

MEMORANDUM

To: All Fellows, Affiliates, Associates, and Correspondents of the Canadian Institute of Actuaries, and other interested parties

From: Single Topic Task Force on Climate Change Risk
Catherine Jacques-Brissette, Co-champion
Karen Lockridge, Co-champion

Date: May 25, 2017

Subject: Notice of Intent – Level-2 CIA Public Statement on Climate Change Risks

Comment Deadline: **June 12, 2017**

Document 217061

Introduction

As noted in the [Progress Report – Development of CIA Public Statements – Proposed Bylaw Amendments and 2017 Public Statement Topics](#), in December 2016, the Board approved the topic of climate change impact on life and property and casualty (P&C) insurance, investments, and pensions for further consideration in 2017, with the goal of eventually developing a level-2 CIA public statement.

This notice of intent (NOI) sets out the proposed direction and content of the public statement.

The Public Statements Committee (PSC) will ensure that any progress made on this public statement conforms to both the [current Policy on the Approval of Public Positions](#), as well as the [new Policy on the Approval of Public Statements](#), prior to the confirmation of the proposed bylaw amendments.

In the new policy, a level-2 public statement is defined as one which will require member input and Board ratification prior to its release. As explained in the new policy, member input will be gathered and considered through the following steps during the development of a level-2 public statement:

- A notice of intent (NOI) will be circulated first to members for comment. Input received at this stage will help guide the development of a first complete draft.
- Once a complete draft is ready, it will be circulated to members for comment. A summary of the input received on the NOI as well as how it was addressed will also be produced. The input received at this second stage will be reviewed closely and considered by the drafting entity.

- Once a revised complete draft is ready, it will be circulated to members for comment. The CIA Head Office will hold at least one public hearing to gather input on the revised complete draft. Such hearing(s) may be a webcast, a series of town hall meetings, a session at a meeting of the CIA, etc. Comments received at this stage will be used to further refine the document before it is sent to the PSC for approval and then to the CIA Board for ratification.

Background

Climate change is receiving increasing attention from governments, businesses, investors, the media, and society. With the entry into force of the [Paris Agreement](#) in November 2016, Canada, along with many countries around the world, is working on mitigation measures to limit global temperature rise this century to well below 2 degrees Celsius above pre-industrial levels. However, current emissions reduction commitments in aggregate remain significantly short of what is needed to achieve that target¹.

In addition, the [Group of Twenty \(G20\)](#) finance ministers and central bank governors requested that the [Financial Stability Board \(FSB\)](#) examine how the financial sector can take account of climate-related risks and opportunities². In response to the G20's request, the FSB—chaired by governor of the Bank of England Mark Carney—established the industry-led [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) in 2015, under the chairmanship of Michael Bloomberg. The TCFD released recommendations³ for public consultation in December 2016, and will present the final report to the FSB in June 2017. The CIA participated in the public consultation process by presenting its [comments to the TCFD](#). The voluntary climate-related risk disclosures recommended by the FSB task force will apply to the financial sector (i.e., insurance companies, banks, pension funds, investment managers). As the FSB task force is receiving significant attention from the financial sector and already benefits from the involvement of the accounting profession, it is timely for the CIA to have a complementary point of view on the potential contribution of the actuarial profession on climate-related financial disclosures.

In 2015, the CIA released a public position on [Climate Change and Sustainability—Risk, Financial Impacts, and the Work of Actuaries](#) (must be logged in to view the full version⁴). In that same year, the CIA issued a research paper on [Climate Change and Resource Sustainability—An Overview for Actuaries](#) which provides background information on climate change science and impacts, key mitigation and adaptation measures, as well as the role of the actuarial profession in managing those risks.

In November 2016, four North American actuarial associations, including the CIA, launched the [Actuaries Climate Index™](#) (ACI). The ACI provides actuaries, public policymakers, and the general public a useful monitoring tool that is an objective

¹ <http://newsroom.unfccc.int/unfccc-newsroom/synthesis-report-update-of-national-climate-plans/>

² <http://g20.org.tr/wp-content/uploads/2015/04/April-G20-FMCBG-Communique-Final.pdf>

³ <https://www.fsb-tcfd.org/publications/recommendations-report/>

⁴ <http://www.cia-ica.ca/docs/default-source/members/ppmccse.pdf?sfvrsn=4>

indicator of changes in the frequency of extreme weather and the extent of sea level change over recent decades. It leverages actuaries' expertise in the assessment and mitigation of the financial consequences of risk for analyzing climate change in Canada and the United States. Actuarial organizations in Europe and Asia are also considering extending the ACI overseas. The Actuaries Climate Risk Index (ACRI) will build on the ACI by correlating those measured changes in the frequency of extreme events to economic losses, mortality, and morbidity.

Issues

The ACI and ACRI are an illustration of how existing actuarial techniques can be expanded into new fields, which is clearly in line with the strategic goal adopted by the CIA Board to encourage emerging practices. Climate change is one of these emerging areas that involve complex and pervasive risks that impact all traditional practice areas. Thus, actuaries have an interest in understanding potential short- and long-term climate change related impacts, as these may affect the assumptions used in assessing the value of assets and liabilities, as well as operating costs.

Moreover, actuarial expertise combined with stakeholder cooperation can serve the public interest by providing tools to analyze financial contingencies associated with the different climate risks and policy options for managing them. Timely financial information will enable the optimization of adaptation or mitigation initiatives. Building on the ACI launch, a new public statement would demonstrate the range of actuarial involvement in climate change issues and the implications in the areas of life, health, and P&C insurance, investments, and pensions.

Key Components

With regard to the targeted practice areas (i.e., life, health, and P&C insurance, investments, and pensions), the public statement will serve the public interest by

- Demonstrating the range of climate-related risks affecting these practice areas (e.g., effects on health, mortality, property damage from extreme climate events, stranded assets, etc.);
- Identifying the gaps in information and tools in the context of actuarial work (e.g., the gaps in information identified in the TCFD recommendations); and
- Identifying actionable initiatives whereby the actuarial profession has a unique opportunity to help to assess, adapt to, and mitigate risks related to climate change.

The intent is to identify areas where the CIA has a unique opportunity to contribute towards helping to assess and adapt to climate change risk, and initiatives whereby the actuarial profession can bring added value and uniquely contribute to the well-being of society as a whole by increasing the probability of meeting the agreed-upon global 2-degree Celsius target.

Single Topic Task Force

The Board has appointed the CIA Climate Change and Sustainability Committee (CCSC) to act as the single topic task force (STTF), which shall serve as the drafting entity. Members of the STTF are Catherine Jacques-Brissette (co-champion), Karen Lockridge (co-champion), Mei-Hsuan Chao, Minnie Green, Frank Grossman, Yves Guérard, Nicholas Hsu, Caterina Lindman, and Shriram Mulgund. The CIA President, in consultation with the STTF co-champions, the CIA Executive Director, and chair of the PSC, may identify specific individuals or groups, inside or outside of the Institute (referred to as interested parties), who will be requested to review the public statement before it is approved.

Proposed Timeline

The STTF plans to circulate a first formal draft to members for comment by August 2017. A second formal draft is planned to be circulated to members ahead of a public hearing by November 2017 and the final public statement is expected to be released in March 2018.

Your Feedback

The STTF is soliciting feedback on this NOI from members of the CIA and other stakeholders. Comments are invited by **June 12, 2017** and may be submitted via e-mail to ClimatePublicStatement@cia-ica.ca. No other forums for obtaining feedback on this NOI are contemplated.

Due process has been followed in the preparation of this NOI.

CJB, KL