

The Nature and Insurance Nexus: TNFD and nature-related risks, opportunities



In early December, leaders from around the world are convening for COP15 – the UN Biodiversity Conference – to establish goals and protocols for tackling nature loss over the next decade. The need to change how society lives with and utilizes nature couldn't be more urgent. The natural world as we know it is diminishing at an unprecedented rate, risking the ecological foundations of our global economy. Human activities have already severely altered **75%** of

related risks evolve and accelerate, it is critical that we transform the relationship between companies, societies, and the natural world.

That was the focus of [The Nature and Insurance Nexus](#), an event co-hosted by the [Taskforce on Nature-related Financial Disclosures \(TNFD\)](#) and Marsh McLennan to mark Climate Week NYC 2022. During the symposium, presentations and panels explored how the nature imperative intersects with economics, why it is urgent to shift global financial flows away from nature-negative outcomes, and what role insurers will play in making businesses — and societies — more resilient.

09:04

Nature loss poses both risks and opportunities, now and in the future

and nature needs to be integrated into business decisions and risk management.

Financial disclosure of nature-related risks can help to achieve this. The aim of the TNFD is to develop a decision-useful risk management and disclosure framework for organizations to use when reporting on evolving nature-related risks and opportunities. This reporting could then support the flow of capital toward nature-positive activities and outcomes. Also, by increasing awareness of the financial materiality of nature loss, businesses may choose to adopt more sustainable practices and nature-based solutions to help regenerate and restore nature, as well as fight against climate change.

“The destruction of nature is not just terrible for the natural system; it is really terrible for our economic system. And we need to do something about it — rapidly,” TNFD Co-Chair David Craig said. “We only have one planet. And there is no value in us working separately on the nature emergency. We have to work together and collectively on the climate and nature emergency.”

The TNFD, which was established formally in 2021 and is funded entirely by government and philanthropic grants, consists of 40 individual Taskforce members representing global financial institutions, corporates, and market service providers with more than US\$20 trillion in assets.

The Taskforce members are joined by more than 700 institutions in the TNFD Forum, implementing an open innovation approach that encourages market participants to support the development of the framework. The goal is to accelerate the process, source constructive feedback, and improve the framework's relevance, usability, and effectiveness — with final recommendations being published in September 2023. Version [0.3 of the beta framework](#) was released on November 4 and is undergoing market consultation; version 0.4 is expected in March 2023.

“We are building digital tools and other resources to help create this assessment of nature-related risks and opportunities,” Craig said. “It is critical that we build a framework that is workable, manageable, and usable — and that is adopted in the marketplace.”

Nature versus climate

Building on the best available science, nature can best be understood as a construct of four realms: land, ocean, freshwater, and atmosphere.

Because nature and climate are interrelated challenges, the TNFD complements and builds upon the work of the Task Force on Climate-related Financial Disclosures (TCFD), with an emphasis on the transition to a new nature economy. Core elements of the TNFD framework include:

- Common language system for nature action.

The TNFD approach is also based on the concept of natural capital — the stock of renewable and non-renewable natural resources that combine to yield a flow of benefits to people (for example, plants, animals, air, water, soils, or minerals). The TNFD recommends that organizations evaluate their dependencies and impacts on nature, and then translate the findings into implications for risk and opportunity to the organization.

“The transition of businesses to nature-neutral — and then nature-positive — relies on the recognition by companies of nature as an asset,” said Günes Ergun of Marsh’s Climate and Sustainability Strategy team.

The insurance opportunity

Insurers have a critical part to play in the transition to the new nature economy. As Craig explained during his presentation at the Climate Week NYC event, the insurance industry can help make businesses and communities more resilient in many ways:

- Understand and quantify nature-related risks and risk mitigation and make nature mainstream in corporate enterprise risk management.
- Improve transparency and accountability in nature risk management.
- Support risk transfer and drive capital into nature and biodiversity conservation/restoration solutions.
- Scale out nature-based solutions by deploying global outreach and value chain

climate when it comes to insurance. He believes that insurers are more incentivized by nature-based solutions because they are often more beneficial and less challenging for carriers.

“Most nature-based solutions actually do two things to the risk from their perspective: They can make it more stable, and they can make it more predictable,” said Wittenberg.

There are certainly challenges, however, for insurers in understanding nature-related risks. What to measure and how to measure are common issues that are further complicated by incomplete data and loss histories.

"Underwriters love data," said Suzanne Scatliffe, global sustainability director at AXA XL. "We know that there are numerous societal benefits to nature, but they are rarely quantified in economic terms."

She elaborated that reviewing global estimates of mangrove trees is one thing, but it is a much different challenge when evaluating the risk and resilience of a specific mangrove forest located near a vulnerable coastal community.

“Working through the methodology of how we quantify that patch of mangroves has actually created quite a philosophical debate,” said Scatliffe.

This illustrates how nature-based scenarios are more complex than climate-based scenarios, as nature is vastly more location-specific. According to Andre Fourie, Global VP of Sustainability at AB InBev, this inherent difficulty underscores the importance of integrating nature into risk management.

"The real risk is local. And we have seen it over time, particularly in our work with water risk," Fourie said. "For us, the most important part of the TNFD

water use and improve soil quality, while at the same time considering the impacts on local communities and biodiversity.

“And then,” Fourie said. “We ask: What would regeneration and restoration look like?”

Solutions found in nature

Despite significant risks, nature is also an abundant source of opportunities — including cost-effective, community-based, nature-positive solutions — several panelists reiterated in their remarks.

Satya Tripathi, Secretary-General of the Global Alliance for a Sustainable Planet, is alarmed by humanity’s “unraveling of nature,” yet he sees many examples of natural solutions — like sustainable agriculture — that he believes can save the world.

Tripathi pointed to a successful program in the Indian state Andhra Pradesh that has helped one million farmers convert to non-synthetic farming, with an ambitious goal of converting all 120 million of the country’s smallholder farmers.

“When millions of people take to natural farming, it democratizes access to clean food,” Tripathi said, noting that Andhra Pradesh saw a remarkable decrease in health issues in populations that converted to regenerative, nature-positive agriculture.

Marcelo Behar, the VP of sustainability and group affairs at Natura & Co, a Brazilian global cosmetics group, shared the story of the Ucuuba tree (*Virola*

immense hydrating power, so they innovated a new line of products and offered the local community three times more for half of the tree's seeds annually than they had been receiving for lumber.

"Immediately, the community stopped chopping and started planting," Behar said, summarizing the nature-finance-insurance challenge succinctly: "How can we connect the cycles of commerce with the cycles of nature, while at the same time benefiting the communities in which we operate?"

Looking to the future — and the opportunities ahead

During a Nature and Insurance Nexus panel discussion, TNFD Executive Director Tony Goldner noted that many organizations do not yet view nature-related dependencies and risks in an integrated way. He encouraged companies to treat nature as infrastructure, as a critical supply chain partner, and as an investment opportunity.

"It is really shifting fundamentally from a conservation mindset to an asset class mindset," Goldner said. "That is where insurance, in particular, has a really powerful role to play in catalyzing that shift."

He explained that climate change — which plays a significant role in nature loss — is a prominent, top-of-mind issue for many organizations. As such, when addressing rising temperatures and the net-zero transition, nature and nature-related risks and opportunities must also be considered. Goldner added that the more aligned the insurance industry is with the climate and nature agendas, the better off the planet — and the global financial system — will be.

Marsh McLennan is the leader in risk, strategy and people, helping clients navigate a dynamic environment through four global businesses.

Marsh
GuyCarpenter
Mercer
OliverWyman



[Terms of use](#) [Privacy notice](#) [Notice at Collection](#) [Cookie notice](#) [Manage Cookies](#)

© 2022 Marsh LLC. All Rights Reserved

We use cookies to optimize the performance of this site and give you the best user experience. By using the site, you accept our use of cookies.