



# Ceres

*Sustainability is the bottom line.*

## Fifth Annual Volatility and Risk Institute Conference Insurance and Rising Climate-Related Risks

NYU Presentation

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**Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges.** Through our powerful networks and global collaborations of investors, companies and nonprofits, we drive action and solutions throughout the economy to build a just and sustainable future.

Our work includes:

- **Advancing Climate Solutions**
- **Protecting Global Water Resources**
- **Accelerating Sustainable Capital Markets**
- **Building a Just and Inclusive Economy**
- **Advocating for Smart Public Policy**
- **Protecting and Restoring Life on Land**

# Ceres Networks Overview

Through our powerful networks of investors, companies, and nonprofits, we **drive action and inspire solutions** throughout the economy to build a just and sustainable future



## Company Network

50+ companies, 70% in the Fortune 500, committed to driving sustainable business leadership



## Investor Network

210+ Institutional Investors managing more than \$50 trillion in assets



## Policy Network (BICEP)

85+ leading companies, with dozens of consumer brands and Fortune 500s



# Ceres

## Ceres Accelerator for Sustainable Capital Markets

### GOAL

The Ceres Accelerator for Sustainable Capital Markets is a center within Ceres that aims to transform the practices and policies that govern capital markets in order to reduce the worst financial impacts of the climate crisis. It spurs action on climate change as a systemic financial risk—driving the large-scale behavior and systems change needed to achieve a net-zero missions economy.

### TACTICS

Through flagship initiatives, scale action by key capital market influencers on climate change more quickly, boldly, and proudly than ever before:

- Achieving Paris-Aligned Portfolios
- Regulating Climate as a Financial Risk
- Financing a Net Zero Economy
- Board Governance for a Sustainable Future

### IMPACT

Since launch, it has:

- Engaged with thousands of regulators, banks and other capital market players
- Seen significant developments and actions from federal and state regulators
- Seen the largest banks establish net zero goals and work on next steps for implementation
- Engaged hundreds of corporate board directors on addressing climate risk

There is a growing international wave to consistent climate disclosure



# Importance of Climate Disclosure for Insurers

- Insurance regulators and industry have been working on climate disclosure guidelines for over a decade
- In April 2022, NAIC endorsed TCFD as international standard for climate disclosure
- For insurers representing 80% of the industry in several states (almost 500 insurers)



## Core Elements of Recommended Climate-Related Financial Disclosures



### **Governance**

The organization's governance around climate-related risks and opportunities

### **Strategy**

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

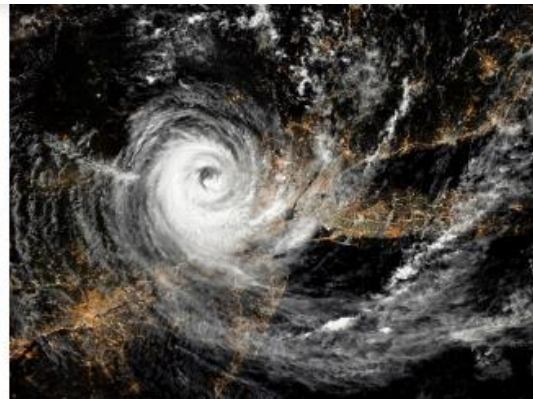
### **Risk Management**

The processes used by the organization to identify, assess, and manage climate-related risks

### **Metrics and Targets**

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

The TCFD was created in 2015 to enable financial market actors to better assess and price climate risk



## Climate risk management in the U.S. insurance sector

An analysis of climate risk disclosures

July 2023



Ceres Accelerator  
for Sustainable Capital Markets





# The TCFD Recommendations

## Governance

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a Describe the board's oversight of climate-related risks and opportunities.

b Describe management's role in assessing and managing climate-related risks and opportunities.

## Strategy

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a Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

b Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

c Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

## Risk Management

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a Describe the organization's processes for identifying and assessing climate-related risks.

b Describe the organization's processes for managing climate-related risks.

c Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

## Metrics and Targets

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a Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

b Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

c Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

# Key Findings

## Diverse Strategies for climate risk management



Examples of companies across types of business (life, P&C, health) with detailed climate risk disclosure survey responses aligned with the TCFD framework

## Detailed responses on Risk Management and Strategy; less on Metrics & Targets



Over 95% of the reports provided information on Risk Management and Strategy

39% provided information on Metrics & Targets

## Insights for Regulators



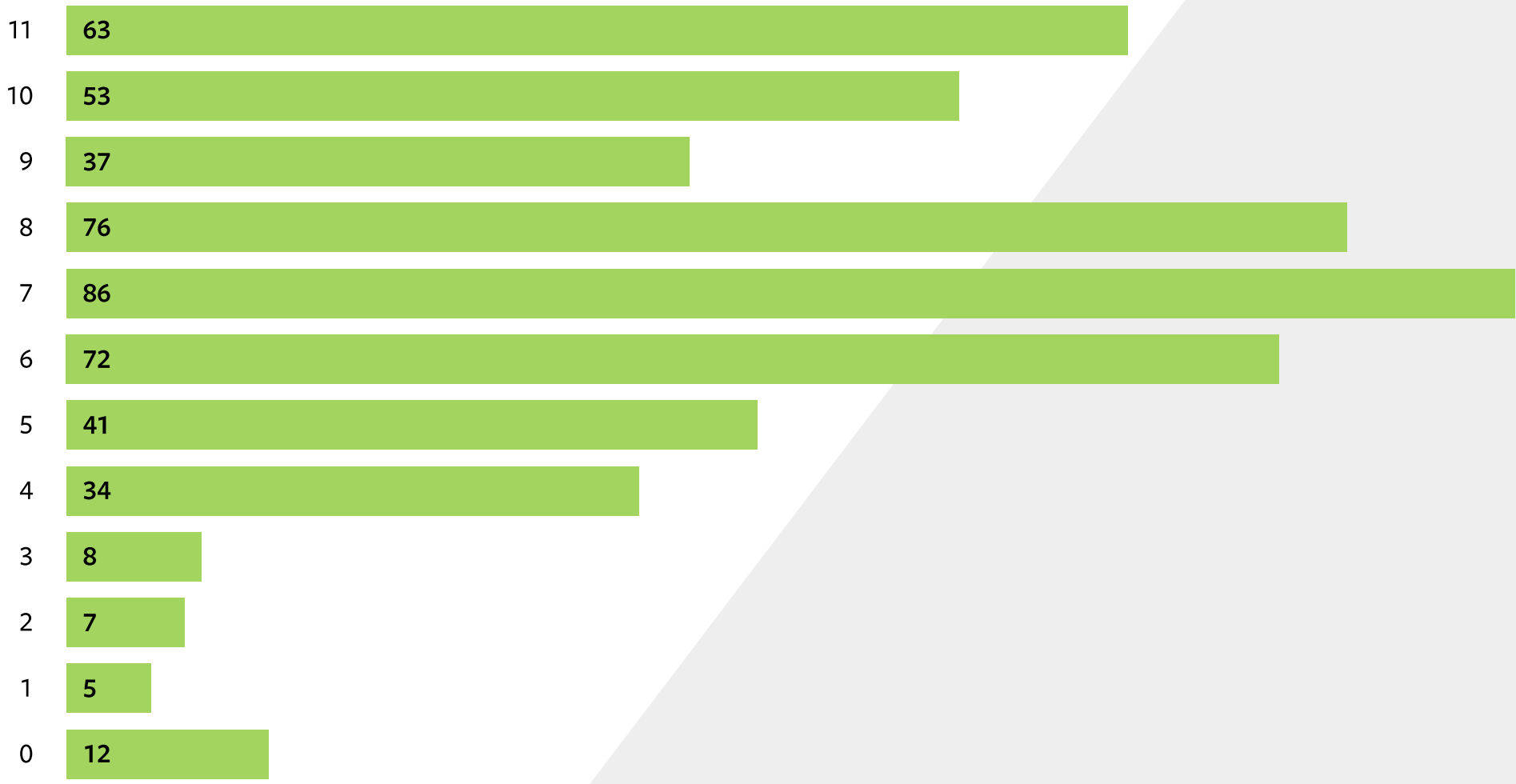
Insurers describe purchasing reinsurance as their strategy for managing climate risk, while reinsurers describe repricing or reducing offerings to manage the same risks

Insurers rely on reinsurance providers for climate education, expertise, and resources

Insurers offer products to support risk reduction among customers or support clean technology

# How Many of the TCFD recommendations did the responses follow?

Number of TCFD recommendations on which a company aligned



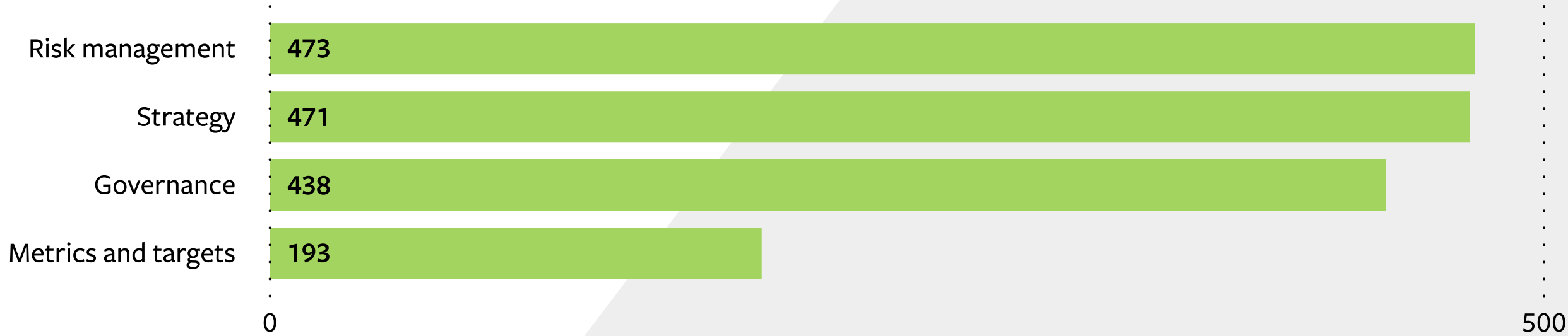
63 reports provided information on all 11 TCFD recommendations.

78% of the reports provided information on 6 or more of the TCFD recommendations.

Number of companies aligning to TCFD recommendations

# RESPONSES ACCORDING TO THE TCFD PILLARS

Strong response rates on Risk Management and Strategy; weak responses on Metrics & Targets

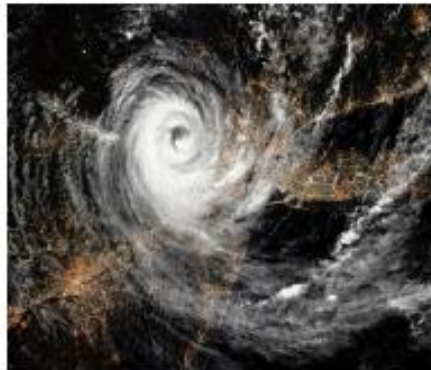


# Methodology of 15 Company Deep Dive

## Detailed Analysis of 15 Companies

A complementary report to the *Climate Risk Management in the U.S. Insurance Sector: An analysis of climate risk disclosures report*

July 2023



- 15 companies selected from broader 450
- Reviewed against 200 TCFD-aligned data points to assess decision-utility
- Manifest Climate groups data points into 23 “action item indicators”

## E.G. Decision-Useful Elements of Climate

Board Awareness	<i>Establish a regular cadence for the Board review of climate-related matters</i>
Board Oversight	<i>Assign clear responsibility for climate oversight with Board members that have the right expertise</i>
Board Decision-Making	<i>Integrate climate-related matters into key areas of Board/Board Committee decision-making</i>
Board Workflow	<i>Set up a documented process to govern the Board's oversight of climate-related risks, opportunities, goals and targets</i>
Management Role	<i>Delegate appropriate and clear authority to promote management-level authority on climate matters</i>
Management Workflow	<i>Establish a clear process to inform and enable management-level authority for climate matters</i>



# Insights from 15 Company Deep Dive

- All 15 companies disclosed broadly, but notable gaps in decision-utility
- Good disclosure of risk and opportunity identification, esp. with respect to resource efficiency, products and services
- 0 of 15 provided comprehensive disclosures on Governance, but some level of detail.
- 1 company disclosed well defined process for board to consider risks and opportunities in executive decision-making processes
- 3 assigned climate responsibility to C-suite executive, president or exec committee
- Many discussed financial planning of climate impacts but only 5 of 15 provided detail on transition plans



# Insights from 15 Company Deep Dive

- Good disclosure of short-term risks, but few provided detailed disclosure on physical risks over longer time horizons
- Only two companies disclosed climate-linked compensation in detail, some discussion of “ESG metrics” in incentive plans.
- 12 of 15 integrate climate risk into ERM process
- Almost all companies provided ghg metrics for scopes 1, 2 and 3. 6 companies provided no disclosures on scope 3.
- Two companies voluntarily adopted carbon pricing, one of these discussed how it might change over time.

The image displays three overlapping screenshots of the CERES TCFD ANALYSIS application. Each screenshot shows a dashboard with a left-hand menu titled 'ACTION ITEMS' and a main content area. The top screenshot is titled 'Risk Management (extract)' and shows a table with columns for 'Manifest Action Item Indicator', 'Liberty Mutual', 'Magellan Health', 'MetLife', 'Munich Re', and 'Progress'. The middle screenshot shows a table with columns for 'Manifest Action Item Indicator', 'Liberty Mutual', 'Magellan Health', 'MetLife', 'Munich Re', and 'Progress'. The bottom screenshot shows a table with columns for 'Manifest Action Item Indicator', 'SBL Holdings', 'SiriusPoint', 'State Farm', and 'SwissRe'. The tables contain various indicators and their status (checked or not checked) for each company.

See detailed disclosure references in **Manifest Climate’s live benchmarking application** sharing the results of the detailed disclosure review.

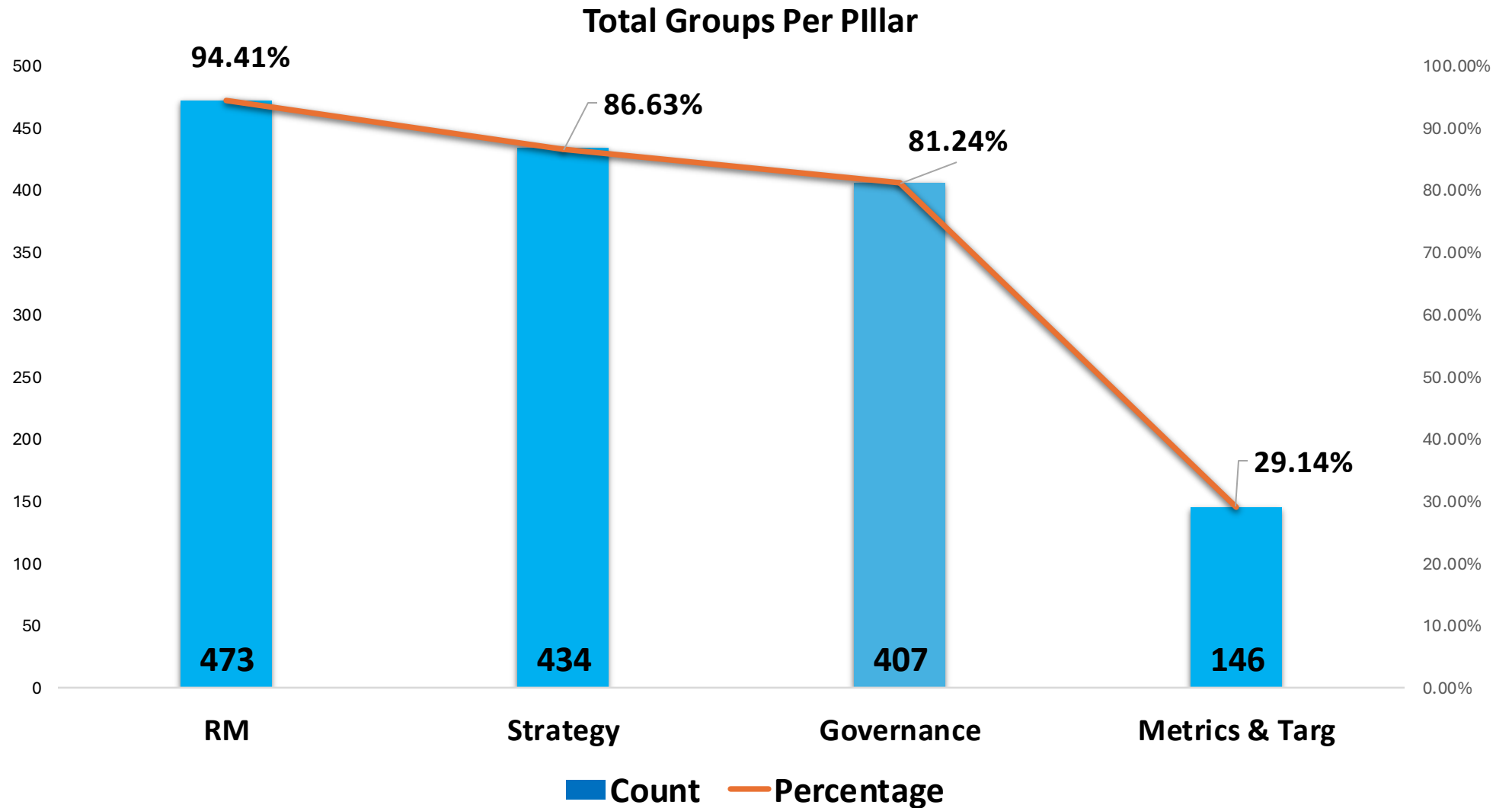


# Preview of Second year Results Report Released in June 2024

- Covers almost 1,700 companies grouped by 520 groups
- Conducted machine learning analysis of the thousands of pages
- All regulators, insurers, advocates and other stakeholders will be able to explore the dashboards and read other TCFD reports
- Preliminary data

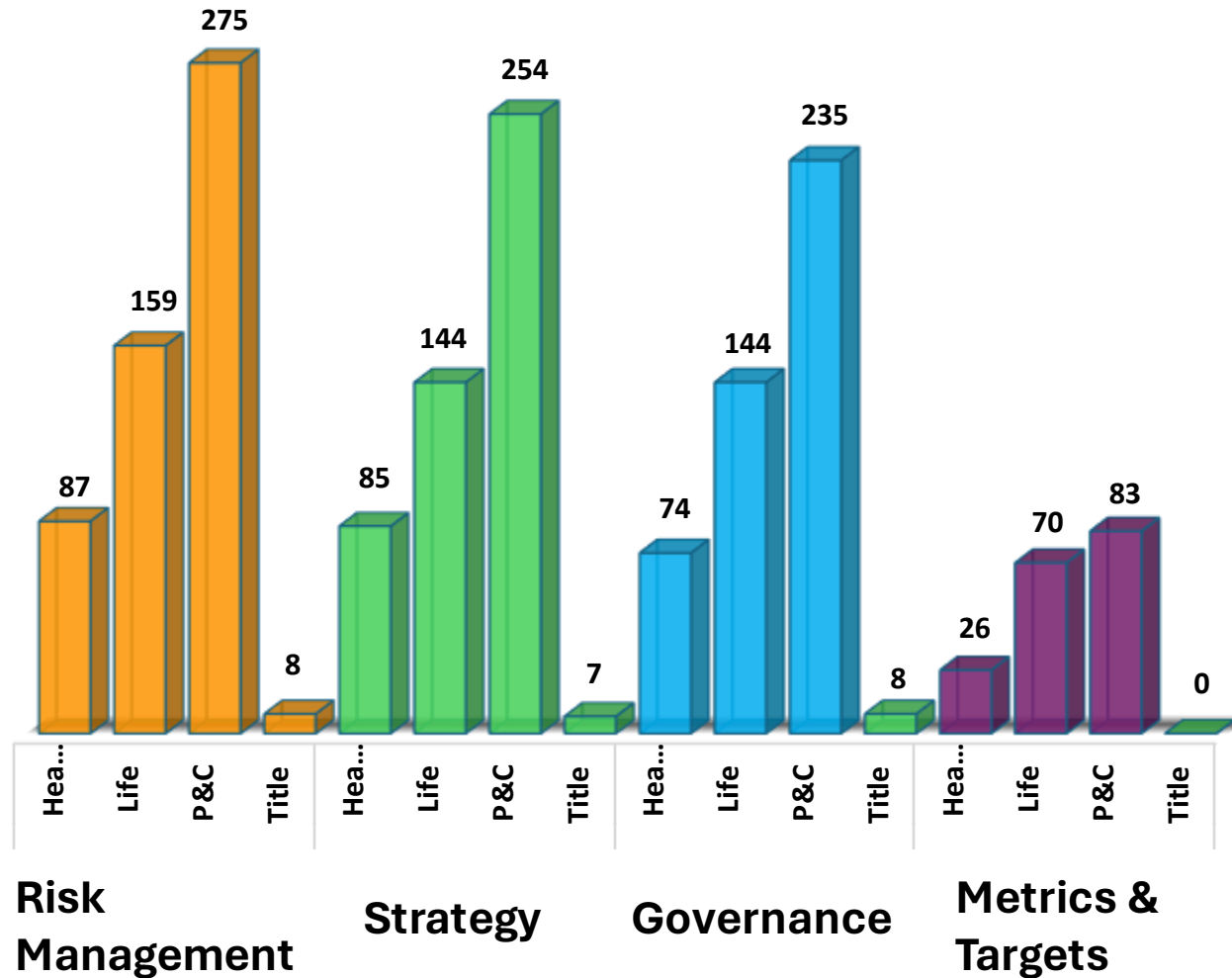


# Preview of Second Year Results



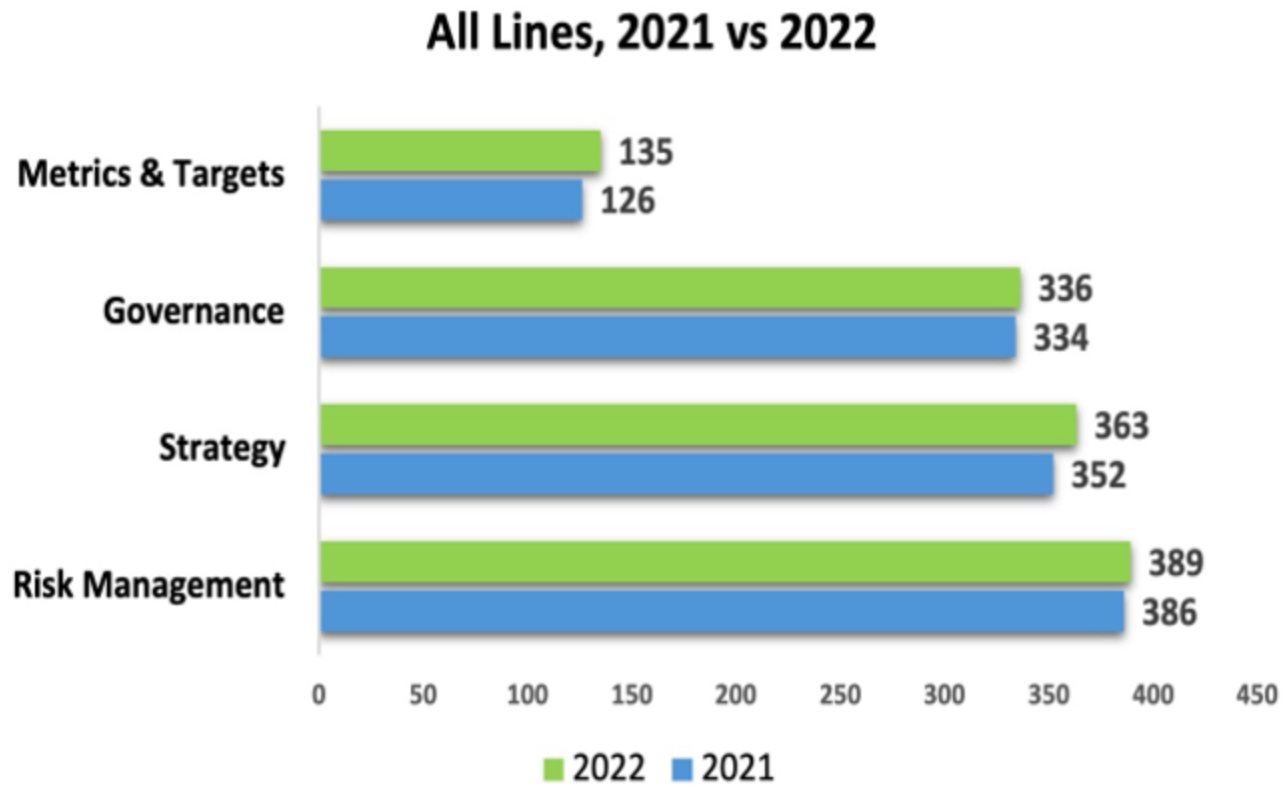
# Preview of Second Year Results

Pillar Index By Line of Business



# Preview of Second Year Results

## States



# Preview of Second Year Results

