



BANK OF ENGLAND



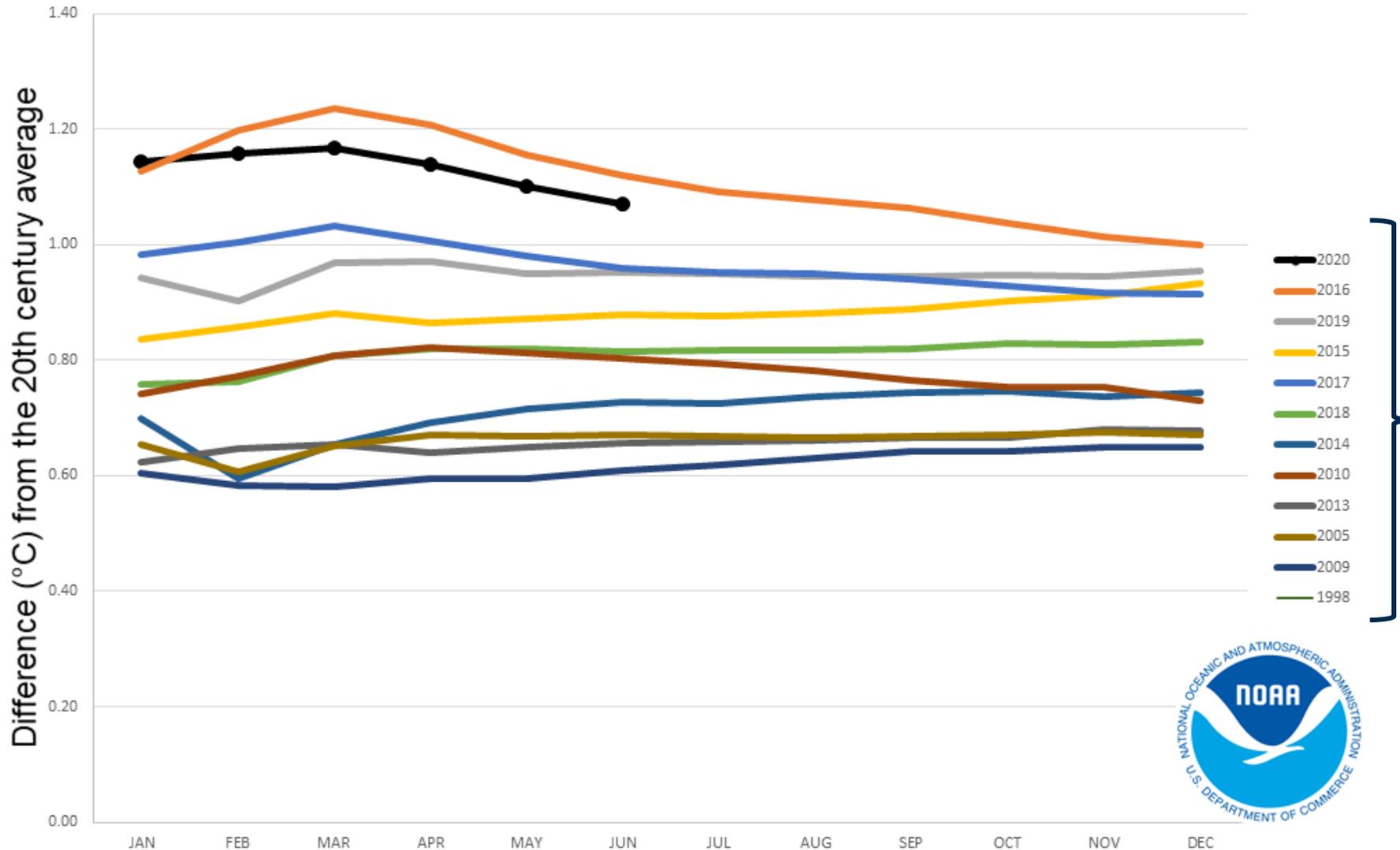
“Paving the way forward”

*Managing climate risk in the
Insurance industry*

Anna Sweeney – Moody’s Insurance Summit



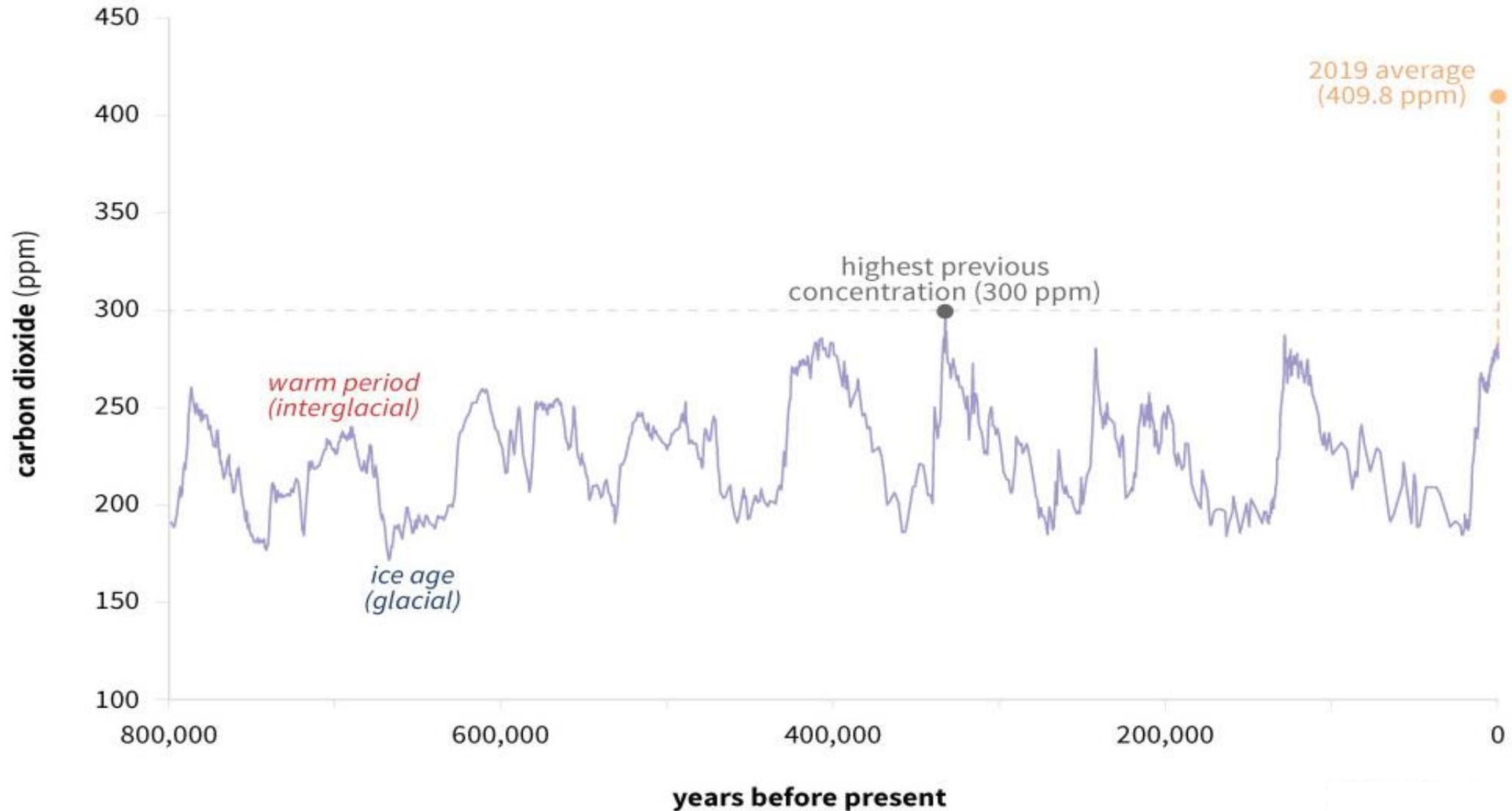
Year-to-date global temperatures, ten hottest years on record



The ten hottest years on record have all occurred since 1998; global land temperatures in March 2016 exceeded the 1.2C mark (source: NOAA)

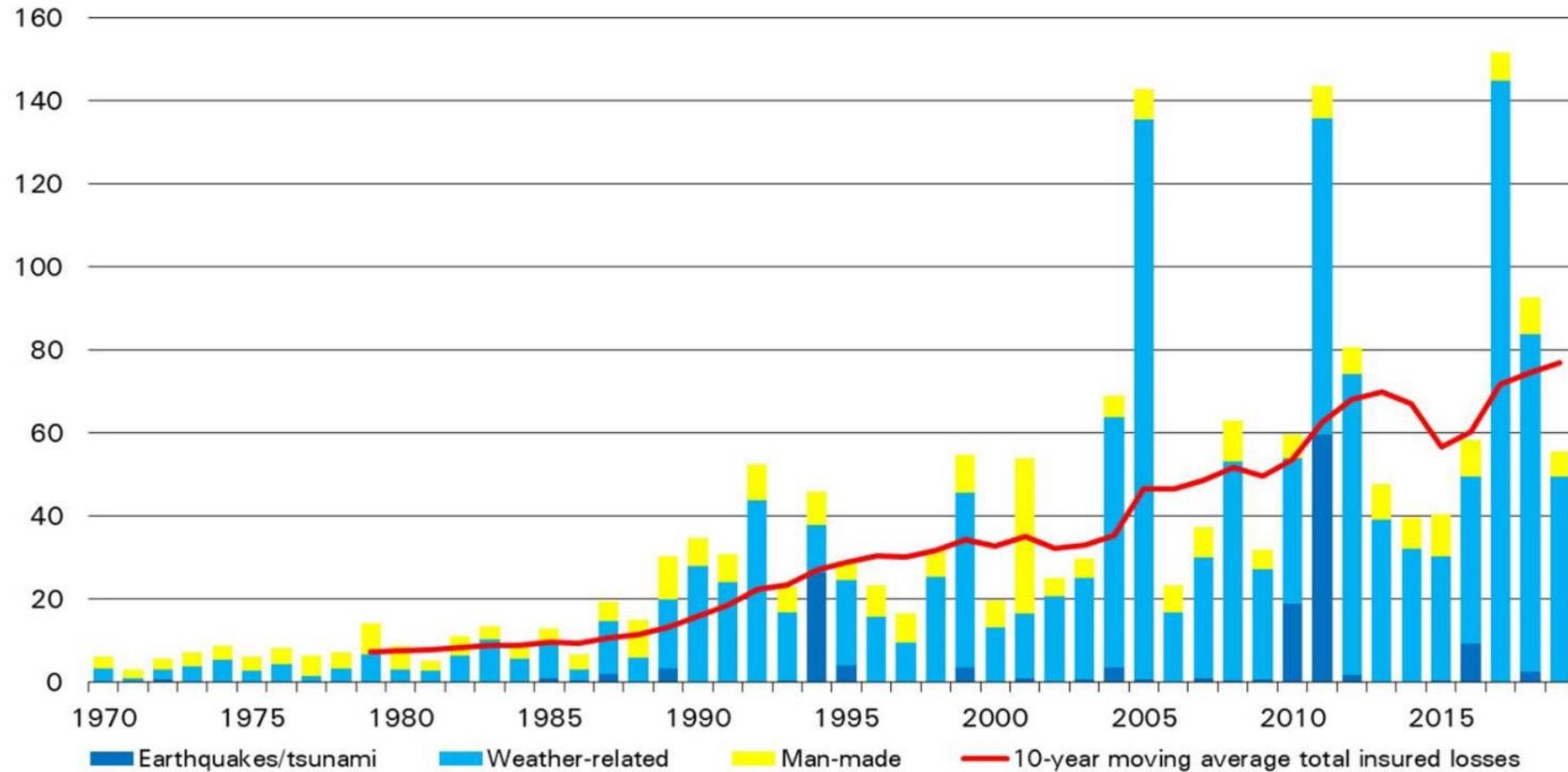


Atmospheric Carbon Dioxide levels over 800,000 years

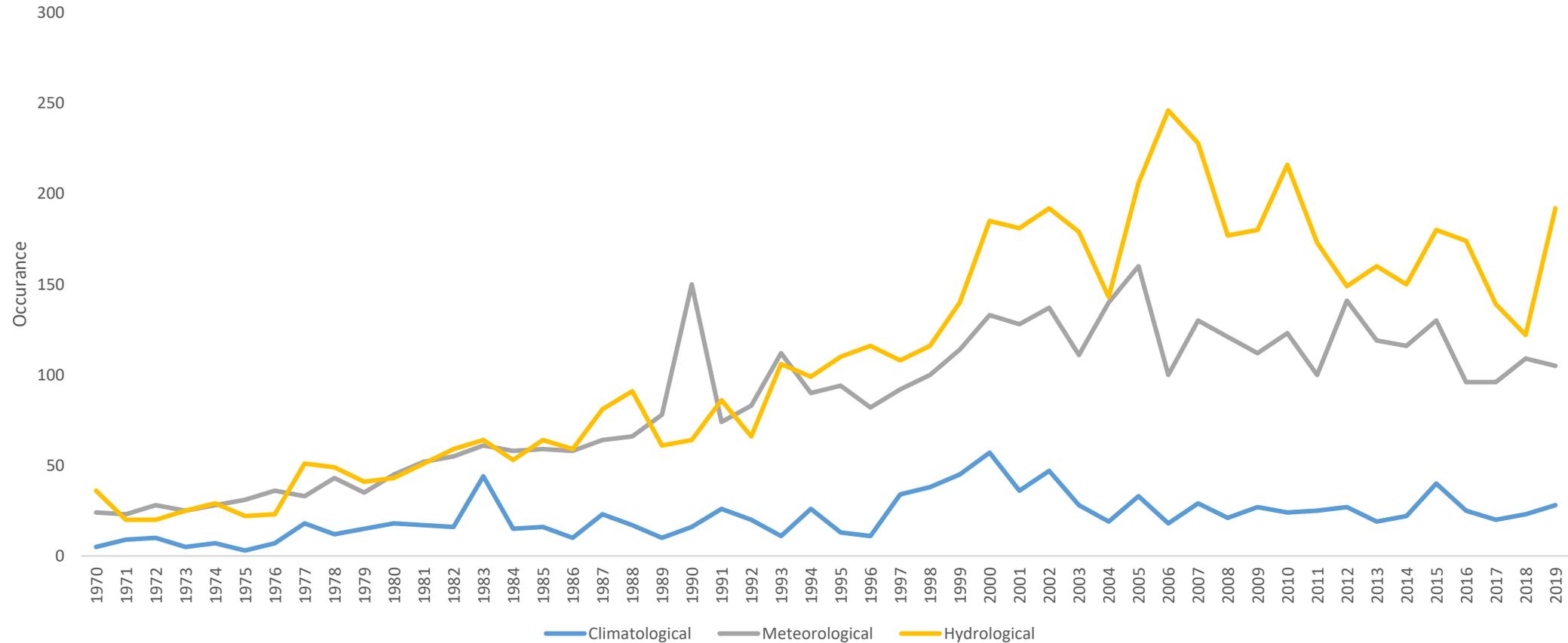


Insured catastrophe losses, 1970-2019

in USD bn,
at 2019 prices



Global frequency of natural disasters by type (1970-2019)



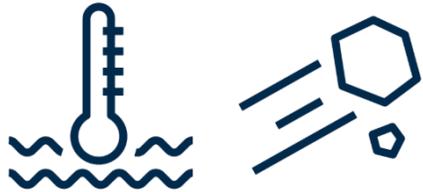
Source: Authors' estimates based on data from the Emergency Event Database of the Centre for Research on the Epidemiology of Disasters.

<https://www.emdat.be> (accessed 7 September 2020)

The nature of climate risk: *physical and transition risks*

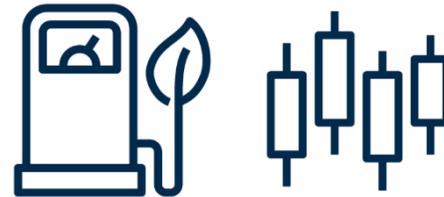
Climate-related risks are twofold...

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

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