



ACTUARIAL SOCIETY
S O U T H A F R I C A



Milliman Climate Benchmarking Survey Results

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10 September 2024





Agenda

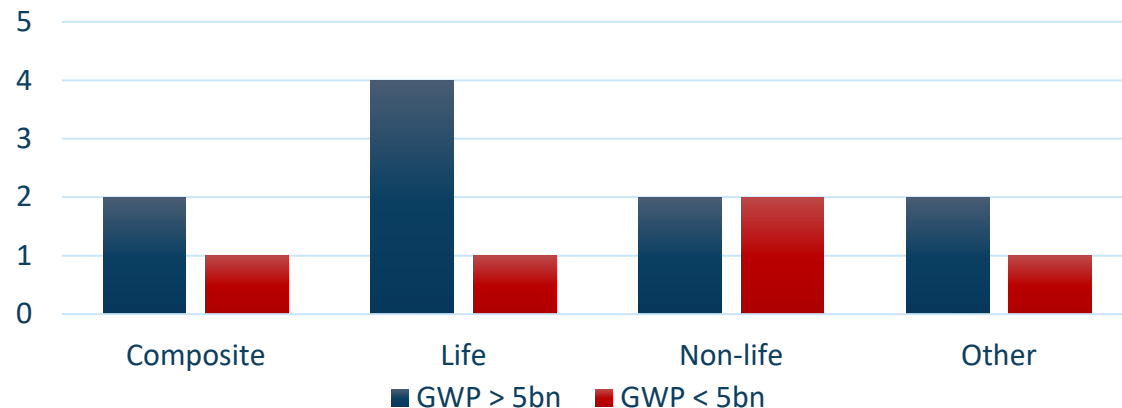
- About the survey
- Maturity assessment
- Survey Results
 - Overview
 - Governance
 - Risk
 - Disclosure



About the survey



Respondents:



Questions: the questions were designed as an entry indication of progress, broadly aligned with PA Guidance Notes

- Overview
- Governance
- Risk
- Disclosure





Maturity assessment



PA Guidance Notes on Climate



Overview of the recommendations from the PA Guidance Notes



Governance

- Specified Board responsibilities for effective governance of climate-related risks
- Specified roles and responsibilities for senior management with regards to climate
- Embed climate-related risks in overall business strategy and risk appetites with relevant policies in place



Risk Management

- Incorporate and integrate into established risk and governance frameworks
- Specified responsibilities for the Risk Management Function, Compliance Function, Actuarial Function, Internal Audit Function and Control Functions
- Specific mention of outsourcing arrangements and transition planning as an important tool to manage climate-related risks



ORSA

- Specific mention of the ORSA as a useful tool for insurers to assess the adequacy of its ERM and capital position relative to climate-related risks
- Additional guidance on time horizons, and stress testing and scenario analysis



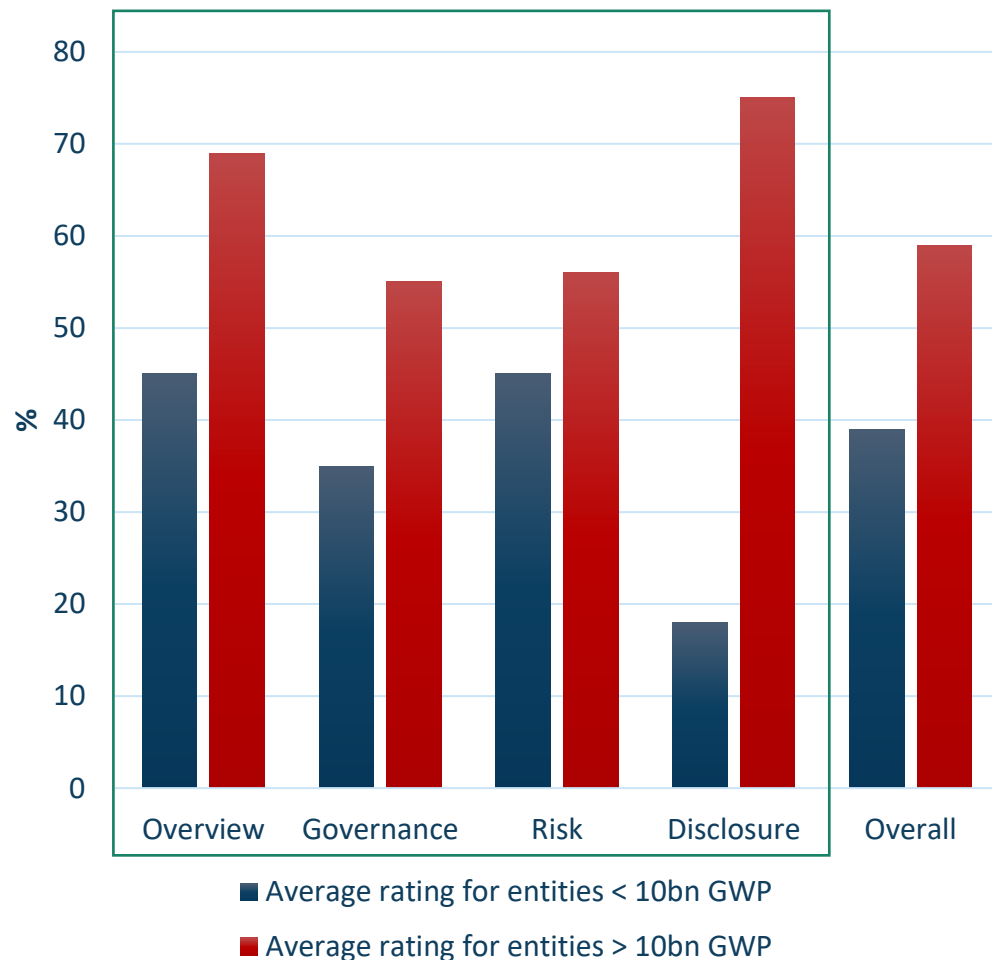
Disclosure

- Governance practices, processes, controls and procedures in maintaining oversight
- Current and anticipated impacts of climate-related risks and opportunities
- Metrics and targets that enable stakeholders to evaluate the insurer's exposure, measurement, and management of risks
- External assurance not required at this time

<https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/Climate-related-risk/2024/G1-Insurers-Climate-Guidance-Risk>

<https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/Climate-related-risk/2024/G2-Insurer-Climate-Guidance-Disclosure-for-Insurers>

Maturity assessment



Section	Common gaps
Overview	- Progress to fully embedding the PA Guidance Notes - Expanding efforts to wider sustainability factors
Governance	- Scope for improvement in Board and senior management climate-related risk knowledge and skills - Implementing a Board approved climate strategy
Risk	- Consideration of climate-related risk across all risk categories - Compliance and Internal Audit Functions involvement in climate considerations - Making progress in climate scenario analysis
Disclosure	This is not a prominent focus on the survey yet. We anticipate this will develop over time.



Overview

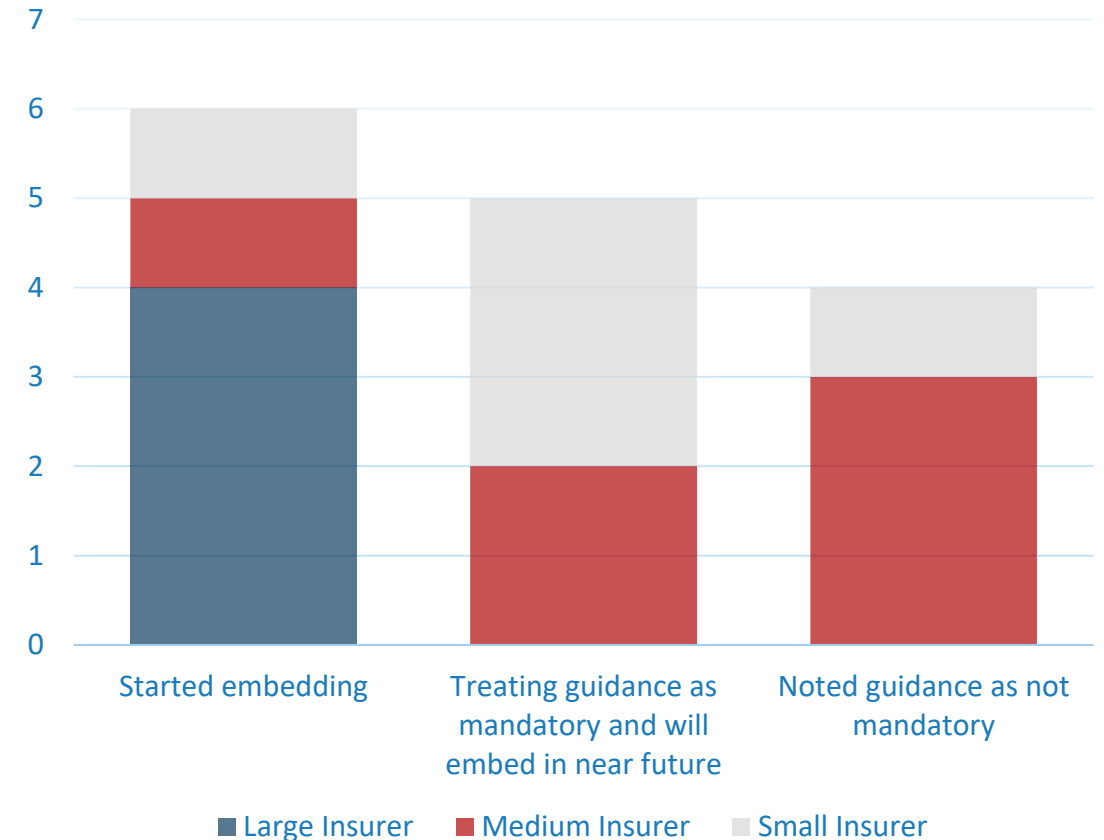




Overview

- Larger insurers have already begun implementing the guidance notes, with some smaller outliers ahead of peers
- Others are treating the guidance notes as mandatory and plan to implement in the next 12 – 24 months
- Most are considering wider sustainability factors
 - Linkages to ESG
 - UN Sustainable Development Goals
 - Biodiversity
 - Social and Economic Sustainability

Q: HOW IS YOUR ORGANISATION TREATING THE PA GUIDANCE NOTES?





Governance

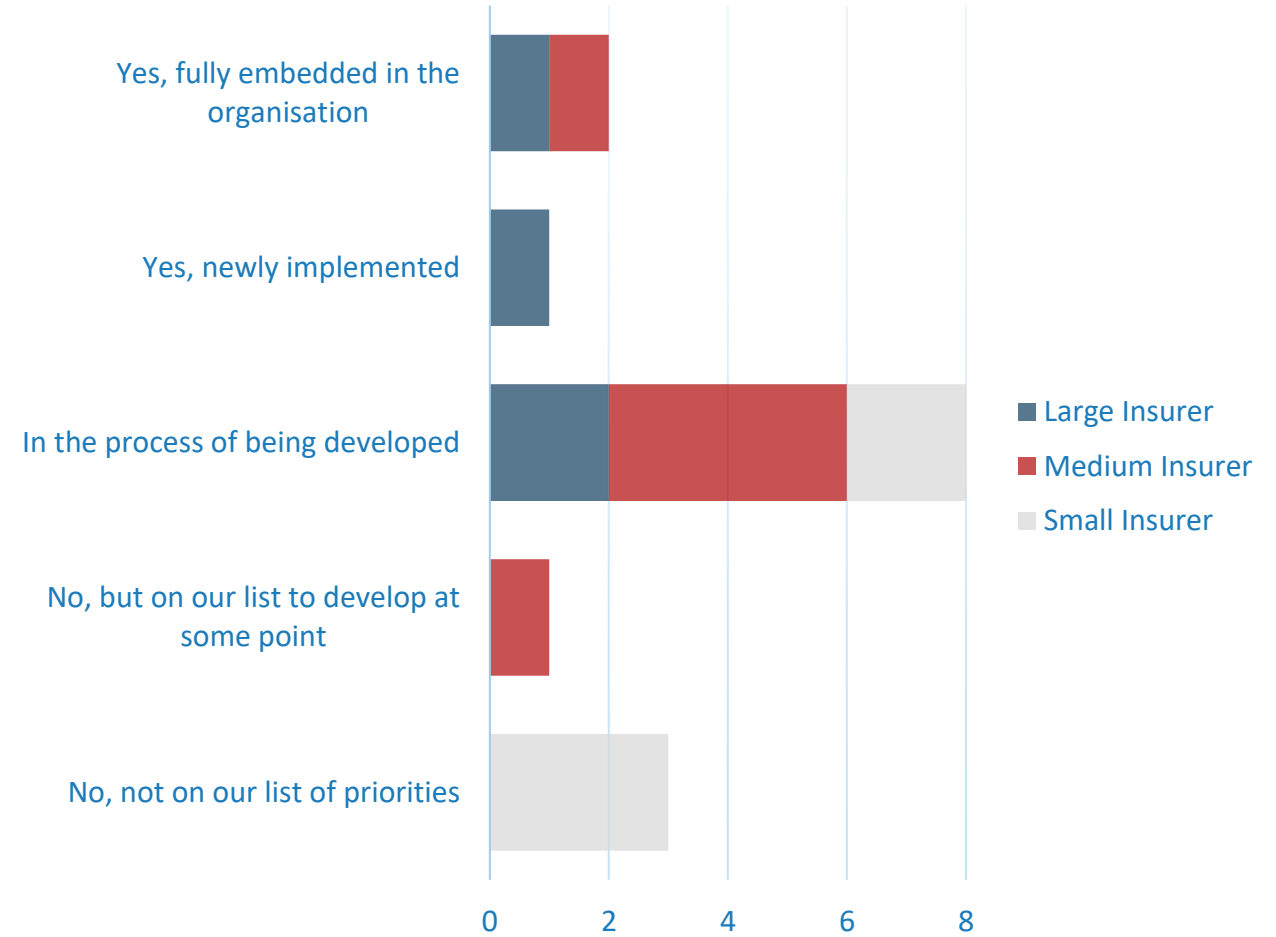




Climate strategy

- Those organisations who have a Board approved climate strategy reported:
 - Consideration of climate risk across a wider range of risk categories
 - Greater co-ordination amongst functions involved with climate considerations
 - Greater alignment between the respondent's view of climate-related risks and how they reported the Board's view on climate-related risk

DO THE BOARD HAVE AN APPROVED CLIMATE STRATEGY?

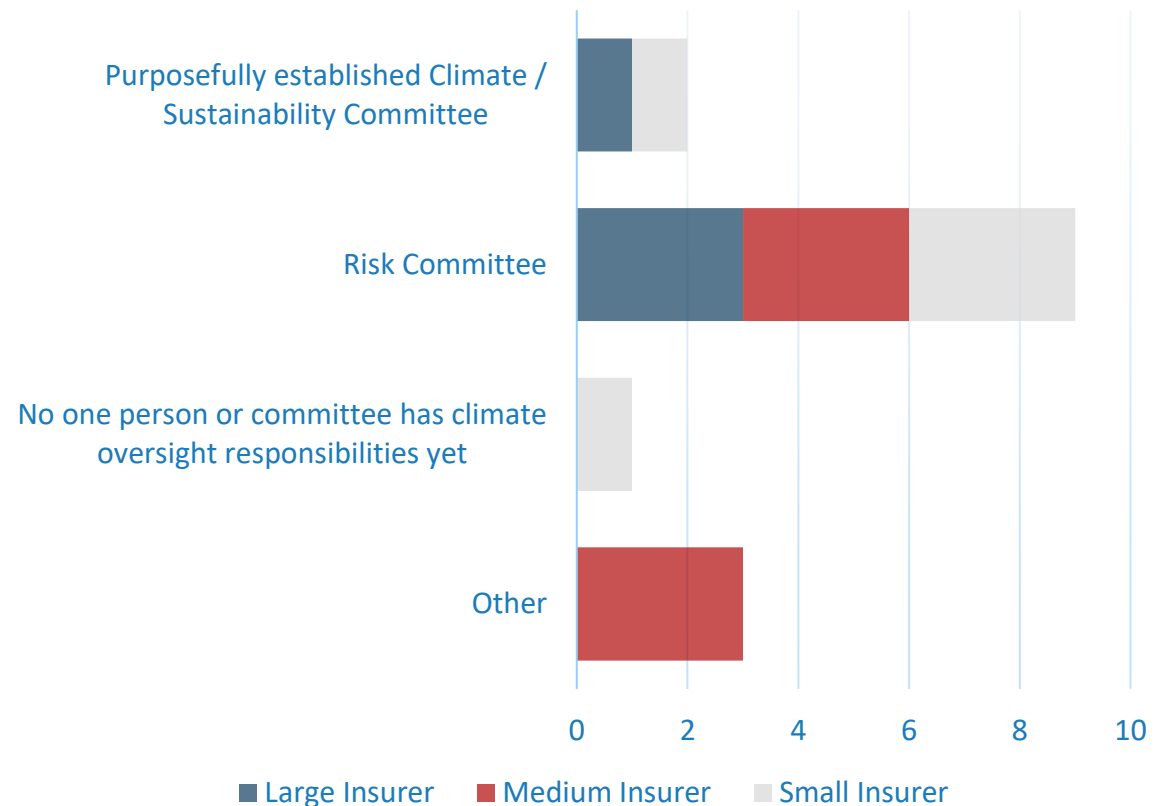




Climate oversight

- Risk Committee most common answer for climate oversight
- “Other” category included:
 - Head of Strategy
 - Shared between various committees
- Almost half of the respondents have either formalised these responsibilities or are in the process of doing so
- A fair number of respondents were unsure if this responsibility is clearly defined within their mandates

Q: WITHIN YOUR ORGANISATION WHO HAS OVERSIGHT RESPONSIBILITIES FOR CLIMATE-RELATED RISK?





Risk



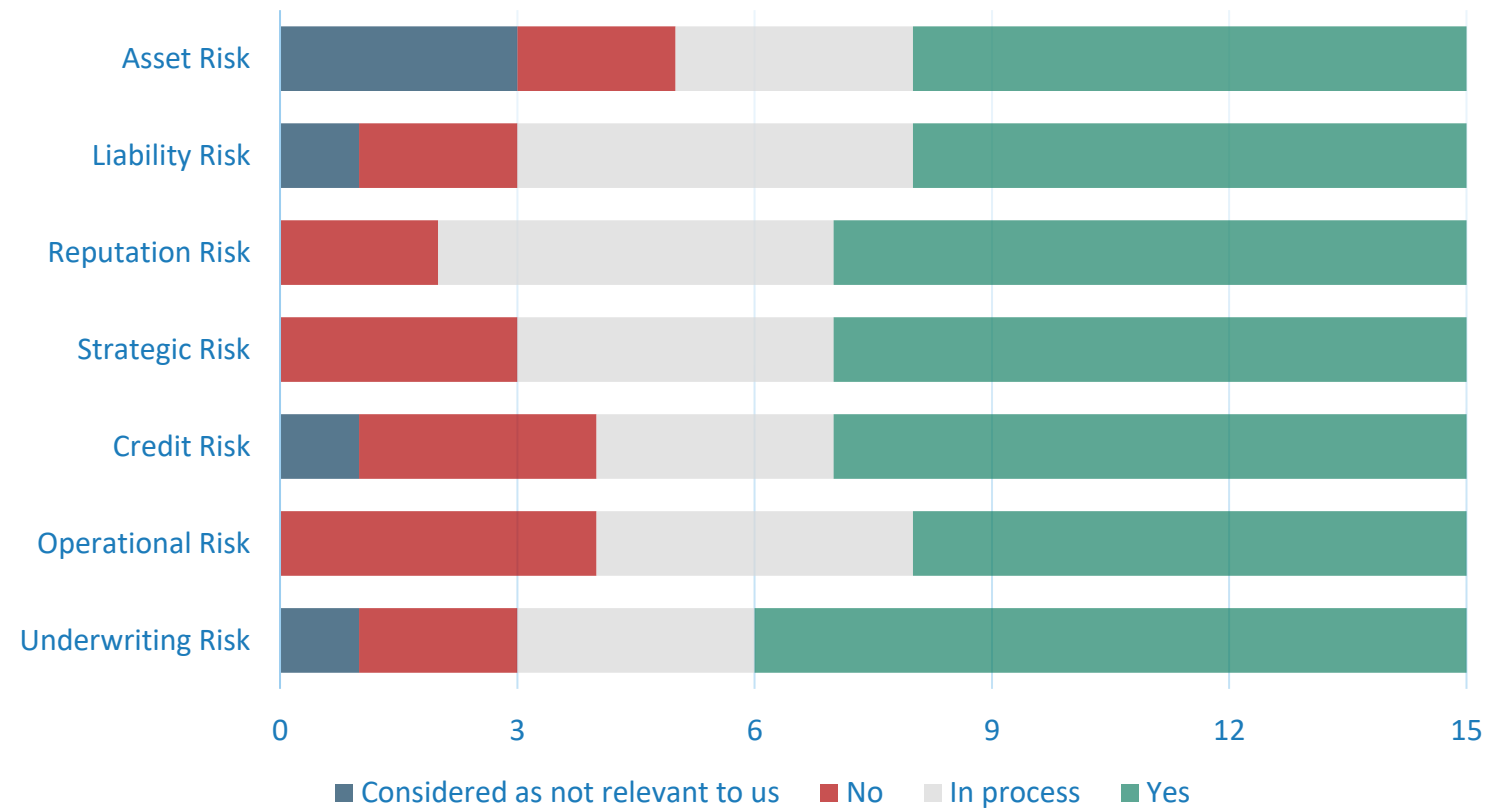
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Climate-related risk across risk taxonomies

- Non-life and composite insurers are mostly considering climate impacts across all risk categories
- The larger insurers by GWP are, on average, considering climate impacts across a wider range of risk categories

Q: HAS YOUR ORGANISATION CONSIDERED THE IMPACTS OF CLIMATE-RELATED RISKS WITHIN THE FOLLOWING RISK CATEGORIES

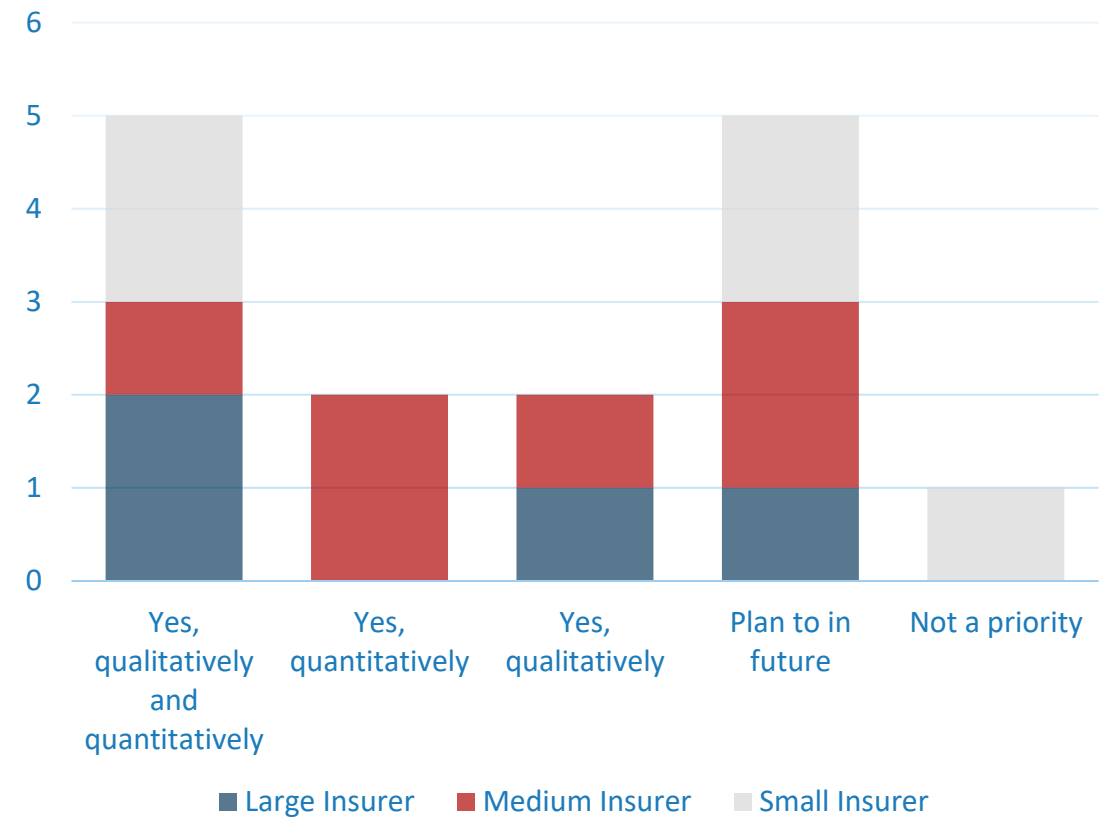




Climate scenario analysis

- Majority of respondents are already performing climate scenario analysis
- A number of challenges were highlighted with climate scenario analysis, the top challenges being:
 - Relevant data
 - Time horizon applicability
 - Knowledge and expertise
 - Modelling capabilities

Q: ARE YOU PERFORMING CLIMATE SCENARIO ANALYSIS?

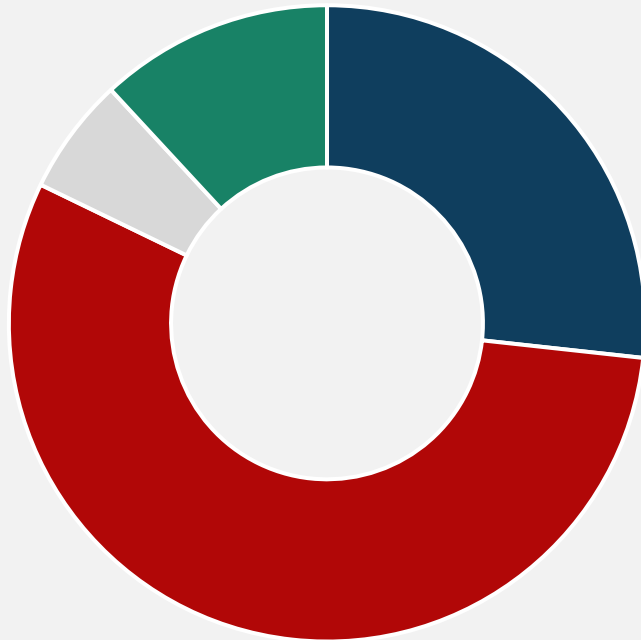




2024 ORSA barometer survey for insurers in Ireland

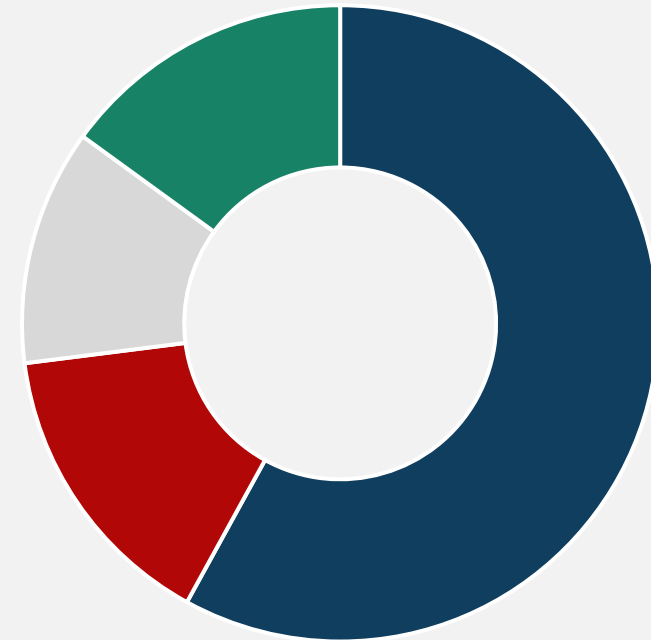
BREAKDOWN OF RESPONSES RELATED TO CLIMATE-RELATED RISK SCENARIOS EXPECTED IN 2024 ORSA

LIFE INSURERS



■ Both physical and transition risk ■ Only transition risk
■ Only physical risk ■ No climate scenarios

NON-LIFE AND HEALTH INSURERS



■ Both physical and transition risk ■ Only transition risk
■ Only physical risk ■ No climate scenarios

Source: [2024 ORSA barometer survey for insurers in Ireland \(milliman.com\)](https://www.milliman.com/2024-ORSA-barometer-survey-for-insurers-in-Ireland)



Disclosures

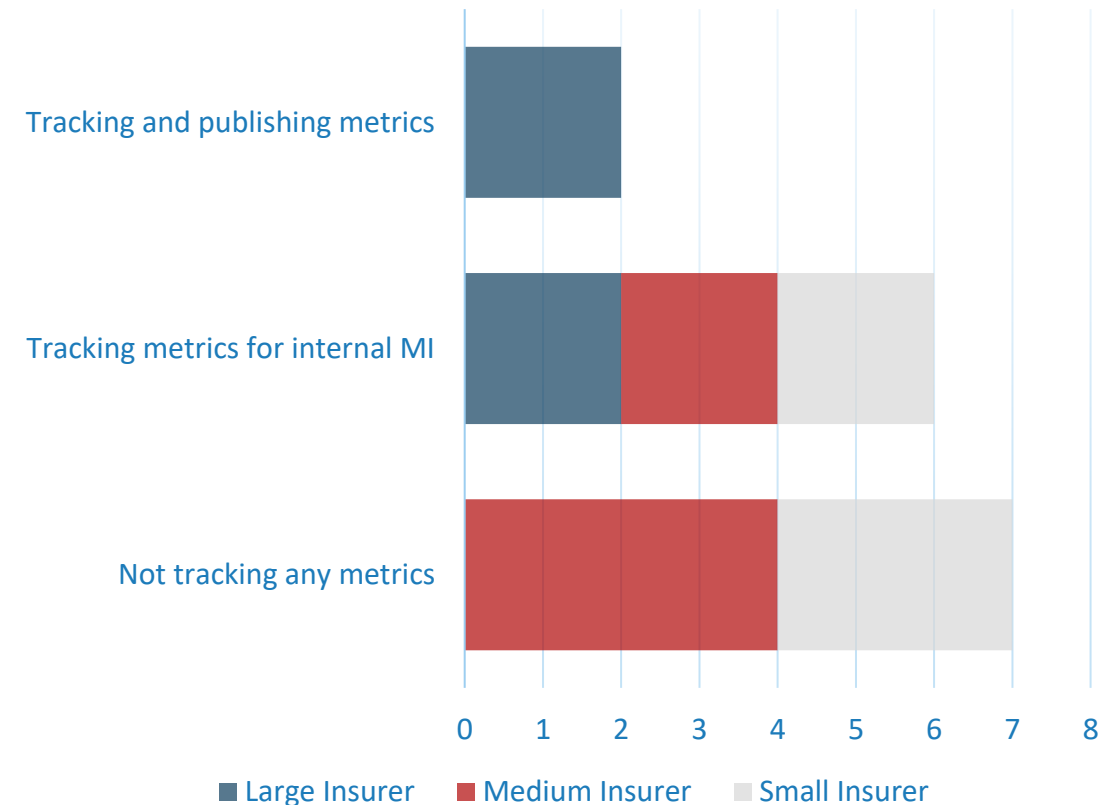




Disclosures

- Tracking of internal climate metrics was most prevalent amongst:
 - Non-life insurers
 - Largest insurers by GWP
- Disclosures relate to scope 1, 2, and 3 emissions
- Metrics that are being tracked internally include:
 - Carbon emissions
 - Reinsurance arrangements
 - Weather events
 - Climate exposures

Q: ARE THERE ANY CLIMATE METRICS THAT YOU HAVE STARTED TRACKING AS AN ORGANISATION?





Summary

- **Most respondents are at the starting point of considering climate-related risks**
 - Larger insurers more advanced
 - Non-life insurers slightly ahead of life insurers
- **Most respondents see physical and transition climate-related risk as material across all durations**
 - Reputation and litigation risk has mixed responses
- **Most respondents perform, or plan to perform, climate scenario analysis in some form despite challenges**
- **Climate disclosures are still at the beginning stages for the South African insurance industry**

If you would like to find out more about this year's survey or participate in next year's survey, please reach out to:

adel.drew@milliman.com

Thank you

