

Terms of Reference Climate Change Working Group (CCWP)

Date:	15 February 2023
Next Update:	Annually or in line with Updates to Sustainability Board ToR
Practice Area Research Committee Member Shadow	Scott Eason
Source of idea	Life Board
Working Party Chair	Carmela Calvosa

1. Objectives of the CCWP

The overarching objective of the CCWP is to promote, develop and communicate best practice for life actuaries and their key practice areas within the life insurance sector by highlighting practical issues and steps to be taken that arise from climate change related topics.

This objective is further detailed by defining the scope on which the CCWP will focus and by an articulation of the main activities which the CCWP intends to undertake in 2023. (see 4. and 5. below)

2. Background and History

The initial scope for the work of the CCWP was defined in July 2021. The workstream activities covered four separate practice areas or sub-groups:

- a. Risk Frameworks
- b. Reporting
- c. Asset Risks
- d. Insurance Risks

The working group achieved the following during the first phase of its work:

- Compilation of a library of relevant sources of data and analytical papers across its 4 practice areas
- Publication of a recommended reading list for Life actuaries
- Conducting the first IoFA survey of current practices within life insurance companies
- Publication of two blogs highlighting the work being carried out and considerations for life actuaries
- Presentation of survey results at November 2022 Life Conference

Following the culmination of this first phase of work at the end of 2022, a review was undertaken during January 2023 of the scope and objectives of the CCWP, and in particular the relationship between the scope of the CCWP and the work and aims of the Sustainability Board. Following that review the present Terms of Reference has been drafted.

3. Interactions with other Working Groups and Committees

The CCWP is linked to two committees: the Life Research Sub-Committee and the Sustainability Board.

The CCWP falls under the oversight of the Life Research Sub-Committee.

The Sustainability Board has a wider remit and wider stakeholder group than the CCWP but also has objectives in relation to Climate Change topics. The Sustainability Board is supported in its objectives by the Sustainability Research and Thought Leadership Sub-Committee.

The CCWP intends to be closely aligned with the Sustainability Board and its sub-committee on all items relating to Life Insurance matters to avoid redundancy or duplication on Climate Change topics. As at the date of the drafting of the present Terms of Reference, it is noted that the Terms of Reference of the Sustainability Board are also under review.

4. Scope

The working group will continue to focus on four thematic areas of practical considerations for Life Insurers:

1. Life insurance strategy and risk management
2. Asset Risks
3. Insurance topics (capital, reserving, pricing, product design)
4. Reporting and Regulatory Matters

The above are the key work (or practice) areas of life actuaries which the CCWP will focus on.

5. Working Group Activities

The key activities which the working group intends to undertake in 2023 are listed below:

5.1 To provide **thought leadership** and input into the debate on how life insurers should manage climate change by

- Performing thematic reviews of publications including relevant external docs to translate content into practical steps for Life actuaries and provide useful commentary
- Publication sources may include but not be limited to TPT,TCFD,WEF,IAA publications
- Producing content in the form of blogs or articles available to the CCWP LinkedIn page or IoFA website that builds on the existing IoFA publication “ A Life Practitioner’s Guide”

5.2 To provide **benchmarking of life insurance practice** and commentary by conducting surveys or polling.

- Considering that the recent anonymous survey was focussed current best practices and actual state a more “forward planning” focus will be adopted for the next survey or polling to gauge the “direction of travel” , levels of aspiration and challenges in the life actuarial space.
- Align closely with themes and questions of previous work to support trend analysis

5.3 To **collaborate closely with the Sustainability Board** by

- Including Sustainability Board outputs in the scope of publications reviewed and providing additional commentary for life actuaries The main sustainability topics will continue to be addressed by the Sustainability working parties however the translation of this into Life insurance will be being reviewed by the climate change working party.
- Suggesting topics for Sustainability Board to investigate eg topics which are cross-practice or systemic beyond UK Life insurers
- Assisting in updating the Sustainability Board’s curated reading list by integrating the Life CCWP’s recommended reading list into the compilation document

5.4 Support **IoFA responses to relevant consultations** from external stakeholders if any.

6. Membership

The working group aims to have 10-12 active working party members. The members may include actuaries who are experts in on sustainability, climate change or ESG matters within the insurance sector, and specifically within Life Insurance.

If the working group does not include a sufficient number of experts, then a panel of 2-4 experts will be sought on an invitational basis to provide peer review or guidance on specific topics as and when they arise as well as to provide inputs into the deliverables or outputs of the CCWP on an ad-hoc basis.

The types of expertise required which would be beneficial to the CCWP include

- Product or investment actuaries with experience eg unit linked / multi asset investment, fixed interest / annuity book investment, proposition development
- Actuaries with risk management and financial reporting perspectives
- Actuaries with practical experience of climate issues (eg scenario modelling, climate metrics, climate risk reporting, transition plans, stewardship code, impact/sustainable/responsible investing, etc)

7. Roles and responsibilities within the CCWP

The working group is chaired by Carmela Calvosa.

The limited size of the working group is intended to ensure that members will be able work collaboratively across all topics and while ensuring that the working group has sufficient capacity to meet its objectives and carry out its activities.

From time to time the working group will use a sub working group formation of 3-4 members in order to advance more fluidly on topics and to spread the workload. This will require that there are sufficient members who have an interest or willingness to contribute across each of the four thematic areas defined in the Scope and also that there is a Champion or Lead within the membership for each one of the four thematic areas.

Ideally, at least one member will be a member of both the CCWP and the Sustainability Board or the Sustainability Research and Thought Leadership Sub-Committee, as appropriate to ensure that synergies and close cooperation are maintained.

There are no specific procedural rules or quora requirements. Minutes or notes will be taken when meetings are held and shared among the membership.

8. Draft Planning or Milestones

- Feb 2023 - Review ToR existing members
- Feb-March 2023 - Call for new members + KickOff
- April 2023 onwards – Initiate and perform thought leadership activities
- May 2023 - Decision on 2023 benchmarking/survey
- June 2023 - Option: Develop and run survey, if confirmed
- Nov 2023 - Option: Life conference session, if confirmed
- Dec 2023 - Review achievements and ToR

In addition to:

- Ongoing and Ad-hoc interactions with the Sustainability Board

9. External engagement

If a benchmark is undertaken the CCWP may collect information and data from companies and other relevant external stakeholders.

In order to support its commentary the CCWP may seek to access other available third party data.

To the extent that the CCWP contributes to public consultations it will do so within the framework of the IFoA public policy team or guidance set out by IFoA staff members.

The CCWP maintains an informal LinkedIn site for the use of its members and other actuaries to promote information sharing, discussion and debate on topics withing its scope.

Potential topics list:

1. Critique of scenario analysis and use of outputs.
2. A critique of certain climate metrics (especially forward looking ones).
3. Exploring hurdles to putting money where it needs to go to support the transition