



**Testimony of David Edsey
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“Good For Business: Private Sector Perspectives on Climate Action”

U.S. House of Representatives Select Committee on the Climate Crisis

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Good afternoon. I would like to thank Chairwoman Castor, Ranking Member Graves and other members of the committee for the opportunity to testify before the Select Committee. My name is David Edsey, and I am the Climate Director for Zurich North America.

I am here today to provide an overview of how Zurich views climate risk, how Zurich is addressing the issue of climate change within our own operations, how we incorporate climate change thinking into our market activities, and how we engage with society more broadly to help advance climate awareness and action. Following the release of the Intergovernmental Panel on Climate Change (IPCC) report this summer, as COP 26 quickly approaches, and as Congress continues to evaluate public policy responses to climate change, today’s hearing is particularly timely.

Zurich North America is part of Zurich Insurance Group, a leading multi-line insurer that has been serving its customers in global and local markets for 150 years. With approximately 55,000 employees, Zurich provides a wide range of property and casualty, specialty and life insurance products and services in more than 215 countries and territories. Zurich’s customers include individuals, small businesses, and midsize to large companies, as well as multinational corporations. With nearly 8,700 employees in the United States, Zurich has called the greater Chicago area home for over a century.

In addition to our casualty and specialty lines of insurance, Zurich also insures the commercial properties of many of the largest corporations in the US in addition to thousands of midsize companies. Our property policies will pay for physical damage caused by flood, wind and storm surge from hurricanes, hail, wildfires, and other extreme weather events, in addition to loss of business income resulting from those damages. Our property policies may also pay for our customers' lost business income resulting from a power outage or from damage to their supply chains from an extreme weather event.



In short, Zurich, like many other property insurers, is dramatically exposed to the increased frequency and severity of extreme weather events brought about by anthropogenic global warming. The scientific research of climate change, and in particular the summary of findings in the recent IPCC 6th Assessment report, are therefore extremely alarming to Zurich not only with respect to its own exposure, but the potentially devastating impacts to our customers, the economy, our ecosystems, and the humanitarian toll likely to fall upon the most vulnerable on this planet.

This, year, the U.S. has once again seen climate records broken. Through September, 2021 has brought 18 weather and climate disaster events with losses exceeding \$1 billion each across the U.S., and this year is four events shy of the 2020 record for the most disasters on record in a calendar year.¹

Over the last 18 months, it has become clear that no person or place is immune from disasters or disaster-related losses. As an insurer tasked with helping communities, individuals and businesses recover from a catastrophe, we are at the forefront of realizing and quantifying the large-scale consequences of inaction. Furthermore, we have direct insight into the difficulties and challenges in quickly returning to “normal” after catastrophe strikes.

While we cannot eliminate risk or prevent all losses from occurring, we can expedite the return to “normal,” by reducing impacts and accelerating recovery. As an insurer, we are continually looking for solutions to limit exposure and minimize risk **before** disaster strikes. Our analysis and risk assessments have identified climate change as perhaps the most consequential and complex risk facing society today. It is intergenerational, international, and interdependent.

Climate change poses an array of challenges potentially impacting every aspect of our society and economies across the globe. From an insurance coverage perspective, many assets may simply become uninsurable if action is not taken to eliminate greenhouse gas emissions and strengthen and adapt our infrastructure. Zurich is committed to helping its policyholders, individuals and communities adapt to the effects of climate change, while at the same time taking action to help bring about the transition to net-zero.

¹ <https://www.ncdc.noaa.gov/sotc/national/202109>

Addressing Climate Change Within Our Own Operations

Zurich was the first insurer to sign the UN Business Ambition Pledge for a 1.5° Future, committing to reach net-zero operational GHG emissions by 2050. Zurich was also a founding member of the UN Net-Zero Owner Alliance, committing to hold a net-zero carbon investment portfolio by 2050. Zurich was also a founding member of the Net-Zero Insurance Alliance, committed to reducing their underwriting portfolios to net-zero emissions.

In 2016, ZNA moved its U.S. corporate campus in Schaumburg, Illinois, to an award-winning headquarters that has earned LEED Platinum® certification, the highest rating from the U.S. Green Building Council. The distinctive design underscores our commitment to resilience, collaboration, and innovation.

More recently, Zurich completed a major redevelopment of our global headquarters, Quai Zurich Campus. With our own climate pledges in mind, we are aiming to achieve LEED Platinum certification for the overall campus. Highlights of that redevelopment include:

- power supply in all the buildings comes from 100% renewable sources,
- photovoltaic systems on roof surfaces,
- lake water used for heating and cooling,
- no use of fossil fuel in the building,
- rainwater captured, stored, and used for sanitary systems, and
- electric vehicle charging stations.

Zurich became carbon neutral as of 2014 through its ambitious internal carbon emissions reduction efforts and by offsetting remaining emissions. We have decreased our own CO2 emissions by 50% percent, eliminating over 150,000 tons of CO2 from our operations since 2007. While we are proud of our record, we continually assess our own impact and actions. In fact, just last month Zurich announced additional commitments to achieve our goal of being a net-zero emissions business by 2050. Those new commitments include:

- reducing remaining greenhouse gas emissions by 50% by 2025 and by 70% by 2029,
- reducing air travel-related emissions as of 2022 by 70% compared with their pre-pandemic level,
- new company vehicles will be electric or hybrid, with the goal to eliminate internal combustion engine-only vehicles from the fleet by 2025,
- implementing a sustainable buildings program in an additional 50 offices by the end of 2022, and
- setting a new energy efficiency ambition for real estate once the target to switch to 100% renewable power across the Group is reached next year.



While proud of our record, we recognize that as an insurance company we are relatively small emitters of carbon and the true impact comes from our marketplace role as an institutional investor and an insurer of risks.

How are we engaging on Climate Change?

Zurich continues to be a leading voice on the urgent need for action to address climate change. Beyond our own operational actions, Zurich is leveraging our expertise to educate and shape a more global response to the climate crisis. We are investing in and helping communities become more resilient. We are helping our customers navigate the transition to a net-zero emissions economy by providing products and services that lower their emissions and strengthen their resilience to climate change. And, we are sharing broadly our knowledge and engaging stakeholders and policy makers at every level.

Building Resilience in Our Communities

Insurers play a critical role in assisting communities, individuals, and businesses recover when catastrophe strikes. Importantly, the industry also plays a vital role in improving community preparedness and risk management **before** the disaster hits. In furtherance of this mission, Zurich has undertaken a series of initiatives to apply the analytics of insurance to a much broader set of stakeholders. Our goal is to demonstrate the effectiveness of investing in pre-event resilience.

In 2013, Zurich launched its Global Flood Resilience Alliance, a multi-sector partnership focusing on finding practical ways to help communities strengthen their resilience to floods. In 2020, we further extended the program through 2024 with the goal to increase third-party investments dedicated to pre-event resilience by \$1 billion. We seek to do this by rolling out best-practice community programs that demonstrate the value of resilience-building and advocating for more investment in resilience.

Last week, Zurich announced a collaboration, through Zurich's charitable foundation, with Resilient Cities Network to create a multi-year program designed to strengthen climate resilience and help address social inequities in vulnerable communities in Houston and Boston. Zurich has committed \$3 million to the program. Resilient Cities Network will identify neighborhoods and bring together community and government partners for the program. The program is expected to attract additional funding and generate policy support, which together will amplify successful, resilience-building projects. While the initial focus is on Houston and Boston, the program will expand to scale best practices in other cities, building urban resilience throughout the United States.

Another approach we take is to share our knowledge about resilience through the publication of our Post-Event Review Capabilities, or PERCs. To date, we have completed 18 PERCS globally. In the United States, we have conducted four (4) such reports covering flooding events in North Carolina, South Carolina, and Houston, and wildfires in California. The PERCs systematically and holistically analyze disaster events, what led to the disaster, and identify actionable recommendations to enhance resiliency.

In March of this year, ZNA provided testimony to the House Transportation and Infrastructure Committee, Subcommittee on Economic Development, Public Buildings, and Emergency Management. In summary, our testimony stressed the need for infrastructure investments to focus on pre-disaster mitigation and sustainability.

From our perspective, prevention and resilience-building are not just about humanitarianism, they are about the more effective use of scarce funds, preventing loss, and speeding economic recovery. Our own post-event studies conducted after significant flood, drought and wildfire events show that every \$1 spent on resiliency resulted in \$5 of savings post-disaster. Other research, such as the frequently cited National Institute of Building Science's (NIBS) Mitigation Saves Report², has confirmed our assessment and, in some cases shows an even stronger cost benefit ratio. The evidence shows that investing in pre-disaster mitigation can limit losses, accelerate recovery, and is overall responsible budgeting.

Importantly, Zurich is directly engaging with our customers. Through Zurich Resilience Solutions, our customers (and other businesses) can tap into our expertise to help them quantify climate change risk, by providing insights on current and potential future risks, and by identifying more specific mitigation and adaptation actions that they can implement. We are able to provide a holistic, detailed, and catered approach that goes beyond the physical risks associated with extreme weather, and address some transition risks, which could include liability, regulatory and compliance, environmental, social and governance (ESG) integration.

Investing in resiliency and mitigation helps to make individuals, communities, and businesses better prepared for disaster and recover more quickly when disaster does strike. As outlined previously, we are making investments to enhance resiliency in communities around the world. Governments, at all levels, play a vital role in strengthening community resiliency by investing in sustainable infrastructure that is designed to withstand the impacts of extreme weather and climate change. We were pleased to see that the Infrastructure Investment and Jobs Act includes significant funding for pre-disaster mitigation and urge Congress to pass this important legislation.

² http://2021.nibs.org/files/pdfs/NIBS_MMC_MitigationSaves_2019.pdf; page 2

In addition to direct investment in resiliency, Congress should require that federal agencies consider future conditions and the impact of climate change in the development, planning, and design stages of federally funded projects. Beyond the planning and design stages, Congress should incentivize the development and enforcement of modern, consensus-based codes; encourage sound land use planning; and ensure transportation networks are interconnected and appropriately sized to reduce vulnerability.

Congress should also incentivize the use of industry best practices and standards that go beyond consensus-based codes, particularly high-risk areas or to meet a specific need. Examples of this include the Institute for Business and Home Safety (IBHS) Fortified standard and the Institute for Sustainable Infrastructure (ISI) ENVISION standard. With regard to sustainability standards, the House Appropriations Committee has recognized their value and importance by including report language in the FY22 Financial Services and General Government appropriations bill directing the General Services Administration (GSA)³ and encouraging the Office of Management and Budget (OMB) to develop sustainability standards for federal buildings and federal capital projects.⁴

Transition to a Low Carbon Economy

As set forth above, Zurich has imbedded mitigating climate change into its corporate DNA and is working to reduce its own operational greenhouse gas emissions and those within its investment and underwriting portfolios. Zurich, of course, is not alone amongst companies that have made net-zero emission commitments to align with the Paris Climate Agreement. Nor is Zurich alone amongst financial companies that have committed to invest in the technologies and industries needed to reach 2050 net-zero targets.

But the commitments from industry and commerce, though impressive and growing, will not be enough to halve the emission of GHGs within the next 9 years and stop them altogether within the next 29 years in order to keep global warming to below 1.5° C. Decisive governmental action is needed.

Last month, Zurich released a white paper - *Closing the gap on climate action*⁵. The paper outlines some of the key public policies needed and actions that corporations can take to address the climate crisis. While recognizing that progress has been made, the paper concludes that much more needs to be quickly done. Our hope is that the paper serves as a call to action and provides a framework for companies, policymakers, Congress, the Administration, and world leaders as they develop policies and strategies to mitigate and adapt to climate change.

³ <https://www.congress.gov/117/crpt/hrpt79/CRPT-117hrpt79.pdf>; pg. 73

⁴ <https://www.congress.gov/117/crpt/hrpt79/CRPT-117hrpt79.pdf>; pg. 40.

⁵ <https://www.zurich.com/knowledge/topics/climate-change/closing-the-gap-on-climate-action>

To further assist our customer and business with the transition to a net-zero economy, we are expanding our offering for the renewable energy sector and further strengthening our clean energy underwriting capabilities to offer a more complete suite of products and services, tailored to support our customers' transition.

When it comes to public policy initiatives, Zurich has long-held that a meaningful price for carbon at a global level is the most efficient way to achieve net-zero outcomes. We recognize the significant challenges associated with establishing a price on carbon. But, done correctly, a price on carbon would align economic incentives to reduce emissions, provide signals to investors that low-carbon investments are valuable, and could help identify exposure to potential stranded assets. A carbon-price would also help to stimulate investment into clean technology and innovation required for a transition to a net-zero.

Climate change is a global risk and in order to achieve the transparency that investors need, standardization of data is required. The Task Force on Climate-related Financial Disclosures (TCFD) has created a useful framework for companies to start to address the corporate governance, risk management, scenario-playing, and measurement aspects of either adapting to or mitigating the impact of climate change. This approach should form the basis of information that investors and other stakeholders can use to target investment and policies enabling a transition to the low-carbon economy.

The investments required to transition to a low carbon economy are too large for the public sector to meet alone and financing the transition remains a significant challenge. However, governments can play a key role in incentivizing private investment. As Zurich recently stated in our Closing the Gap on Climate white paper,

Certainty around political commitment to net-zero and the policy actions that will implement those commitments are fundamental to making progress. Without this clarity it will be difficult to make the investment case for new low-carbon technologies or to create the pipeline of investible green projects required to really scale green financial markets.

Zurich therefore applauds the important work of all the members of this committee and its staff in developing recommendations on the policies needed to solve the climate crisis. Transforming our society on the scale required to meet this challenge, and doing much of this before 2030 as is necessary, will be monumental. The Majority Staff Report of this Committee on *Solving The Climate Crisis* published last June appropriately sets forth a broad and bold array of policy recommendations which would certainly put us on the right trajectory if adopted into our public policy.

Looking at the Infrastructure Investment and Jobs Act, we applaud the inclusion of investments in the development and research on carbon capture technology and hydrogen power; electric vehicles and EV infrastructure; energy efficiency and renewable energy; and modernizing the electric grid.



We also urge Congress to consider additional financial incentives, such as tax credits or rebates, to encourage business and individuals to invest in low-carbon and carbon sequestering technologies, electricity generation, buildings, materials, products, and vehicles. As noted previously, the investment needed to address the climate crisis is too big for governments alone. Congress should expand bond initiatives, including green bonds, that could leverage private investment and risk sharing. As the foundation of a net-zero economy will be a clean electric grid powering the increasingly electrified transportation and building sectors, Congress should prioritize public policies supporting the growth of the renewable energy industry and improvements to our electric grid efficiencies.

The response to this crisis cannot be overdone and will require the combined efforts of all citizens, communities, corporations, small businesses, and all levels of government. It will also require an unprecedented level of international cooperation, especially with respect to supporting emerging economies' growth onto carbon-free platforms, protecting the world's natural carbon sinks, and sharing necessary technologies and carbon-pricing mechanisms.

Again, thank you for the opportunity to present our views on addressing climate change.