

AIRMIC 2022

5 ways insurance and risk professionals can own the climate agenda

June 2022

Camilla Hopkinson

A range of drivers triggering action

Why climate risk has moved to the top of board room agendas



Disclosure frameworks and initiatives

The image displays a collection of logos for various disclosure frameworks and initiatives. From left to right, the logos are: TCFD (Task Force on Climate-Related Financial Disclosures), Sustainable Development Goals (SDGs), CDP (Disclosure Insight Action), GRI (Global Reporting Initiative), SASB (Sustainability Accounting Standards Board), European Commission, and NGFS (Network for Greening the Financial System).

Reason number 1....

Climate is a RISK issue!

Physical

- Acute
 - Flood
 - Wind
- Chronic
 - Sea Level Rise
 - Heat Stress



Transition

- Policy & Legal
- Market
- Reputation
- Technology

“The world urgently needs to expand its use of carbon prices...” Economist

Netherlands’ ruling that the oil giant Shell must reduce its emissions by 45% (compared to 2019 levels) by 2030.

“Heavyweight investors demand more disclosure of environmental risks”

FT

“Climate crisis will reshape finance”

Larry Fink, Blackrock CEO

Sources – Economist : <https://www.economist.com/briefing/2020/05/23/the-world-urgently-needs-to-expand-its-use-of-carbon-prices>
NY times - <https://www.cnbc.com/2020/01/14/blackrock-ceo-larry-fink-says-climate-change-will-soon-reshape-markets.html>

Call to action number 1

Learn to frame the arguments

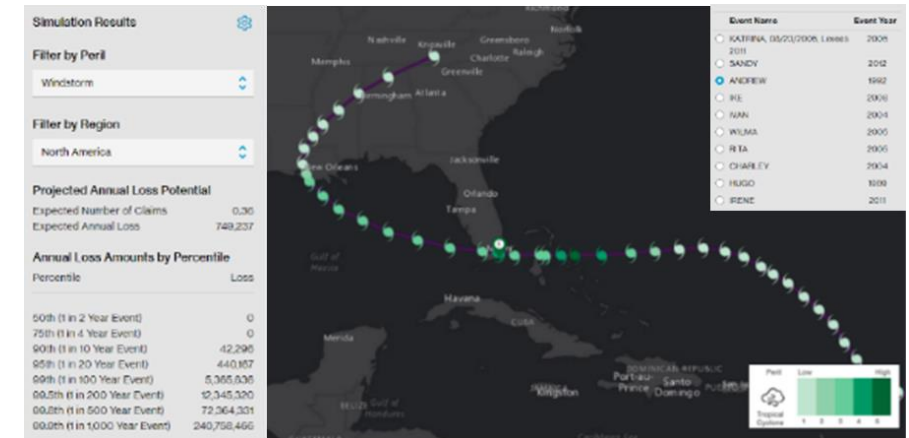
- Consider how the different climate risks will **impact** your business.
- What will be the new business **opportunities** presented by climate change?
- Get the **data**!

Reason number 2....

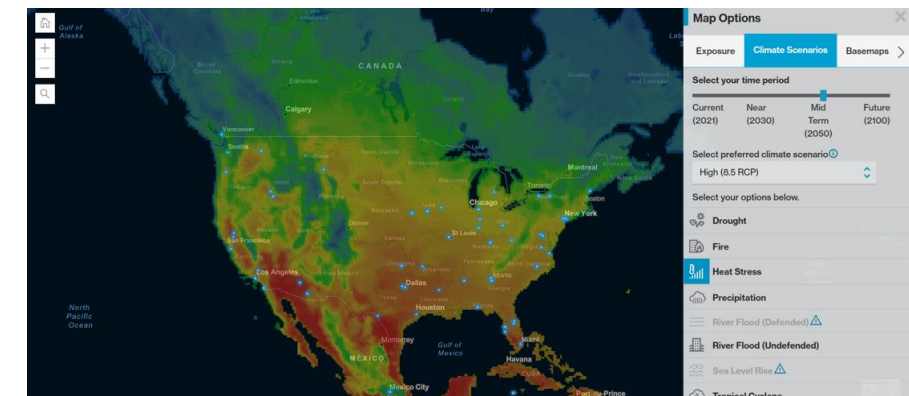
We are already the experts in climate change

- We have already built a global financial system that is **resilient** to climate shocks.
- We have successfully combined climate science and mathematics to build the **models** and metrics that underpin this system.
- We already have the right **data** to assess these risks.
- We are comfortable with the **uncertainty** of risk.

Windstorm – Current Climate



Heat Stress - 2050



Source: WTW Climate diagnostic tool

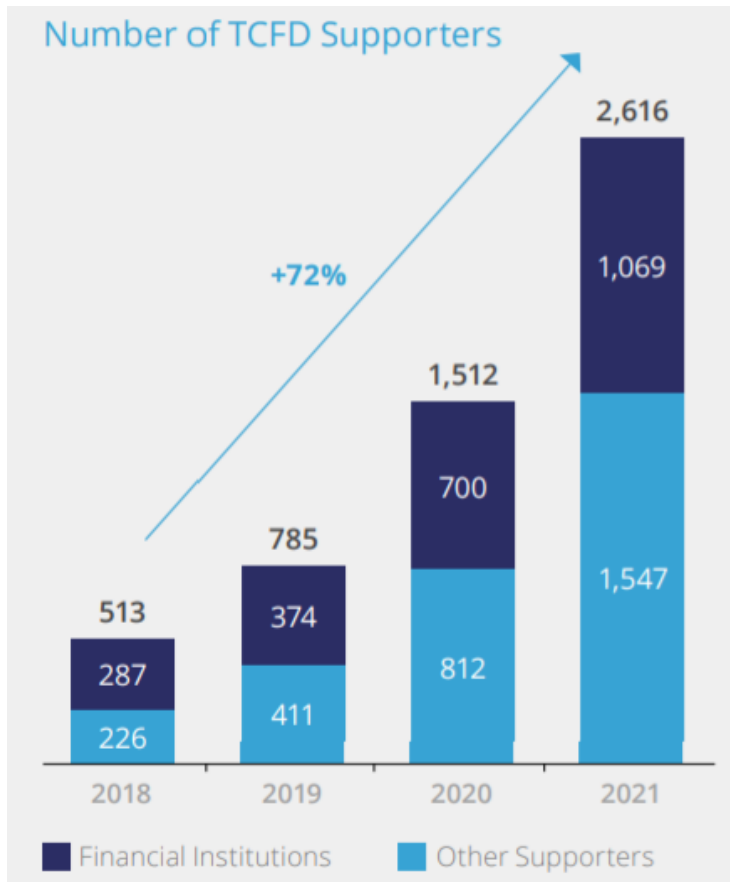
Call to action number 2

Do what you already do

- “Risk Management 101”
- Identify and assess risks
 1. Lean on natural catastrophe and climate modelling tools
 2. Lean on enterprise risk management assessment methodologies
- Set goals and KPIs to manage risks

Reason number 3....

Climate risk considerations are transforming the structure of the global economy: The Task Force on Climate Related Financial Disclosures



Four thematic areas

Governance

Disclose the organisations governance around climate related risks and opportunities

Strategy

Disclose potential impacts of climate related risks and opportunities on the organisation's businesses, strategy and financial planning

Risk Management

Disclose how the organisation identifies, assesses and manages climate related risks

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities

Disclosure enables organizations to access **benefits beyond regulatory compliance:**



Identify scope for improvement, gaining efficiency and devising a useful disclosure for stakeholders and investors



Insight into financial materiality of climate-related risks and opportunities to inform both external investors and own internal decision making



Encourage a strategic approach to managing climate change

Source: 2021 TCFD Status Report

Call to action number 3

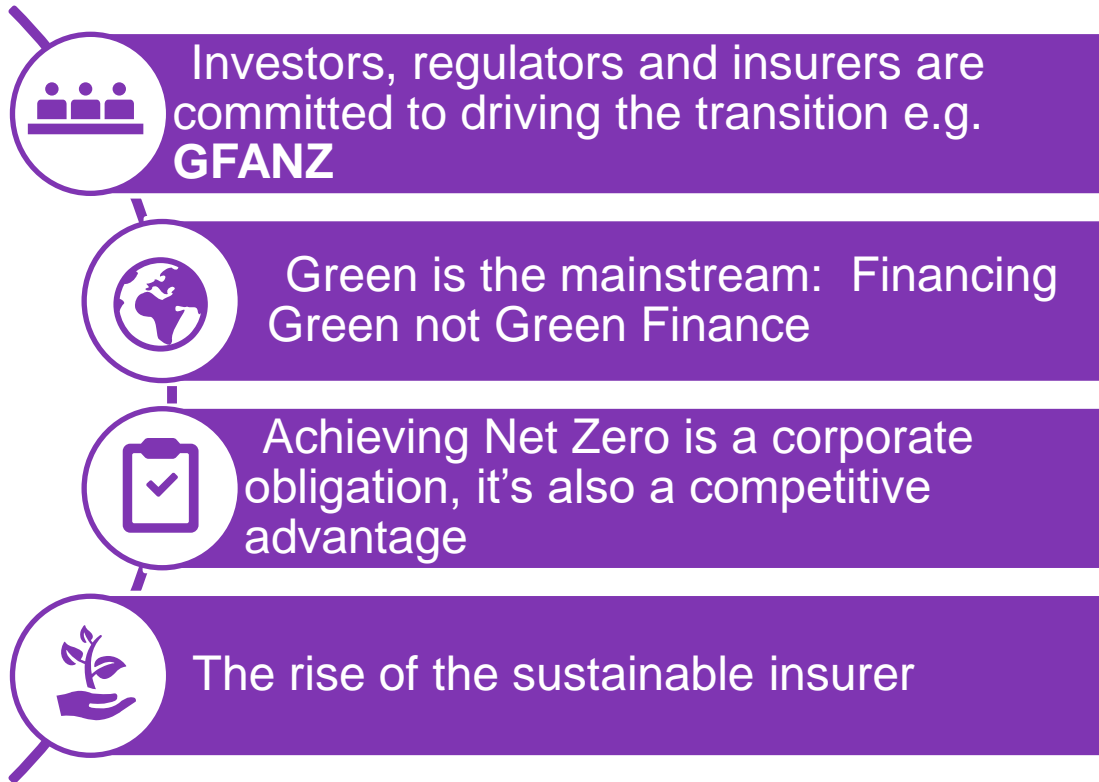
Lead or engage with your TCFD team

- Align your **TCFD response** with your existing risk management strategy and governance processes
- Drive the necessary **collaboration** across your organization.
- Embed climate in your organisational **strategy**.

Reason number 4....

The need to approach markets in new ways

Outcomes of COP26



Implications for our clients

- Requirement to disclose climate related **risks and opportunities**; carbon emissions; energy use etc.
- How to deal with NetZero: **What is the corporate strategy?** Is the board able to make informed decisions? Can it be explained?
- A need to re-consider how they negotiate with **capital and insurance markets**

Call to action number 4

Talk to markets in the right way!

- What are insurers asking about your ESG profile? **Be ready** to answer the questions.
- Positively differentiating your organisation / optimising your approach to insurers. Use your ESG strategy as part of your **broking kit**.
- Engage to innovate: New levels of **multi-stakeholder partnerships** will be required to create the insurance solutions we'll need for the new economy. Where can you help?

Reason number 5....

We can re-set our value to society and help our businesses optimise in a crowded and evolving landscape



Call to action number 5

Be the owner of the future

- Be the owner and navigator of this vital issue for your business. [Climate embedded](#) as a regular update of the risk management process.
- Because climate is a [RISK ISSUE](#) - we are already the experts and have all the tools.
- Pop by the stand to see [climate diagnostic](#) or scan the QR code to see WTW's Climate risk for risk managers insight page

Q&A and next steps

- For further information come and have a chat with us on the WTW stand 101.
- Or to take our 15 minute ESG risk managers survey, either visit our website or simply scan the QR code provided.

Benefits to you

- A complimentary copy of the results which will help strategic risk professionals and business leaders to understand how organizations approach ESG risk
- In addition, if MSCI provides an ESG score for your organization we will offer you a complimentary 30-minute consultation to review your ESG profile.

<https://www.wtwco.com/en-GB/Insights/campaigns/climate-risk-for-risk-managers>