climate. As a leader in the climate risk space, Munich Re has been carbon neutral since 2015 and employs subject matter experts from a variety of fields including meteorology, climatology, seismology, hydrology, geoinformatics,

data analytics and engineering. These scientists combine the company's deep institutional knowledge with cutting-edge expertise to help clients identify the most important and relevant climate change risks that could adversely impact them.

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