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A new initiative to examine climate risk stress testing for banking and securities regulation and accounting practices was recently unveiled at the UN Climate Summit in New York by public and private sector organizations working together in response to the increasing frequency and severity of extreme weather events.

The initiative is being led by the United Nations Office for Disaster Risk Reduction (UNISDR), the World Economic Forum and several partners, including Willis Group Holdings, PwC, The International Council for Science, Standard & Poor's Ratings Services, Swiss Re, the United Nations Environmental Programme and senior financial regulators.

At the initiative's core is the one-in-100 year solvency "stress test", similar to that

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investment analysis and financial planning," said Mike Wilkins, Managing Director, Standard & Poor's Rating Services.

"This is a giant step for sustainable development. In the long-term, many lives can be saved and billions of dollars in potential losses from extreme events can be avoided in the future if we succeed in integrating climate and disaster risk into the very heart of our economic decision making," said Margareta Wahlström, the head of UNISDR. "We can avoid investment decisions which create new risks and encourage ones which reduce existing risks. The result will be more resilient economies and safer communities."

Dominic Casserley, CEO, Willis Group Holdings, who outlined the initiative to world leaders at the UN Climate Summit, said: "Over a quarter of a century, the insurance industry has developed metrics and regulatory frameworks that have transformed our resilience to natural disaster risk, enabling us to meet our commitments to the global economy and society during years of unprecedented natural catastrophe losses. We are sharing the lessons we have learned during this process with the financial sector and the wider economy.

"Applying a one in one hundred year solvency 'stress test' to current assets and current climate conditions can help organizations to truly understand their risk and manage it in an economically rational way. Working closely with the UN Secretary General's Office and regulatory authorities, we aim to apply these tried and tested principles within the global financial system by 2020."

Commenting at a special Summit session, Malcolm Preston, Global Leader for Sustainability at PwC said: "It is remarkable how quickly and cohesively this is coming together, key professions have now converged and the UN Climate Summit has provided the vehicle. We are simply applying the key principles of accounting to

climate-related challenges; material financial risk should be evaluated and

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this by 2021.

Extreme weather affects the lives of over 100 million people each year. The International Federation of Red Cross and Red Crescent Societies is committed to use its 17 million volunteers in 189 countries to communicate the role of climate change in major hydro-meteorological disasters to the general public.

In support, the global insurance industry and the International Council for Science announced the formation of the Resilience Modelling and Mapping Forum which will enable the tools and techniques of insurance risk modelling to be shared with the wider science and user community to provide access to better risk awareness.

“With the help of the global insurance sector and wider corporate partners our objective is to coordinate at least \$100 million of annual private sector funding into public science and open risk modelling facilities by 2016. As insurers it is our role and duty to lead in this area and the Climate Summit coupled with the 2015 Agenda has enabled us to come together and act decisively” said Mike Morrissey, CEO International Insurance Society, New York.

Michel Liès, Group CEO Swiss Re said: “There is an important opportunity for the private sector to join forces with governments, development banks and other organizations to fast track access to insurance to support climate resilient development.”

This announcement forms part of United Nations Secretary-General Ban Ki-moon's call to keep global temperature increases to less than two degrees Celsius by reducing emissions, moving money, pricing pollution, strengthening resilience and mobilizing new coalitions.

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