



Climate Risk Reporting and Monitoring: Present and Future

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Agenda

- Introduction
 - CAS Committee on Climate Change
 - Climate Risk and Reporting
 - National Association of Insurance Commissioners (NAIC) Disclosure Survey
- Joel Ario, Pennsylvania Insurance Commissioner
 - NAIC Perspective of Disclosure Survey, current and future
- Andrew Logan, CERES
 - Ceres involvement in the development of NAIC Disclosure Requirement
 - Implications for insurers



CAS Committee on Climate Change

- **Background**
 - Task force on climate change was formed by CAS in second half of 2008
 - Determine if a standing committee was warranted
 - Outline the scope and focus for its research and development, if such a committee were to be formed
 - CAS quickly established a standing committee in January 2009
 - Joined forces to include representatives from SOA and CIA
 - Climate change affects all three actuarial organizations
 - Pool talent and resources to perform research and development work
- **Goal**
 - Recommend, support, and perform research on climate change and assess the potential risk management implications for the insurance industry



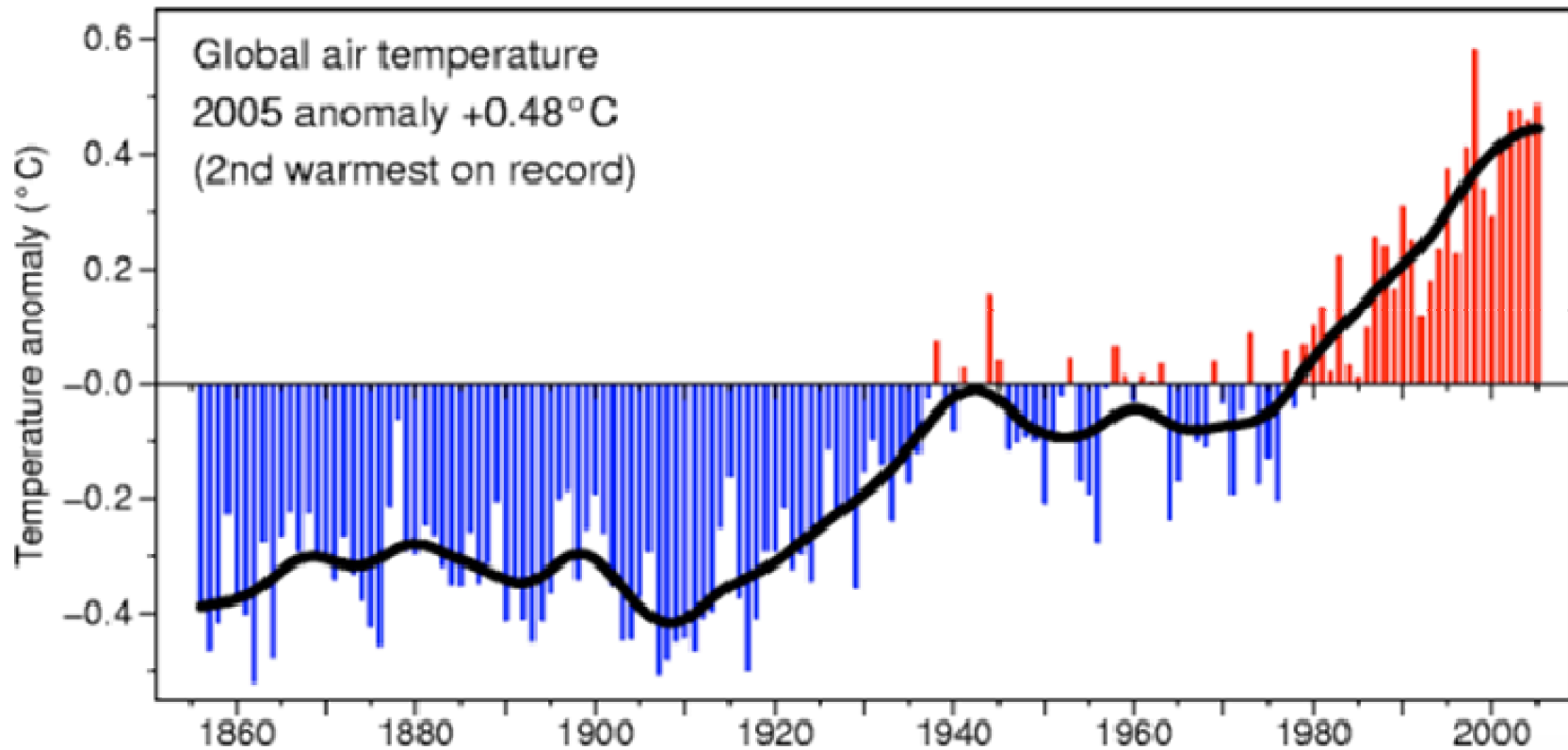
CAS Committee on Climate Change

- Key areas of potential focus
 - Identify future climate scenarios and explore implications for our profession
 - Insurance products/services, reserving practices, contingency planning, and corporate strategy
 - Have a significant role in climate change modeling
 - Model development, assumptions, uncertainty, sensitivity, robustness, appropriate application, and interpretation of results
 - Understand reporting and disclosure requirements
 - Address public relations and policy issues that arise from climate change
 - Recommend position of CAS and how to work with other actuarial organizations around the world
 - Educate our membership
 - Facilitate background training for our membership to understand issues and implications
- Work underway
 - Initial development of a climate change index
 - Student outreach to promote understanding of climate change issues
 - Webinars and other training



Science – Global Air Temperatures 1855 - 2005

Temperature anomalies in comparison to the 1961-90 mean temperature

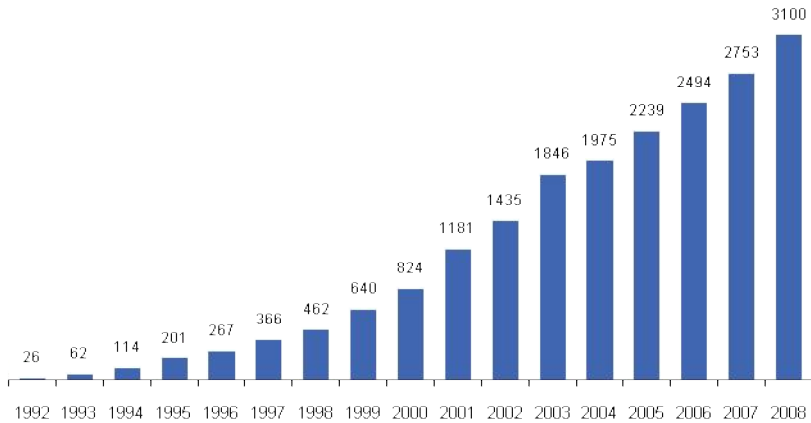


Source: Climate Research Unit



Sustainability reporting and carbon disclosure have increased significantly

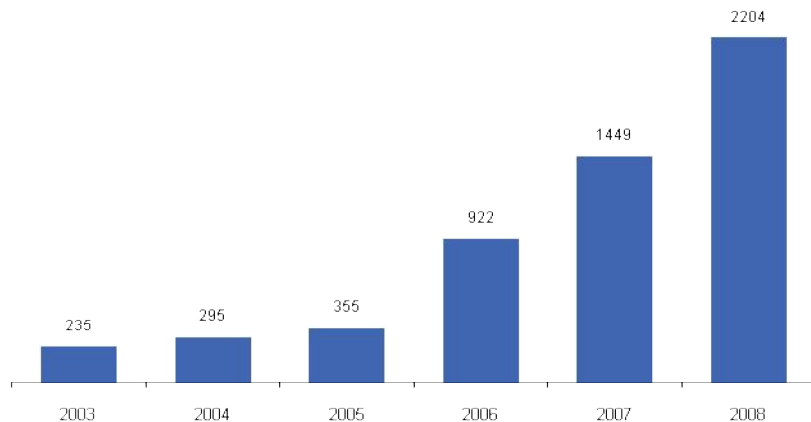
Sustainability Reporting



Number of Published Sustainability or Corporate Social Responsibility Reports, by Year

Source: Corporate Register

Carbon Disclosure



Number of Responses to the Carbon Disclosure Project's Annual Survey

Source: Carbon Disclosure Project

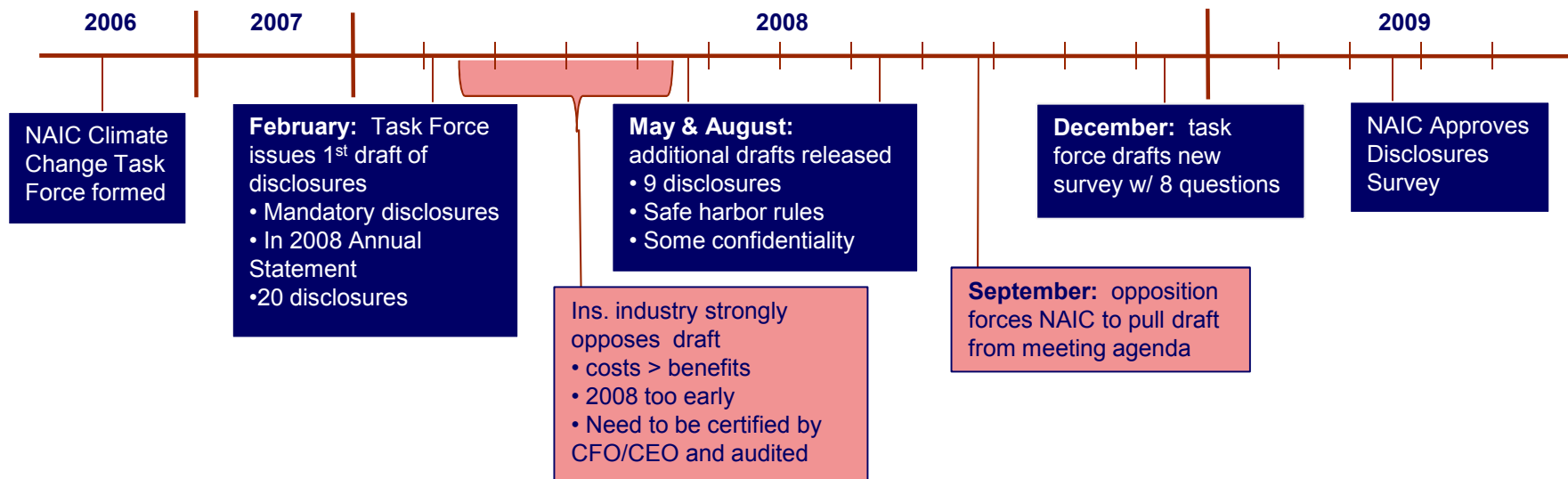
- In 2008, more than 3,000 sustainability or corporate social responsibility reports were published, an almost four-fold increase since 2000
- Similarly, responses to the Carbon Disclosure Project's (CDP) annual survey requesting disclosure of corporate climate initiatives/emissions reached 2,200 last year
- Growth in published disclosures are driven by peer activity, stakeholder demand, and in some cases, industry pressure
 - 24 shareholder resolutions calling for sustainability reporting were filed in the US in 2007
 - Early in 2009, the NAIC announced plans to require disclosure of climate risk among US insurers

- Companies are finding that close investigation of sustainability and carbon performance (in preparation for public reporting) can lead to improved environmental outcomes and identification of sustainability-related business opportunities
- Organizations such as the Global Reporting Initiative (GRI), Ceres, CDP, Climate Registry, and EPA Climate Leaders provide structured frameworks for sustainability reporting and carbon disclosure



Need for disclosures: Development of NAIC's response

- NAIC teamed with environmental groups (CERES) and insurance representatives to develop disclosures



NAIC Decisions

- **Public** Disclosures will be made public. The NAIC also plans to develop a repository.
- **Mandatory** Disclosures are required for P&C, Life and Health companies:
 - 2009: Groups > \$500M Premium
 - 2010: Groups > \$300M Premium
- **Framework** Some disclosures are similar to or based on those of the Carbon Disclosure Project (CDP)



NAIC Disclosures Survey

Adopted Disclosure Survey – 8 Questions

Disclosure 1

Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations? If yes, please summarize.

Disclosure 2

Does the company have a climate change policy with respect to risk management and investment management? If yes, please summarize. If no, how do you account for climate change in your risk management?

Disclosure 3

Describe your company's process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications.

Disclosure 4

Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by these risks.

Disclosure 5

Has the company considered the impact of climate change on its investment portfolio? Has it altered its investment strategy in response to these considerations? If so, please summarize the steps you have taken.

Disclosure 6

Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.

Disclosure 7

Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.

Disclosure 8

Describe actions your company is taking to manage the risks climate change poses to you business including, in general terms, the use of computer modeling.



Joel Ario, Pennsylvania Insurance Commissioner

In June 2007, Governor Edward Rendell nominated Joel Ario to serve as Pennsylvania's Insurance Commissioner, describing Ario as "a highly qualified and seasoned administrator with a strong and proven record of fighting to protect the rights and needs of consumers."

Prior to his Pennsylvania service, Ario was the chief insurance regulator for the state of Oregon (2000-2007) and worked in the public interest movement for 15 years. His tenure in Oregon was marked by collaboration with companies, agents and consumers to see that appropriate consumer safeguards are in place, while also preserving the flexibility insurers need to thrive in the fast-changing insurance marketplace. Within the insurance industry, Ario has won high marks for carefully balancing regulatory concerns with the needs of consumers and is widely respected as being a fair and open-minded regulator.

Ario serves on the NAIC Executive Committee and is Chair of the Climate Change Task Force and Vice Chair of the Health Insurance (B) Committee. Prior NAIC assignments include Chair of the Health Insurance and Managed Care Committee (2006-2008) and Chair of the Market Regulation Committee (2001-2004). Commissioner Ario also has served as an NAIC officer—Secretary-Treasurer (2003-2004) and Vice President (2004-2005).

Additionally, he serves on the Consumer Participation Board of Trustees, as well as the Board of Directors for the National Insurance Producer Registry (NIPR), a collaborative enterprise between the NAIC and the regulated community to modernize agent licensing systems. He was that organization's President and Board Chair from 2002 to 2004.

Ario approaches issues from a consumer perspective. His top priorities in Pennsylvania are health care reform, including affordability and universal coverage, and the needs of older Pennsylvanians—particularly as they relate to long-term care and suitable annuity products.

A 1981 graduate of Harvard Law School, Ario also holds degrees from Harvard Divinity School and Saint Olaf College in Northfield, Minn. He is married and has three sons.



Andrew Logan, Director – Oil & Insurance Programs, CERES

Since joining Ceres in 2002, Andrew has launched and directs two program areas for the organization: the first focuses on working with investors to engage the oil sector on key sustainability issues including climate change, biodiversity and water. Andrew's second area of focus is the insurance sector, particularly the role that insurers could play in encouraging solutions to climate change.

Andrew has a background in corporate strategy from his work with Bain & Company, a leading management consultancy. While with Bain, Andrew developed high-level strategy for companies in the finance, e-commerce, manufacturing, retail and media sectors. Prior to joining Ceres, Andrew directed U.S. PIRG's corporate campaign to protect the Arctic National Wildlife Refuge. He was graduated summa cum laude from Amherst College.

