“Paving the way forward”

Managing climate risk in the Insurance industry

Anna Sweeney – Moody’s Insurance Summit
The ten hottest years on record have all occurred since 1998; global land temperatures in March 2016 exceeded the 1.2C mark (source: NOAA).
Atmospheric Carbon Dioxide levels over 800,000 years

Source: National Oceanic and Atmospheric Administration (climate.gov), Data: NCEI
Insured catastrophe losses, 1970-2019

Source: Swiss Re Economic Research and Consulting
Global frequency of natural disasters by type (1970-2019)

The nature of climate risk: physical and transition risks

Climate-related risks are twofold...

**Physical**
- The frequency of natural disasters is increasing
- Insured losses regularly exceed budgetary expectations
- A future 1-in-100yr loss may exceed today’s 1-in-1000yr loss

**Transition**
- Additional risks are created by the transition to a low-carbon economy
- These risks may appear as asset devaluation, changes in energy prices or an increased risk of climate legal liability
How should insurers respond? *Insurance business models*

With global assets under management of more than $13 trillion, and premiums of $6.3 trillion, the insurance sector has a **substantial** and **unique** role to play.

Whether through the lens of natural catastrophe (General Insurers) or longevity (Life Insurers), the long and short-term aspects of insurance business are suited the nature of climate-related risks.

In light of this, much of the PRA’s work on climate change **began with Insurance**, including our first adaptation report, published 2015.

Source: Boston Consulting Group
Conclusion: Climate change is likely to occur...

Over an extensive timeframe

In multiple geographies

With some effects crystallising over decades

Insurers have the opportunity to help mitigate the worst of these impacts for policyholders and wider society