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Protecting Canadians' financial safety net – new report offers guidance to insurance companies on managing climate risks

8 March 2021, Vancouver - The Canada Climate Law Initiative (CCLI) is releasing a guide for directors of Canadian insurance companies. Written by Dr. Janis Sarra, Professor of Law, University of British Columbia and CCLI's Principal Co-investigator, [Life, Health, Property, Casualty: Canadian Insurance Company Directors and Effective Climate Governance](#) offers a detailed analysis of the risks to insurance companies from increasing severity and frequency of climate-related events.

The insurance sector is important because it provides the financial safety net for many Canadians suffering losses associated with climate impacts. Insurance coverage is the guarantee that policyholder losses will be indemnified; yet climate-related weather events are growing in severity and frequency. Severe weather damage in Canada caused \$2.4 billion in insured losses in 2020, and over half that amount was for flooding.

"Insurers face climate risks on both sides of the balance sheet" reports Dr. Sarra, and "key to fulfilling their duties, directors should ensure that the board has in place effective governance mechanisms to oversee and manage climate-related risks and opportunities." On the asset side, insurers are significant investors facing numerous risks to the value of their investment portfolios. On the liabilities side, more frequent and severe wildfires, flooding, heatwaves, and other climate-related events are increasing claims volumes, which could result in liquidity risks to insurers absent effective management.

Alister Campbell, President & CEO of Property and Casualty Insurance Compensation Corporation, notes that "this highly informed and comprehensive analysis is most timely and will provide an invaluable guide to insurers and their Boards as they seek to manage their way through the multi-variate problem of climate change risk."

The guide sets out the legal duties of directors of insurers and offers insights into best practices, including how directors of insurance companies can begin to implement effective governance, strategies, risk management, targets, and metrics aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) framework. Under financial services legislation, directors have an obligation to ensure the company is managed prudently so that there is sufficient capital that the promises to insurance policyholders and to annuities beneficiaries can be met.

The Bank of Canada has observed that climate change "looms as a potentially large structural change affecting the economy and the financial system". Insurers will have to build the actuarial and risk assessment models even as they are trying to manage the risks, and the report will guide



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insurers on what they should be considering as they engage with climate-related risks and opportunities.

About the Canada Climate Law Initiative

The Canada Climate Law Initiative (CCLI) is a cross-disciplinary research initiative that advances the understanding of climate governance across Canada through research, dialogue and knowledge sharing. CCLI conducts rigorous legal analysis and consult with a national network of 67 Canadian Climate Governance Experts to bring up-to-date governance knowledge and tools to corporate and pension boards across Canada. CCLI is led by three principal investigators, Dr. Janis Sarra and Dr. Carol Liao from the Peter A. Allard School of Law, University of British Columbia, and Professor Cynthia Williams from the Osgoode Hall Law School, York University. Read more [here](#).

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