An introduction
Mark Rothwell
A few questions to open with…

• Who believes Climate Change is happening?
• Who believes that current Climate Change is anthropogenic?
• Does Climate Change pose a Financial Risk to:
  – The Economy
  – The Insurance Industry
• Is Climate Change relevant to the work of Actuaries?
Agenda

• Why the risks arising from climate change are both important and urgent
• The key points from the recent PRA Supervisory statement
• What barriers might prevent us acting on the Financial Risks of Climate Change
• What might encourage us to act
• What the next steps might be
Climate Change Supervisory Statement

Patrick Cleary
Important

• Why is climate change important for you?
Important

• Why is climate change important for you?

• At least three reasons:
  – It’s a significant financial risk
  – The IFoA has issued a risk warning about it
  – You live on planet Earth
Urgent

• Why is climate change urgent for you?
Urgent

• Why is climate change urgent for you?
Supervisory statement (CP23/18)

• PRA / Bank of England view is that climate change causes financial risks that threaten both:
  – Financial stability
  – Safety and soundness of the firms we regulate

• We are active in many areas and want to move things on
  – 2015 Insurance report
  – September 2018 Banking report
  – October 2018 Insurance / Banking supervisory statement
  – Embed into day-to-day supervision
Supervisory statement – the PRA expects

**Governance**

– Board to understand financial risks from climate change

– Board and management to identify Senior Manager with responsibility for managing financial risks from climate change

**Risk management**

– Firms to address the financial risks from climate change through their existing risk management frameworks

– Insurers (under Solvency II) to consider possible accumulation of risk in the investment portfolio (particularly via transition risk)
Supervisory statement – the PRA expects

Scenario analysis and stress testing

– Firms (where proportionate) to do scenario analysis to examine the impact of financial risks from climate change on business strategy
– Firms to consider scenarios over both short term (eg life of business plan) and long term (eg consistent with a global temperature rise of 2 degrees C)

Disclosure

– Firms will make disclosures about their financial risks from climate change
– Firms to consider if they would benefit from TCFD proposals (TCFD = taskforce on climate-related financial disclosure). Firms could encourage greater climate-related disclosure in the economy through their ownership of financial assets
Supervisory statement – consultation

• The consultation period runs to 15 January 2019

• Please respond!
So what holds us back?

Carol Storey
We have 12 years to limit climate change catastrophe, warns UN
BLACK WIDOW SPIDERS ARE HEADING NORTH DUE TO CLIMATE CHANGE
Climate Change Is Cooking the Oceans

https://earther.gizmodo.com/climate-change-is-cooking-the-oceans-1828360438
Nights Are Warming Faster Than Days. Here’s Why That’s Dangerous.

As glaciers melt, 'Land of Fire and Ice' watches its history seep away
How do these images and headlines make you feel?
‘One Small Step for Man, One Giant Leap for Mankind’
Paris climate change agreement: the world's greatest diplomatic success
Hole In the Earth's Ozone Layer Is Finally Closing Up, NASA Says
Renewable energy sets new record by producing nearly a third of UK electricity
US mayors bypass Trump to back Paris climate goals

How do these images and headlines make you feel?
What’s stopping you?
Closing Thoughts….?
Next Steps

• Respond to the PRA’s Consultation
• To get more background on climate science, attend the workshop “F3: Climate Change: A Survival Guide” tomorrow 10:30am
• To find out more about how Climate Change affects your day to day work, attend the workshop “D3: A Practical Guide to Climate Change for General Insurance Practitioners” this afternoon 4:40pm
• For more on the risk alert and regulatory developments, attend the workshop “E10: Shame! Half the Room Hadn’t Heard of our Climate Change Risk Alert” tomorrow 9:30am
• Read the “Practical Guide to Climate Change for General Insurance Practitioners” out soon!
• Read “Climate change for Actuaries: an introduction” out soon!
• Join the Resource and Environment Practice Area LinkedIn Group https://www.linkedin.com/groups/13593694
• Volunteer to be part of the R&E Member Interest Group https://www.actuaries.org.uk/practice-areas/resource-and-environment/current-resource-and-environment-member-interest-group-member-interest-group
• Apply your new-found knowledge

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