

Press release

Zurich, 6 March 2020

Climate change-related risks rated highest among global risks

The writing is on the wall – for the first time, environmental and climate change-related risks occupy the top five spots in the Global Risks Report 2020, issued by the World Economic Forum (WEF).

The last five years are on track to be the warmest on record, natural disasters are becoming more intense and more frequent, and last year witnessed unprecedented extreme weather throughout the world. Climate change is progressing more rapidly than many expected – a fact that is reflected in the WEF Global Risks Report 2020.

Since 2006, the WEF has been working with experts and decision-makers worldwide every year to identify and analyze the most pressing risks, focusing on four key areas: economic risks, environmental risks, geopolitical risks and societal risks. For the first time, climate change and related environmental issues are stated as the top five risks in terms of likelihood. And for the first time in the survey's history, one single category occupies all five of the top spots: extreme weather, climate action failure and natural disasters, biodiversity loss and human-made disasters.

While ten years ago economic risks prevailed – such as food price volatility, oil price spikes, retrenchment from globalization or fiscal crises –, today, with the exception of weapons of mass destruction and cyberattacks, all severe risks are related to the environment.

The Global Risks Report 2020 rankings speak a clear language. And the younger generation – the Global Shapers – puts even more emphasis on the imminent danger of environmental risks. Born out of the WEF, the Global Shapers are a grassroots network of young people under the age of 30 who work actively to shape the future. For the first time, the Global Risks Report also features the Global Shapers' perceptions and world outlook, and they see much higher risks in climate change than the older generations.

The failure of climate change mitigation and adaption is exacerbated by the fact that these risks are interconnected, which could further aggravate a potential crisis. Interconnected risks include food crises, water crises, infrastructure failure, involuntary migration, social instability, and more. These developments pose great challenges for individuals, societies, governments and corporations, especially in many developing countries where the impact of climate change strikes first and most severely due to their geographical location and vulnerability.

A special look at the insurance industry shows that this sector is under particular pressure. Studies conducted by the Intergovernmental Panel on Climate Change (IPCC) as well as insurance companies' reports and analyses state that weather catastrophes drive the vast majority of their economic costs. In September 2019, «The Economist» even suggested that changing weather could put insurance firms out



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of business as they have to cope with an increasing number of disasters of unprecedented scale. While between 1980 and 2015, an average of five events caused over \$1bn in damage each year, this number has tripled in recent years. In 2019, seven extreme weather events caused damage of more than \$10bn each. Insurers definitely are forced to find new solutions to mitigate climate change-related risks.

CelsiusPro, a Swiss insurtech company, works with insurers across the globe, enabling them to offer effective and efficient insurance products for climate risks and natural catastrophes helping to close the protection gap and mitigating the risks of extreme weather.

CelsiusPro has been addressing weather risks in the form of parametric hedging solutions since 2008. Mark Rüegg, founder and CEO of Celsius Pro, explains: «Climate change is a mega trend. Although the awareness is increasing, most insurers are not yet well equipped to analyze climate risk and provide parametric insurance solutions to clients.» Having started the business with weather derivatives, CelsiusPro today also provides extensive consulting services to insurers, governments, governmental agencies, and development organizations worldwide. In addition, the company offers a white label platform with automated pricing and policy management and customized software solutions for insurance companies and reinsurers in mature and developing markets.

An example of the company's innovative offerings is parametric natural catastrophe insurance for tropical cyclones (hurricanes), which provides emergency cash within days of the disaster. The payout is linked to the intensity of the storm at a defined location and does not require a lengthy loss assessment of the real damage incurred – thereby quickly and efficiently alleviating the situation for the people affected by the disaster.

About CelsiusPro:

CelsiusPro is a Swiss insurtech company, which has specialized in providing technology to structure, execute and administer parametric solutions to mitigate the financial impact of adverse weather, climate change and natural catastrophes for more than ten years. CelsiusPro white label platform is highly scalable across geographical regions, perils, products, insurers and re-insurers. The systematic but flexible approach covers globally tropical cyclone, earthquake, yield and weather products and allows to roll out parametric Nat Cat, Climate and Agriculture insurance schemes with low additional effort and short implementation time. CelsiusPro's consulting services include feasibility studies, product design, insurance scheme design, individual risk assessments, process digitalization and education services.

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