CIA Public Position: Climate Change and Sustainability—Risk, Financial Impacts and the Work of Actuaries

Scientific evidence and economic analysis suggest that risks related to climate change, demand for limited resources and environmental sustainability issues can have material financial impacts.

What is the general position of the CIA on the topics of climate change, resource scarcity and sustainability? How is this position being reflected in actuarial work now and how might this evolve in the future?

The Institute recognizes that climate change and other environmental issues are serious risks that need to be assessed and managed in the public interest. For example, the World Economic Forum's 2014 Global Risks Report identified a number of environmental issues among the global risks of greatest concern, including the failure to mitigate and adapt to climate change, extreme weather events, and water and food crises.

Actuarial expertise combined with stakeholder cooperation can serve the public interest by forecasting and managing financial contingencies associated with the different threats to sustainability, such as:

- Environmental issues (e.g., rising energy consumption, the effect of population on agriculture, natural catastrophes, man-made environmental catastrophes, water and air pollution, scarcity of resources and increased health risks);
- Climate change issues (e.g., global warming, rising sea levels and a greater incidence of extreme weather events); and
- Policy risks (e.g., carbon pricing or potential mandatory disclosure of greenhouse gas (GHG) emissions).

Actuaries are well-qualified to compare the costs and benefits of strategic policy options and provide fact-based information to help decision-makers in managing risks arising from climate change and environmental resource depletion, considering their impact on:

- Insurance policies and/or premiums: It is in the public interest that risks be assessed so that the insurance market operates on a sound and sustainable basis and that premiums be fair and competitive.
- Health, pensions and other benefits: Climate change may affect risk factors that actuaries must consider to provide clients and users with relevant information about costs and liabilities so that programs optimize the well-being of beneficiaries.
- Cost of prevention initiatives versus damage repair: Actuaries can help assess future costs and make comparisons with the costs of investing in measures to mitigate risks. This is an area where actuaries can serve the public interest by quantifying the probable financial impacts.
- Valuation of asset portfolios in a changing environment: The investors' community is paying increasing attention to environmental, social and governance (ESG) factors, and the investment risks and opportunities.