

Climate Change and Flood

Paul A J May CFIRM,

Chairman of Concordia Consultancy Ltd, IRM Ambassador, member of the IRM Climate Change SIG and a former IRM Board Director

These are two inter-linked topics that are raising challenges and strategy changes in many areas. Uncertainties abound and here are some predictions and questions:

Political

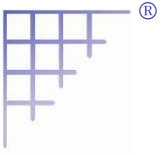
With the UK chairing the COP26 UN climate change conference in November risk managers will have an opportunity to be close to and influence the action, but will they and IRM seek to?

Incoming President Biden has brought the USA back into the Paris Climate Agreement but will continue to be subject to vested interests such as the energy and concrete industries.

The IMF's world uncertainty index will increase as tensions between nations continue, making climate actions and commitments difficult to verify.

Electricity

Electricity, whatever the generation fuel used to create it, has become the vital driver supporting our lives and businesses. The UK's infra-structure is unlikely to support the expected demands without significant investment especially in rapid charging power sockets for electric cars.



Wind and solar generation have massively increased its contribution to the grid, but with coal and oil becoming less acceptable (and even insurable) sources there will be a need to debate the nuclear option.

Insurance

The issues raised in recent FCA test case judgement on covid business interruption has seen the reputation of insurance providers, buyers and brokers suffer adversely. Urgent reviews of business interruption coverage, pricing and post-event response, for flood especially, will take place to reflect the rejection of the previously prevailing Orient Express approach to minimising/restricting loss calculations.

Flood Re might start to raise its profile and offer pro-active advice via the media.

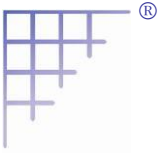
Travel

Train and plane travel has ground to a halt due to the covid pandemic. The climate seems to have benefitted, globally as well as locally, with less pollution and noise. However, is there a pent-up demand that will return planes fuelled by jet oil to the skies sooner than might be expected?

Increasing use of emails, and video services such as Zoom, Teams and WebEx have enabled communication but they depend on electricity which has to be generated...

Mining

Extraction of coal is controversial and will continue to be the cause of continued political risks (e.g., Australia and China recently), as well as extinction rebellion type disruptive attacks on facilities and distribution.



The metals needed for batteries and mobile phones are in short supply and will limit production as well as create political complications.

Flood

It is likely that we will continue to see footage of flooded houses, factories and roads across the UK with the occupants expressing the view that “they” should do more to protect them. Off the shelf physical protections for properties against flood damage may progress a tad further than the sand bag.

Paul May

LLB (Hons), MBA, FCII, FCILA, FCLA, DipAIS, ADipC,
MCI Arb, FIRM, MAE, AIC, FUEDI-ELAE, FCMI,
FIFAA, FloD

Chairman

Email: paul.may@concordiaconsultancy.com