



International Actuarial Association
Association Actuarielle Internationale



Climate Risk Initiative

Presented at the Members Forum of the IAA in Tokyo

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Proposed Climate Risk Initiative





Agenda – Proposed Climate Risk Initiative

- Background
- Why this kind of IAA activity
- What the IAA has done so far
- What is being done outside of the IAA
- Statement of Intent
- Next Steps



Background

- Climate-related risks have the potential to seriously affect the entire world
- The effects of climate-related risks are now actively being considered by governments, regulators, the insurance and reinsurance industries, pension plans and other entities around the world
- Supranational organizations have approached the IAA for input and meaningful engagement, including
 - IAIS
 - ISSA and ILO
 - OECD



Why this kind of IAA activity

- Base risks already addressed by actuaries (e.g. flood, health)
- Need to understand how base risk may evolve
- Actuaries are experts in risk management
- Part of IAA's mission and vision is to help actuaries to be globally recognized leading experts in risk management, thus contributing to the well-being of society as a whole



What the IAA has done so far

- Climate Change and Mortality (Resource and Environment WG (REWG), Nov 2017)
- Decarbonisation: A Briefing Paper for Actuaries (REWG, Sept 2018)
- Flood Risk (REWG, Jun 2019)
- Climate Change, Insurance and Vulnerable Populations (Micro Insurance WG and REWG, Oct 2019)



What the IAA has done so far

In process:

- Risk Book chapter on Climate Change (Insurance Regulation (IRC) and REWG)
- Survey of Climate Change work across jurisdictions (IRC)
- Briefing papers:
 - Climate Change Adaptation - REWG,
 - Environment Risk Disclosures for Pension Plan – PBEC and REWG,
 - Water Quality - REWG



What is being done by FMAs - examples

- Actuarial Institute (Australia)
 - Development of standards for scenario analysis
 - The Australian Actuaries' Climate Index
- Casualty Actuarial Society
 - The Actuaries' Climate Index (ACI) and the Actuaries' Climate Risk Index (ACRI), jointly with the AAA, CIA and SoA
- Canadian Institute of Actuaries
 - Public statement on environment provided to the Canadian Government
 - Practice area handbooks in process
- Institute and Faculty of Actuaries
 - Practical guides for actuaries in Pension, General, Life and Investments.
 - Raising the awareness of actuaries by various means
- Society of Actuaries
 - Catastrophe and Climate Strategic Research Program – topics such as flood, discount rate, health



Statement of Intent

Task force created by the EC to work out a Statement of Intent (SOI) for future work – for discussion amongst our FMAs

- Emphasis on communication and coordination
- Topics to be covered by year-end 2020
 - Role of the actuary and actuarial approaches to climate-related financial risk management
 - International developments in disclosure obligations
 - Analysis and selection of scenarios
 - Application of scenarios to insurance and pension liabilities
 - Identification of gaps in data availability
 - Assessment of methodologies and process capabilities



Statement of Intent

- Topics to be covered for 2021-2024
 - Application of scenarios to asset portfolio, encouraging consistency between asset and liability modeling
 - Advise supranational organizations on climate-related financial risk management, reporting and disclosure
 - Potential effects of transition and adaptation steps for the private and public insurance and pension sectors
 - Application of scenarios to social security



Next Steps

- SOI sent to Council October 21, 2019 for consultation
- Comment deadline - December 31, 2019
- Revision of the SOI to take into account comments received
- Council vote

Questions & Comments