



AMERICAN ACADEMY *of* ACTUARIES

Objective. Independent. Effective.™

April 27, 2018

Mr. Jonathon Dixon
Secretary General
International Association of Insurance Supervisors
c/o Bank for International Settlements
CH-4002 Basel
Switzerland

Re: Issues Paper on Climate Change Risks to the Insurance Sector

Dear Secretary General Dixon,

On behalf of the American Academy of Actuaries,¹ I appreciate the opportunity to provide comments on the International Association of Insurance Supervisors' (IAIS) recent public consultation on the draft issues paper on climate change risks to the insurance sector, dated Mar. 3, 2018.

The Actuaries Climate Index (ACI) and the Actuaries Climate Risk Index (ACRI) are the products of a research project jointly funded by the American Academy of Actuaries (USA), the Casualty Actuarial Society (USA), the Canadian Institute of Actuaries, and the Society of Actuaries (USA). Both the ACI and, especially, the ACRI, might be useful to both regulators and industry in identifying and managing some of the risks discussed in the issue brief.

The Actuaries Climate Index (ACI) was launched in November 2016. It is intended to provide a useful monitoring tool—an objective indicator of the frequency of extreme weather and the extent of sea level change. The ACI website, <http://www.actuariesclimateindex.org>, presents the ACI for the United States and Canada and 12 subregions thereof. Updates are released quarterly, when analysis of data for each meteorological season is complete. The six components of the Actuaries Climate Index are:

1. High temperatures;
2. Low temperatures;
3. Heavy rainfall;
4. Drought (consecutive dry days);
5. High wind; and
6. Sea level.

¹ The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

The ACI does not address causes nor the likely impact of climate change, and it does not provide projections of future climate change nor future effects. The ACI website does provide graphics and data for download. Since launch, more than 29,000 visitor sessions from 134 countries have been tracked, and more than 2,100 data downloads have been made.

Actuaries are experienced in the assessment and mitigation of the financial consequences of risks and in the presentation of complex data. In keeping with this expertise, the second phase of the research project is the Actuaries Climate Risk Index™, which assesses the potential risk management implications presented by the changes measured by the ACI. The risk index, due to be launched by the end of 2018, will be based on the historical correlations of economic losses, mortality, and injuries to the Actuaries Climate Index data.

The goals of the Actuaries Climate Index (ACI) and the Actuaries Climate Risk Index (ACRI) are to:

- Create indices that reflect an actuarial perspective, are objective, and are easy to understand without being overly simplistic;
- Create one index that measures changes in climate extremes, and a second index that relates those climate extremes to economic and human losses;
- Use the indices to inform policymakers, insurance professionals, and the general public on the incidence and impact of extreme events;
- Promote the actuarial profession by contributing constructively to the climate change debate.

We believe that both the ACI and the ACRI might be useful to insurance supervisors, the insurance industry and the public as they each seek to manage the risks associated with climate change.

Thank you for this opportunity to provide our views on the draft issues paper on climate change risks to the insurance sector. If you have any questions or would like to discuss this letter in more detail, please contact Marc Rosenberg, the Academy's senior policy analyst for casualty issues, at +1-202-223-8196 or rosenberg@actuary.org.

Sincerely,

Kevin M. Ryan, MAAA, FCAS
Senior Casualty Fellow
Casualty Practice Council
American Academy of Actuaries