

ROCP 28, Association of British Insurers

Senedd Cymru | Welsh Parliament

Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith | Climate Change, Environment, and Infrastructure Committee

Adolygiad o flaenoriaethau'r Pwyllgor ar gyfer y Chweched Senedd | Review of the Committee's priorities for the Sixth Senedd

Ymateb gan Gymdeithas Yswirwyr Prydain | Evidence from Association of British Insurers

Your views

1. What are your views on the Committee's three strategic priorities: Climate Change; Sustainable Communities; and Protecting and enhancing the natural environment?

The ABI supports the inclusion of the three strategic priorities, which correspond to our own purpose for the sector – including to be invested in people and planet.

We welcome the reference to understanding and adapting to climate risks, for which we believe our sector stands in a unique position to help. For instance, our sector's understanding and measuring of risks is mature and sophisticated, and has long been at the forefront of understanding climate related risks.

Further, we believe the insurance sector will play a crucial role in securing the UK's resilience to climate risks, given the many touch points which our sector has with consumers across the UK and Wales. We have also recently published our Guide to Action on Nature, reflecting our stance on the importance of nature loss being raised up the national agenda in line with our climate change goals.

2. To what extent are the Committee's three strategic priorities still relevant, reflecting on social, economic and environmental developments since they were set at the start of the Sixth Senedd?

We believe the strategic priorities remain as relevant as ever, if not more so, given the increase in warnings regarding Climate Change (e.g. UN reference to 'global boiling'). This will increase the occurrence of climate-related events such as flooding or forest fires and consequently the need for insurance will be greater, but premiums may increase as the cost of insurance reflects the increased risks.

Indeed, in some places such as California or areas of Australia the protection gap is already apparent due to the increased risks.

3. What are your view on the Committee's detailed priorities/outline programme of work for Years 3 to 5 of the Sixth Senedd (set out in its report, Priorities for the Sixth Senedd?)

Investing in climate resilience adaptation must be seen as an urgent priority. The insurance sector is an important partner, both for ensuring that communities are well protected against risks, but also in investing in Net-Zero infrastructure.

Our members are already major investors in large-scale infrastructure projects throughout the country, and through our recently announced Investment Delivery Forum (IDF), the industry has pledged to invest £100 billion over the next 10 years in productive infrastructure following the implementation of Solvency UK, and we are supportive of initiatives which will allow Wales to make a strong case for this kind of investment.

Gareth Bullock, Chair of the Development Bank of Wales, and Dr David Clubb, Chair of the National Infrastructure Commission for Wales, both sit on the advisory panel for the IDF and through knowledge-sharing, collaboration and research, the Forum will act as a facilitator and accelerator helping industry, governments and key partners to move forward together to the benefit of savers, the economy and the environment.

Sustainable communities:

- Electric vehicle charging strategy – bring back to the relevance of the IDF Energy Networks working group.

Natural environment

- As set out in our guide to action on nature, we believe that nature must be placed at the centre of climate adaptation.
 - We would encourage the Welsh government to use its influence to encourage the finalising of the UK Green taxonomy.
 - Consider how the quality of carbon offsetting and carbon credits markets are regulated and planned in local communities.
 - Invest in skills and expertise, particularly on the enforcement of environmental laws and standards.
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4. To what extent are the Committee's detailed priorities/outline programme of work still relevant, reflecting on social, economic and environmental developments since they were set at the start of the Sixth Senedd?

Since the start of the Sixth Senedd, the programme of work the Committee has outlined has maintained its relevance with the impacts of climate change being felt across Wales in a variety of ways.

We would therefore encourage the Committee to continue their focus on these priority areas whilst keeping an open mind to any emerging issues.

5. Are there any other matters related to the Committee's priorities/work programme/ways of working that you would like to comment on?

While a continued focus climate change, including climate adaption and renewable energy, is welcome, financing these opportunities is also important.

As institutional investors there is significant potential for this industry to work with Welsh Government, local authorities, and other partners across Wales to maximise the flow of long-term green finance into these areas.

However, as investors of their customers' pension assets – an integral foundation to financial security in later life – insurers and pension funds require consistency in how these opportunities are structured, including stable, long-term returns, and for large infrastructure projects a long-term business case is needed.

Welsh Government and local authorities must therefore think strategically about the range of investment opportunities that are available and the different kinds of investors that will be attracted to them and can therefore add value by understanding their local areas and making a case for specific investments for the needs and priorities of their local areas.

Additionally, the more that Welsh Government and local authorities are able to produce a clear transition plan setting out clearly where they are likely to build a particular technology into their local plan, or where they might look for investment in a particular area, can also give investors some advance insight into their plans.

We would also like to see investors and insurers involved in discussions during all stages of project lifecycles, including the 'incubation' stage of these projects, meaning when the technology is relatively well-proven and a business case can begin to be made, which would provide the opportunity for investors to provide

information on what they would be looking for and for insurers to pass on their risk-management expertise.

Similarly, the Committee also notes decarbonising housing and behavioural changes as key priority areas within climate change. Insurers commission a large number of repairs across Wales and the UK every day, ranging from housing to motor vehicles – as such, our sector has a significant role to play in transitioning to net zero.

As the world begins to adapt to climate change through new technologies, so too will the technical skills necessary to work on and maintain these technologies. With electric vehicles mentioned in ‘Priority 2 – Sustainable communities’, for example, mechanics must be able to quickly adapt to these new technologies and the differences they have from conventional motor vehicles as they become more common on our roads.

The ABI is therefore keen to ensure that the correct accreditation is being given to skilled workers to provide insurers with an assurance that these people have the required skills necessary for this work.

6. Other information

No response.
