

AIDA WORLD CONGRESS

PARIS 2010

# CLIMATE CHANGE

## QUESTIONNAIRE

### Foreword

*1. Climate change has been chosen as one of the topics for the AIDA World Congress to be held in Paris in 2010. Thank you for accepting to prepare a national report.*

*2. This subject is obviously one of great importance, and very much has already been written on it. For an AIDA World Congress, the focus should naturally be on the impact on the insurance sector, and more precisely on the impact on insurance law – a domain in which AIDA can make a significant contribution. When preparing your report, please stress the legal aspects (legislation, regulation, policies, clauses, legal nature of new products, etc...) – even though describing the context will always be necessary.*

*3. National reports will be particularly useful for such a subject where perceptions of the phenomenon may vary, and mainly, where the feared consequences of climate change can be widely different in the different regions of the world. Please see that your report gives the necessary information about the local context in which it is written (see part A of the questionnaire below).*

*4. The questionnaire is indicative. Try to cover all points you find relevant for your country, but do not hesitate to include additional information and comments in part C below.*

## A. Your local context

In your country :

1. What is the degree of awareness of climate change and its consequences :

- in the general public - low
- in the business sector - low
- in the insurance industry - low
- in public authorities - low

The issue of so-called climate change and its potential negative consequences is generally still not broadly considered in Poland as a serious matter. One of the most important factors that prevent society and particular sectors from treating climate change with the necessary gravity is probably the belief, shared by the government and most political parties, that any action aimed at stopping or diminishing the impact of climate change will have an adverse effect on the economic growth of Poland. This reasoning was also used by the Polish government during the recent international summit in Copenhagen, where the Polish government made it clear that it will exercise extraordinary actions in respect of climate change only, if all the other developed countries did the same.

It should also be stated that the attitude towards climate change represented by the business sector and, in particular, the insurance sector, does not seem to be substantially different than that represented by the public authorities. Any initiatives of the business sector aimed at developing public awareness on climate change have a very limited scope, but obviously the role of the business sector is different and it cannot be expected that the business sector will be focused on climate change within its conducted activity.

2. Which are locally the main expected consequences of climate change (please specify : “not applicable”/“medium risk”/“high risk”) :

- floods (including flash floods) high risk
- rise of sea level high risk - on the coast of Poland
- melting of ice, of snow, avalanches not applicable
- earthquakes not applicable
- storms, tornadoes medium risk
- heat waves, draught, fires medium risk
- spread of diseases not applicable
- other adverse effects - new species of pests, cliff erosion
- any favourable consequences - extension of plants' vegetation period

3. Which economic sectors, critical for your country, could be particularly affected :

- agriculture ✓
- fisheries
- forestry
- energy ✓
- industry (which ?)
- tourism
- others ?

4. Have some concrete measures already been taken or envisaged (other than in insurance sector – see B below) :

- legislation, regulation
- initiatives of economic agents
- others ?

It should be emphasized that Poland is still at the very beginning of the process of changing Polish law in order to keep up with climate change. Initiatives are in a pre-legislative phase. We are not in possession of any detailed information in this area. Please note that currently the government is generally in opposition towards any radical changes aimed at reducing the effects of climate change as, in its opinion, this could diminish Poland's economic growth. Therefore, we would not expect any legal initiatives before the adoption of a unified and mandatory strategy on an international level and all, so-called, developed countries applying these rules.

5. How much is your country involved in international efforts and initiatives related to climate change :

- Kyoto Protocol - Emission trading systems: Poland signed the agreement on November 9th 2009, to sell its surplus carbon emission permits, under the Kyoto Protocol (AAUs) worth 25 million Euros (\$37.5 million) to Spain.

-International Strategy for Disaster reduction, Hyogo Framework - The Coordinator of the NP in Poland is the Institute of Meteorology and Water Management in Warsaw, e.g. the **integrated flood forecasting and warning system in Poland** established in the framework of the modernization project financed by the World Bank:

- Upgrading of the hydro-meteorological network of IMGW and building a new system of data transfer and collection;
- Improvement of modeling procedures;
- Upgrading of hydro-meteorological forecasts;
- The establishment and functioning of the Coordination and Information Centre of Flood Protection Systems within the Regional Water Boards with the main task- cooperation with the bodies of government administration responsible for actions connected with flood control.
- As a result of the project's implementation, particular bodies of government and self-government administration obtained reports on flood hazards in the chosen valleys coming under their spheres of activity, which are used in planning, consultative work and in the decision-making processes.

- The project provided the training of individuals employed in the water boards, IMGW, as well as other persons in the field of flood control. It also provided the publication of various informative and educational materials and guides

- National Platforms – The Polish National Platform was created in 1991, as a result of a decision of the Minister of Environmental Protection, Natural Resources and Forestry, and is situated in the Institute of Meteorology and Water Management in Warsaw. The Polish National Platform actively participates in common initiatives concerning:

- Creation of research programs connected with protection systems;
- Sharing experience in the field of flood protection;
- Training on contemporary problems of extreme environmental threats;
- Early warning systems;
- Education and information systems on unusual threats.

- Emission trading systems - Poland has already started selling its Assigned Amount Units (the first transaction was executed on 9th November 2009 - the agreement was concluded between Poland and Spain)

- others **The United Nations Conference on Climate Change (December 1st - 12th 2008, in Poznan, Poland)**

6. Please provide references to literature on climate change concerning your country.

**Zmiany klimatu i ich skutki** - Kundzewicz Zbigniew W., Kowalczyk Piotr

wydawnictwo KURPISZ

wydanie 2008 r.

**Ochrona środowiska przyrodniczego**

Dobrzańska Bożena, Dobrzański Grzegorz, Kielczewski Dariusz

Wydawnictwo naukowe PWN 2009.

## **B. Climate change and insurance** *(please stress legal aspects)*

1. Which are the lines of insurance that could be affected ?

- Property

Agriculture (crops, forestry, livestock)

Buildings

Business interruption

Others (specify)

- Liability

- Transport, marine

- Life, health

It seems that the impact of climate change on Poland should not be substantially different than that on other European countries. It seems that climate change may mainly affect the agricultural sector of insurances due to the fact that the instability of the weather may be harmful for animal husbandry and agricultural production. In addition, the property sector of insurances may be affected, due to the higher exposure to flood risks and other disasters.

## 2. How are the risks linked to climate change to be defined?

- Problems of interference of human and natural causes  
(e.g. building in an area prone to being flooded)

Yes, such risks are quite high in Poland and it constitutes many problems at this moment. Due to the fact of the massive damage inflicted by floods as well as the fact that the persons injured are usually uninsured, the Polish government is financially supporting them. In order to prevent those injured from receiving compensation from the state, the government is planning to introduce mandatory insurances for property located in areas prone to flooding.

- Problems of causal links  
(e.g. increase of losses often due to a combination of factors  
– natural, but also demographic and economic)

Yes, it also true that the risks linked to climate changes are not entirely distinctive as they are an outcome of various factors.

## 3. Insurers' measures of protection against excessive exposures

- Improvement of statistics  
Cartography of risks
- Raising risk awareness (communication campaigns, lobbying, ...)
- Prevention
- Limits of indemnity
- Deductibles
- Exclusions
- Premium increases
- Cancellations
- Withdrawals from markets
- Adaptation of reinsurance agreements (or develop under point 4 below)
- Cover or climate risks on the financial market  
(or develop under point 5 below)
- Others

In our opinion, at this particular moment, it is very hard to provide profound and competent answers in this respect. Currently, we are unaware as to whether any of the insurance companies operating on the Polish market are in any way prepared for climate change and its impact on the insurance market. In addition, we do not have any knowledge of any specific products that are available (or being prepared) that are deemed to embrace, or are

related to issues of climate change. As regards products that are planned, it is, however, understandable that they constitute a company secret. In our opinion, insurance companies in Poland are probably preparing special products relating to the potential climate changes. It is assumed that the insurance companies will adjust their current insurance products, especially with regard to the amount of premium or the scope of liability. The floods in Poland have mobilized the insurance sector which in turn has pushed the state administration to implement preventive matters to help prevent against the effects of natural disasters. The assurance branch has repeated the proposal to implement insurance schemes against catastrophes.

### 3. Insurers' initiatives to develop « new products »

*N.B. Climate change is seen as opening new opportunities by a growing number of insurers. Some examples are listed below, but they are far from exhaustive and new products keep appearing. Please investigate the situation in your country and provide as much information as possible (obtaining models of clauses and policies would be extremely valuable).*

- New policies to cover the consequences of climate change
  - Coverage for producers of new energies (e.g. wind-mills)
  - Liability of architects
  - D & O environmental liability
  - Micro-insurance products for developing countries
- Climate risk management services, expertise
- New policies as incentives to reduce greenhouse gas emissions
  - “Pay as you drive” motor insurance
  - “Energy saving”, “Green-building” insurance
- Initiatives in the carbon market
  - Carbon credit insurance (covering failure to deliver emission rights)
  - Options to buy carbon credits to offset emissions (vehicles)
- Others

See the answer to the question above. We assume that the above products will also be applicable in Poland, but we do not think that, at present, they are either available, or even planned.

### 4. Reinsurance

In your country, what is the role of reinsurance companies with respect to the above problems ?

At this moment it is hard to provide an answer to this question since these products are not available in Poland.

### 5. ART (Alternative Risk Transfer)

Have any of the following techniques developed in your country in connection with climate change :

- Derivatives

- Swaps
- Cat bonds
- Others

We are not aware of any such changes as a result of climate change.

What is the legal nature of these different products ? Can they qualify as “insurance” ?

N/A

## 6. Cooperation or competition with public sector

What is the state of cooperation (or competition) between public authorities and the insurance sector in your country in issues related to climate change ?

On 10th September 2009, the Ministry of Interior Affairs and Administration, and the Polish Insurance Association had a meeting on creating a comprehensive insurance system in case of natural disasters. A team of experts was formed. The team was obliged to continue work on proposals and relevant amendments to the Polish insurance law. However, at this stage, we do not know any details. There are hints, that the government may create a disaster insurance scheme, modeled on French concepts. This would mean that a trust will be established and financed by the government that, in the face of a catastrophe, would be obliged to deal with the aftermath and the relief of individuals, as well as insurers.

The Insurer's self-government based on European experience suggested solutions which should be applied by central and local governments to effectively counteract the effects of natural disasters:

- The development of complex maps of terrains endangered by natural disasters, especially floods;
- Implementing a ban on erecting buildings on terrains endangered by natural catastrophes into the spatial management plan;
- Action aimed at moving human habitats, communal buildings and business activity away from the endangered terrains;
- Educational action directed towards society about the prevention against the effects of natural diseases.
- Promoting the necessity of general insurance against the risks of natural catastrophes;
- Risk management planning, developing and constructing early warning schemes;
- Willingness to aid in rescuing the lives and property of victims;
- First aid for persons who suffered from the effects of natural catastrophes;
- Acting as a warrantor for the payment of insurance.

The insurers would be obliged to:

- Introduce cheap and easy insurances against the effects of natural disasters;
- Determine unified market rules and the organization of a damages liquidation process;
- Promote the idea of insuring amongst property owners;
- Cooperate closely with the government aiming at providing a quick and effective damages liquidation process and a smooth use of governmental insurance warrants.

The Polish Commissioner for Civil Rights Protection has started a campaign for creating a system of compulsory insurances against the risk of natural disasters. He appealed to the Prime Minister to consider a governmental legislative initiative concerning the creation of obligatory insurance against the effects of natural disasters in Poland.

The fact is that this project is the result of the damages and losses suffered by the people who live in areas prone to flooding and who usually do not insure themselves. In the aftermath of the floods, it was usually the government, under media and public opinion pressure, who compensated for the losses suffered by those people, without any legal duty to do so. In order to avoid such situations in the future the project to implement mandatory insurances is now being discussed. To sum up, this project is only indirectly connected with climate change.

It should be stated that at present there is no institutionalized form of cooperation between the public authorities and the insurance sector in Poland with regards to climate change issues.

Are there specific public schemes concerning some of the risks involved ?

We are not aware of any such changes as a result of climate change.

**C. Any additional information or comments**

N/A

Thank you !

Prof. Marcel FONTAINE  
August 2008