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Subject: IAA CRTF – Importance of Climate-Related Financial Risks for Actuaries

The Canadian Institute of Actuaries (CIA) is pleased to offer the following comments on the International Actuarial Association (IAA) and its Climate Risk Task Force (CRTF) paper entitled *Importance of Climate-Related Financial Risks for Actuaries*.

The paper is a very good start to sensitize actuaries globally and locally regarding the climate-related financial risks for actuaries. The IAA and CRTF are to be commended for this draft.

While the CIA agrees with most aspects of this paper, we offer the following general comments for consideration:

- We recommend to more explicitly outline what is expected from actuaries when dealing with climate-related financial risks to help protect the public interest more broadly. Specifically, it would be appropriate to underscore the need for actuarial disclosure of the full range of financial risks expected to arise from climate change. While some reference is made to the Financial Stability Board's Task Force on Climate-Related Financial Disclosure, there is a missed opportunity to propose a timetable for actuaries to be disclosing climate-related financial risk in their work. In the CIA's public statement on climate change, [Time to Act: Facing the Risks of a Changing Climate](#), the CIA promoted the concept of mandatory disclosure of climate-related financial risk by 2021. We urge the IAA to consider taking a much more proactive/assertive role for the profession to be involved in developing appropriate disclosures, such as in the pension world where the accounting profession develops the accounting standards but actuaries are active in determining the liabilities/service cost.
- More elaboration on the types of work that actuaries can execute on behalf of society, employers, and clients would be useful. The paper largely deals with the advice that

actuaries might provide to insurers and pension funds, to help protect the interests of those employers or clients. Not much attention is given to the need for actuaries to work in the public interest more broadly, for example, to consider how the interests of those served by insurers and pension funds might be affected by climate change. In addition, actuaries also provide services to regulators, governments, and other organizations besides insurers and pension funds, but this perspective is largely missing.

- The paper addresses a list of counterparties (pension plans and insurers) but does not address the financial implications of climate change on financial intermediaries. For example, as per the significant transition risks of moving to a low-carbon economy, the lack of financial stability will be much more apparent for the banking sector, as it holds securities of companies engaged in the extraction and fossil fuel industries. The banking sector also extends significant credit to these industries in the forms of loans and other financial underwriting activities.
- The paper should include the recommendation for a more advanced role for actuaries throughout, especially since non-actuarial readers may not read the whole paper. For example, in Section 3 (Actuarial Modelling) the first sentence notes that “Many forms of actuarial work involve some form of modelling,” and further mentions of actuaries only briefly refer to current practice. This does not seem detailed enough. How does actuarial modelling, which actuaries are good at, offer greater value in evaluating climate-related risks?
- The paper focuses greatly on promoting climate-positive behaviour, but it is weaker on how to mitigate the risks resulting from climate change, i.e., more frequent and more severe natural catastrophic events. These events could have significant impact on infrastructure and lives. Section 4 (Product Management) speaks to “change product design to reduce exposure to those risks ... increasing premiums or excluding coverage in areas more susceptible to climate-related risks such as flooding or bushfires,” but it ignores the consequence of non-availability or unaffordability of insurance to mitigate the risk. Excluding coverage in uninsurable areas creates other problems (economic and humanitarian) and needs public/private partnerships to develop ways to protect people living in these areas.
- Finally, there are sections of the paper where we have included comments regarding the language of the paper that may need clarification for a broader non-actuarial audience.

In addition to these general comments, we have attached a marked-up version of the document with more specific comments and suggestions.

We offer our support to the drafters of this paper in elaborating on these suggestions, should the IAA CRTF require further inputs.

If you have any questions, please contact Chris Fievoli, CIA Staff Actuary, Communications and Public Affairs, at 613-656-1927 or chris.fievoli@cia-ica.ca.

Sincerely,

[original signature on file]

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