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## Climate change for other practice areas: Implications for financial assumptions

Patrick Race, David Ford & Mark Rothwell

22 November 2018



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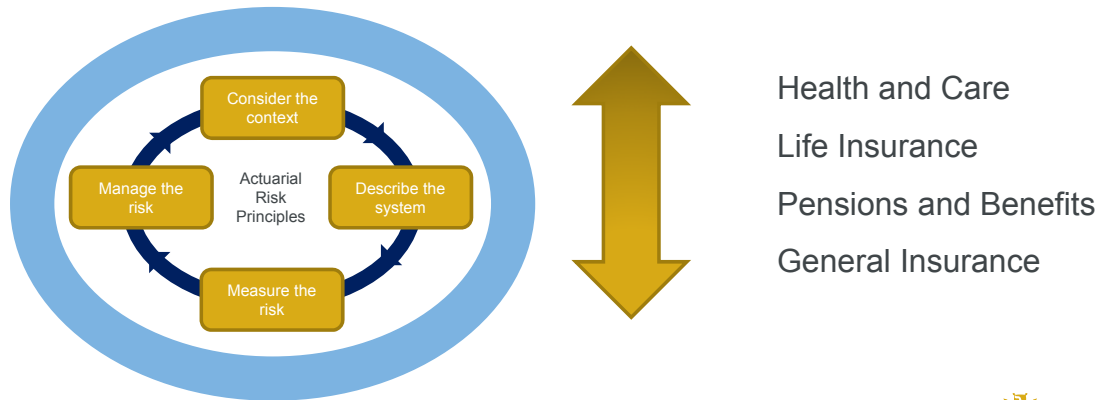
## Considerations for Investment Actuaries

Patrick Race

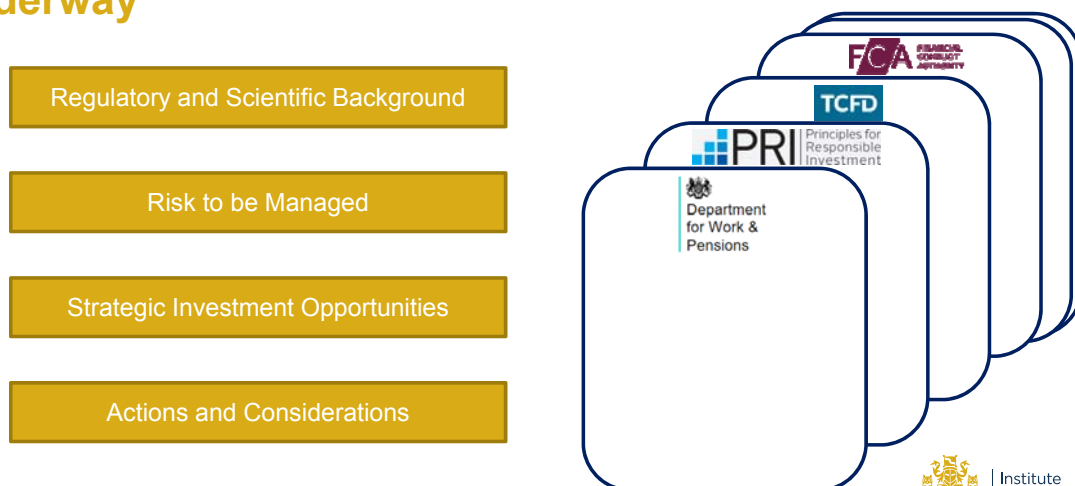
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## Investment considerations support all the major practice areas



## Working Party formed and drafting of a Practical Guide underway





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## Considerations for Life Insurance

David Ford

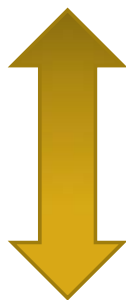
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### We can think about financial effects by product type and the type of modelling we do...

All **product types** could potentially be impacted by climate change, but their exposure to long term financial assumptions differs...

Longer Duration/ higher  
investment component

Shorter Duration/ lower  
investment component



Traditional Savings

Annuity Products

Unit Linked Savings

Traditional Guaranteed Risk

Reviewable Risk

**Modelling** is often based on or includes **risk neutral** financial models with **stress test based risk assessment**



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## ...and think about how climate change effects will be built into the work we do...

Even if we don't yet have detailed econometric models allowing us to parametrise financial assumptions for climate change we can progress towards this...

General Awareness / Identification

Scenario Testing

Strategic / Business Planning

ORSA (Own Risk and Solvency Assessment)

Capital Models and Pricing

Potential Progression



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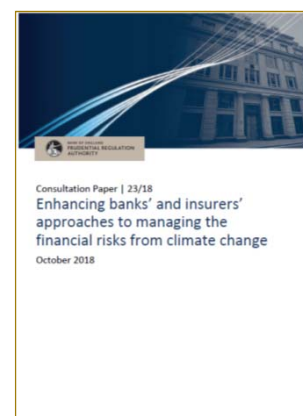
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## This evolution of thinking is also reflected in the latest PRA consultation

CP23/18 seeks views on a draft supervisory statement on banks and insurers' approaches to managing the financial risks from climate change. There are four key areas of recommendation:

- Governance
- Risk Management
- Scenario Analysis
- Disclosure

*Responses by 15<sup>th</sup> January!*



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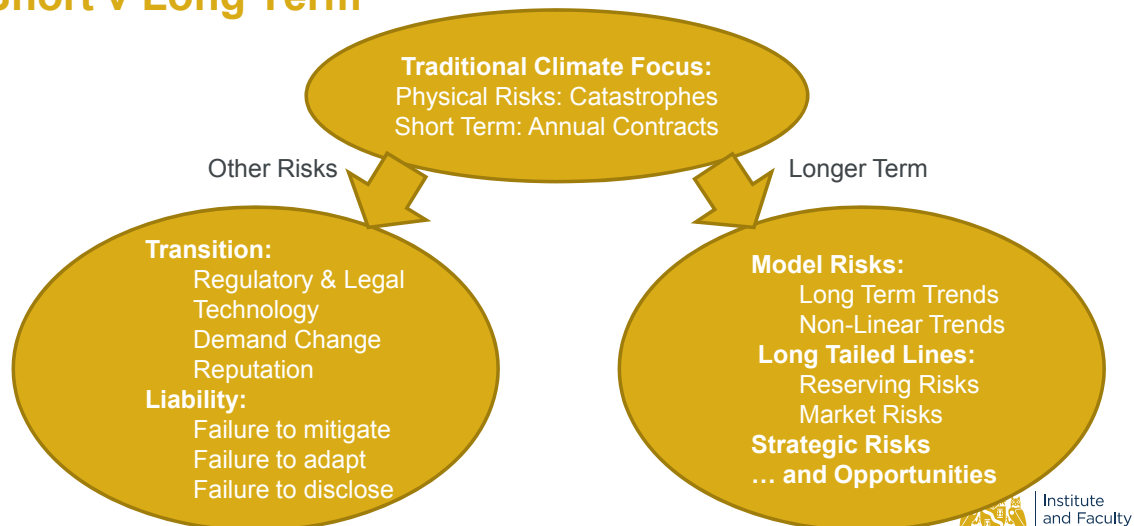
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## Considerations for General Insurance

Mark Rothwell

26 November 2018

### Short v Long Term

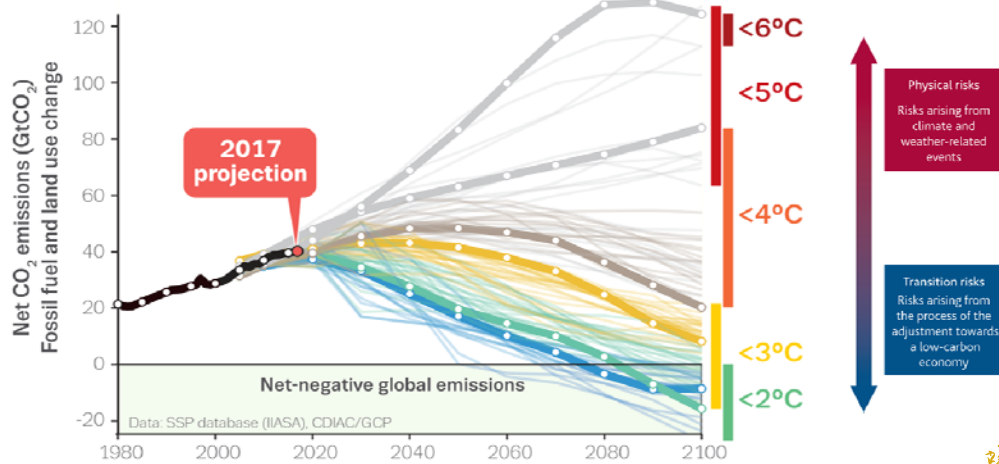


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## Urgency



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Source: University of East Anglia, 2017

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## Timing of Transition Risk

Total primary energy (EJ)



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Source: Carbon Tracker, 2020 vision: why you should see peak fossil fuels coming, September 2018

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**Questions****Comments**

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