Water-related challenges are already affecting many countries and industries, most recently in the USA and Brazil. And the rest of the world is certainly not immune – if water management issues are not adequately addressed, countries can face severe negative consequences, including financial losses.

The Global Risks Report by the World Economic Forum notes that water stress is a global risk with growing impact – in fact, in 2015 it was identified as the biggest societal and economic risk over the next ten years. This is a compelling reason to look at water stress solutions in Allianz’s Green portfolio.

**What is water stress?**

Water stress describes the dependency of ecosystems and societies on water, i.e. water quality, quantity or scarcity, and accessibility. The main drivers of water stress are shown in the graphic below.

“Water is the essential element for life. Changes in society and climate change are endangering the well-balanced water cycle that forms the basis of ecosystems and our social and economic welfare. Warmer temperatures lead to extremes like droughts and floods. For an insurer this creates risks but also investment opportunities and insurance demand.”

Markus Aichinger, Senior Expert on Catastrophe Risk Underwriting, Allianz SE
Risks for Allianz customers

Water stress impacts a growing number of our customers. Commercial customers in particular are confronted with risks such as:\n\begin{itemize}
  \item Physical risks directly related to floods or droughts, e.g. business interruption in a brewery due to a water shortage
  \item Reputational risks due to critical media coverage, e.g. in case of business decisions which the public perceives as impacting aquatic ecosystems
  \item Community risks, e.g. unsteady social environment due to degradation of local water resources, which can lead to employee or supply chain disruption
  \item Geopolitical risks, e.g. conflicts over cross-border river basins
\end{itemize}

1) In accordance with WWF/Lloyds (2013): Global Water Scarcity – Risks and Challenges for business

How Allianz addresses water stress

By offering Green Solutions that fight water stress, Allianz aims to…

- ...insure the construction and operation of waste water technologies
- ...insure hydro power plants
- ...mitigate the financial impacts of floods and droughts
- ...provide opportunities to invest into the clean water industry


GREEN SOLUTIONS ADDRESSING WATER STRESS

Allianz offers insurance, advisory and financial products addressing water quality, water quantity, mitigation of and/or adaption to water stress.

SOLUTIONS FOR RETAIL CUSTOMERS

- Green Home Upgrade: Following a loss, Allianz covers the costs of rebuilding to a higher environmental standard by, for instance, using environmentally friendly materials or applying energy-efficient measures, such as solar heated water, photovoltaic power, rainwater tanks or grey water recycling. *(Solution offered in Australia)*
SOLUTIONS FOR COMMERCIAL CUSTOMERS

- **Hydro Generation Insurance**: Allianz offers risk insurance for hydro power plant operators, investors, etc. for lack of rain or lack of precipitation which can help mitigate the impact of reduced power generation. *(Solution offered in all Allianz companies)*

- **Construction & Building Insurance**: Construction All Risk/ Erection All Risk insurance is available for green technologies such as waste water treatment, building materials, solid waste handling and transportation. *(Solution offered in Hungary)*

- **Crop Insurance**: Allianz provides a multi-peril crop insurance combined with satellite data to create a comprehensive insurance package providing real time data on crop development and possible weather impacts. *(Similar products offered in Austria, Brazil and Romania)*

- **Environmental Pollution Liability**: Allianz offers environmental pollution liability insurance to clients who seek options to limit the financial impact of liability for environmental damage. *(Similar products offered in various Allianz companies)*

- **Sustainable Investment Funds**: Themed equity funds such as the Global Water Fund (see below), invest in companies of eco-sectors like the clean water sector. *(Similar solutions offered in all Allianz companies)*

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**Global Water Fund**

A sufficient supply of clean water remains the basis for agriculture, healthy living conditions, and growth in energy generation and industrial production. The worldwide demand for water treatment products is set to increase in line with stricter regulation of water quality; as a result, additional investment opportunities, for example in water filtration and water monitoring devices, emerge.

Allianz Global Investors in the USA offers a themed equity fund which invests in companies that fall within the broadly defined and rapidly growing business sector of clean water. Investment opportunities include stocks of companies that focus on water quality, availability or demand including water production, conditioning, sewage treatment and engineering services.

More on clean water investments:
http://us.allianzgi.com/EducationandPlanning/InvestmentThemes/Pages/WaterInfographic.aspx
http://us.allianzgi.com/Water
http://us.allianzgi.com/Products

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Further information:
www.allianz.com/sustainability/greensolutions
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