

Kathryn Bakos Interview_v2 (1)

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Catherine, thank you so much for joining us.

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Can you start by just telling us some of the work that you've been doing around climate insurance?

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And what's a recent project or initiative that you've been especially proud of?

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Yes, of course.

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Well, thank you so much for having me.

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And at a very high level, the Intact Centre on Climate Adaptation.

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We focus on developing practical tools and resources for homeowners, communities, businesses and all levels of government to reduce risks associated with climate change and extreme weather.

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So our key areas of focus are flooding, wildfire and extreme heat.

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More specifically, my work sits at the intersection of climate risk and financial decision making.

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So just as an example, I work to develop a tool that helps businesses operating across industry sectors identify the most material extreme weather risk that could impact business operations and more importantly, what actions they should take to reduce those risks.

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Now that information, it's increasingly relevant to investors, lenders and insurers who are asking, have these risks been identified and mitigated and how should that influence investment decision making, lending and pricing.

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Now building on that, I've also investigated how extreme weather impacts share price and valuation and the cost effectiveness of adaptation, essentially showing that acting early is far more economical than delaying or doing nothing.

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And another area I focus on is the real estate market.

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1 project I'm particularly proud of is leading the first ever quantitative analysis in Canada examining how flooding affects the housing market.

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We found that flooding does have a clear material impact on property values and currently I'm working on what is, to my knowledge, the first ever global study examining the link between flooding and mental health outcomes using anonymized data from a publicly traded life and health insurance company.

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So I'm analysing whether flood impacted communities see increases and things like prescription drug use, counselling services and lost time from work due to stress from flooding.

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And early results show that there is a measurable impact.

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So that's just a little sneak peek for you.

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So really that's a snapshot of my work connecting climate risk, real world impacts and the financial system to better inform decision making.

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Well, I'm very much looking forward to the study on the link to mental health.

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I think that is actually very, very innovative.

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So thank you so much for for doing that work.

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Now I wanted to ask you about barriers.

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What's the biggest barrier that you see for insurance companies today that I should keep them from contributing more to the societal why adaptation and resilience?

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There's so much that needs to be done.

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What, what are some of the barriers keeping insurance companies or others from from taking more action?

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Yeah, well, I actually think of all the financial market participants, insurers, specifically property and casualty insurers, PNC insurers are on the front lines of climate impacts.

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They're really feeling the financial consequences directly, and many have recognised that that risk will continue to grow.

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And because of this, you're seeing, at least here in Canada, some insurers taking action and supporting adaptation, of course, where they can, and not just at the household level, but at the municipal scale as well.

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So I see insurers funding resilient infrastructure, supporting flood and wildfire mitigation projects, and even investing in the protection and restoration of natural infrastructure like wetlands, grasslands and forested areas.

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So where I actually see the biggest barrier isn't with insurers, it's actually with other sectors operating within the broader economic ecosystem.

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Extreme weather, flooding, wildfire, wind, hail.

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It doesn't just impact insurers.

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Insurance is a very good proxy for the growing risk in the system, but other businesses still face damage to assets, disruptions to operations, supply chain impacts, reduce labour productivity, rising health and safety costs and of course those upfront and increasing costs associated with adapting operations to a changing climate.

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And yet many organisations, they're still not fully integrating extreme weather risk into their decision making, nor are they investing in adaptation.

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And that actually creates challenges for financial market participants like insurers, because risk is systemic.

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If businesses and communities aren't reducing their exposure, well insurers are actually left pricing and managing that ever increasing risk.

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So really the what I see is an opportunity and I guess a barrier is the need for more collective action.

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Beyond insurers, businesses across sectors need to actively implement risk reduction measures and more importantly, they also need to work in partnership with the municipalities of which they operate to strengthen community wide resilience, recognising that municipalities, they can't bear that cost of improvement on their own.

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Well, they're definitely many different actors and I think that they are all different in terms of where they are on the knowledge and their ability as well as their willingness maybe to take action.

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But certainly I think we're seeing a lot of movement in this area.

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So I want to just end by asking you whether you read something or heard something of like a podcast or something else that's really inspired you be suddenly have changed the way that you that you think that you want to share.

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Well, that's a really great question and, and there's so many sources, but probably more on a personal note, I was actually in New York City last year for Climate Week.

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And what really stayed with me was how adaptation, building resilience has really moved front and centre in the climate conversation.

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So with everything happening globally, geopolitical tensions, rising cost of living, we know that climate change slips down the priority list.

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So it was really genuinely encouraging to see so many leaders shift towards a conversation of practical solutions that could directly help people and communities to really manage those impacts that we're facing and that we're going to continue to face.

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And what it really reinforced for me and what I've been reflecting on lately is reducing emissions.

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It's it's essential.

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And those efforts have to continue to avoid the worst impacts of climate change in the future.

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But really that depends on global collective action.

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Whereas adaptation, for me, it's inherently local.

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There are actions that can be taken right now, many at low or no cost that meaningfully reduce risks.

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And even when investments they are significant, they're still the most cost effective strategy over the long term.

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And really for me, it's about how can we put those actions into place to help protect people, businesses and governments from much greater losses down the line.

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Great.

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Thank you very much.