

UK nature legal opinion

SECTOR BRIEFING – INSURANCE

 2 minute read

Good climate governance is all about asking the right questions within and beyond the boardroom. These Board Discussion Prompts, prepared by the Commonwealth Climate and Law Initiative and Chapter Zero, will equip non-executive directors to provide robust oversight and challenge. These questions will ignite discussions that inspire your fellow board members and executive teams to dig deeper into the issues, building climate resilience and enhancing value together.

Key takeaways

- **Nature-related risks are already financially material to the insurance sector.** Global insured losses from natural catastrophes have exceeded USD 100 billion annually for six consecutive years, and losses are projected to continue rising as ecosystem degradation amplifies extreme weather and other hazards.
- **Insurers are uniquely exposed to nature-related risks through their underwriting and investment portfolios.** While insurers' direct operational impacts on nature are limited, their financial exposure arises from insuring and investing in sectors that both depend on and impact nature.
- **Nature-related risks fall within existing financial risk categories.** Physical, transition, legal and systemic risks linked to nature loss can affect claims frequency and severity, liability exposures, supply chains and asset values across multiple insurance lines.
- **Beyond risk management, nature-positive opportunities are emerging.** The transition to a nature-positive economy could unlock USD 10 trillion in annual business opportunities. Innovative insurance products, resilience financing and advisory services that support ecosystem protection and risk reduction, will be crucial in meeting global biodiversity goals.

Implications for board directors

A legal opinion, commissioned by the Commonwealth Climate and Law Initiative, clarifies that under the *UK Companies Act 2006* directors must consider material nature-related risks when fulfilling their legal duties of loyalty (section 172) and care (section 174). For insurance companies, this has particular significance. Nature-related risks are already financially material to many insurers – almost 50% of insurers surveyed recognise that nature risks are financially material to their underwriting business. Boards should ensure that nature-related physical, transition and legal risks are systematically identified, assessed and managed

across lines of business, geographies and counterparties, and considered consistently across the insurer's balance sheet.

Failure to adequately consider these risks could expose directors and companies to financial, legal and reputational consequences. On the other hand, robust governance, documentation and engagement with clients can help support the long-term resilience of the insurance business and demonstrate compliance with directors' duties.

Board discussion prompts

Insurance companies that understand and respond to nature-related risks are better positioned to **reduce underwriting and business risk, anticipate regulatory shifts, and identify emerging commercial opportunities** in a market that is rapidly moving toward nature-positive expectations. Effective stewardship of nature-related risks is now integral to promoting the long-term success of the insurance sector.

Directors might reflect on, and ask a selection of these questions at their board meetings:

- 1. Products, underwriting and investment strategy:** How are nature-related risks and opportunities influencing our insurance products, underwriting strategies, and investment offerings across different sectors and geographies?
- 2. Risk management and modelling:** To what extent are nature-related factors integrated into our risk management framework, including climate-nature nexus in natural catastrophe models and broader hazard modelling?
- 3. Portfolio exposure and board oversight:** Which sectors, value chains or geographies represent our highest exposure to nature-related risks, and how does the board receive assurance that these exposures are being systematically identified, monitored and reflected in underwriting and investment decisions across the portfolio?
- 4. Client engagement and due diligence:** How are we engaging clients on nature-related risks through our underwriting relationships, including enhancing due diligence for clients, assets or projects in areas of high biodiversity importance, and what expectations, incentives or risk-reduction measures are we setting to encourage reductions in nature-related harm?
- 5. Opportunities and innovation:** What opportunities exist for us to support or invest in nature-based solutions, and how might these contribute to risk reduction, product innovation, or new revenue streams?
- 6. Internal expertise and capability:** Do we have sufficient internal and board expertise on nature-related risks and opportunities? What training might be required across underwriting, risk management, product development, procurement, and senior leadership?
- 7. External collaboration and enabling environment:** How are we collaborating with policymakers, industry peers, trade associations, civil society, academia, and Indigenous Peoples and Local Communities to support nature-positive practices and shape an enabling environment, recognising the essential role natural ecosystems play in risk reduction?

Useful resources for directors

- WWF, [Tackling the Insurance Protection Gap: leveraging climate and nature to increase resilience](#) (January 2026)
- University of Cambridge Institute for Sustainability Leadership, [Redefining systemic risk governance in the insurance industry](#) (December 2025)
- UNEP FI, [Breaking Ground Getting practical with nature-related assessments for insurers](#) (October 2025)
- UNEP FI, [Rooted in Risk Framing nature-related assessments for insurers](#) (June 2025)
- UNDP and BIOFIN, [How Insurance Can Address Nature-related Risks](#) (May 2025)
- UNEP FI, [Insuring a Resilient Nature-Positive Future Global guide for insurers on setting priority actions for nature](#) (December 2024)
- TNFD, [Sector guidance Additional guidance for financial institutions v2.0](#) (June 2024)