

# WEBINAR: THE IMPACT OF COVID-19 ON INSURERS

Session 9

25 June 2020

# OUR PANELISTS



**Tom Wilson**  
Group CRO  
**Allianz**



**Anthony Bice**  
Partner, Head of EMEA Insurance  
**Oliver Wyman**



**Alban Pyanet**  
Principal, Financial Services  
**Oliver Wyman**



**Ilya Khaykin**  
Partner, Financial Services  
**Oliver Wyman**



**Rupal Kantaria**  
Director, Oliver Wyman Forum  
**London**

# WEBINAR AGENDA

<b>00</b>	Introduction	<b>5 mins</b>
<b>01</b>	A conversation with Tom Wilson	<b>40 min</b>
<b>02</b>	Climate risk, COVID and Financial Services implications	<b>15 min</b>
<b>03</b>	Additional Q&A	<b>If time</b>

# 01

## **A CONVERSATION WITH TOM WILSON**

Panelists: Tom Wilson and Anthony Bice



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Group CRO  
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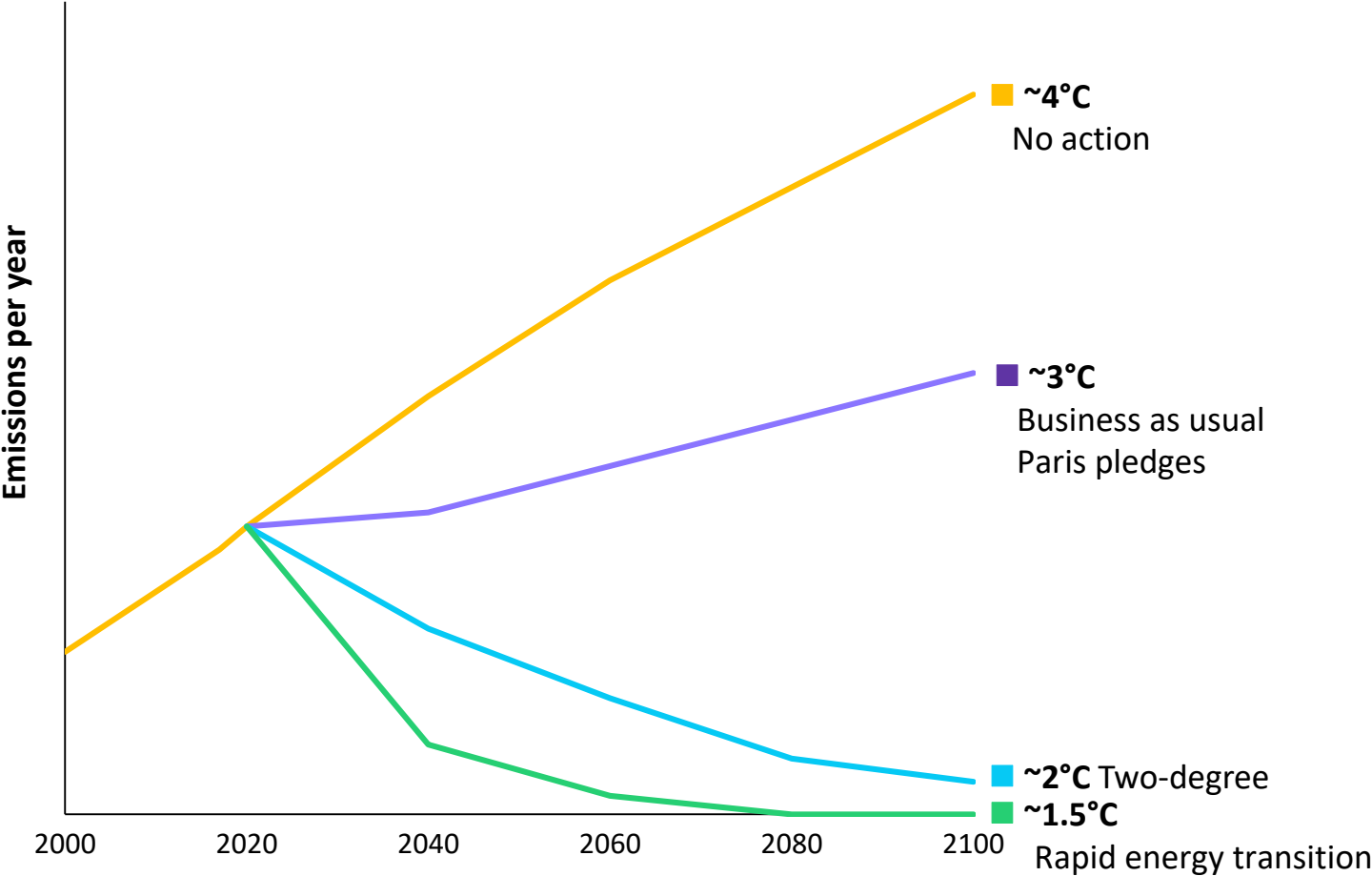
# 02

## **CLIMATE RISK, COVID AND FINANCIAL SERVICES IMPLICATIONS**

Panelists: Alban Pyanet and Ilya Khaykin

# CARBON EMISSIONS ARE AT ALL TIMES HIGH; WHAT HAPPENS NEXT DEPENDS ON US

CO<sub>2</sub> emission trajectory and corresponding climate change scenarios



Regardless of the path we take, we will face climate risks

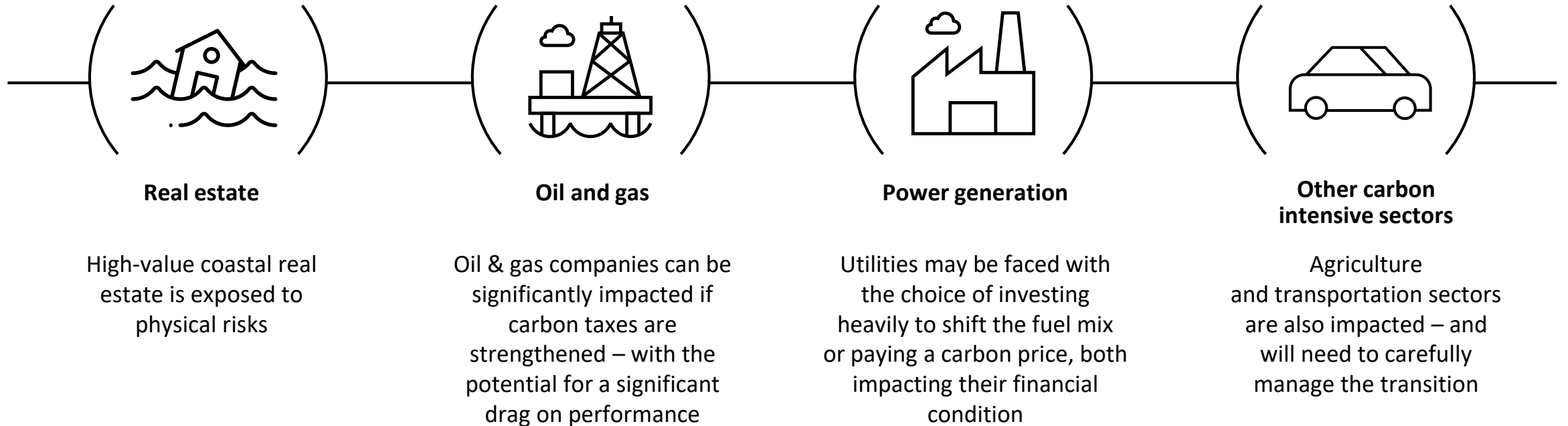


**Browner** scenarios  
**More physical risk**  
*See level rise, flooding, wildfires etc.*



**Greener** scenarios  
**More transition risk**  
*Carbon tax, ban on conventional vehicles etc.*

# CLIMATE RISKS ARE MATERIAL AND HIGHLY DIFFERENTIATED; RISKS HAVE GENERALLY NOT BEEN UNDERSTOOD OR PRICED IN



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Financial institutions are facing increasing pressure from regulators and investors

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# IN THIS CONTEXT, LEADING INSTITUTIONS HAVE STARTED TO ACT

## What does good look like on Climate and Sustainability?

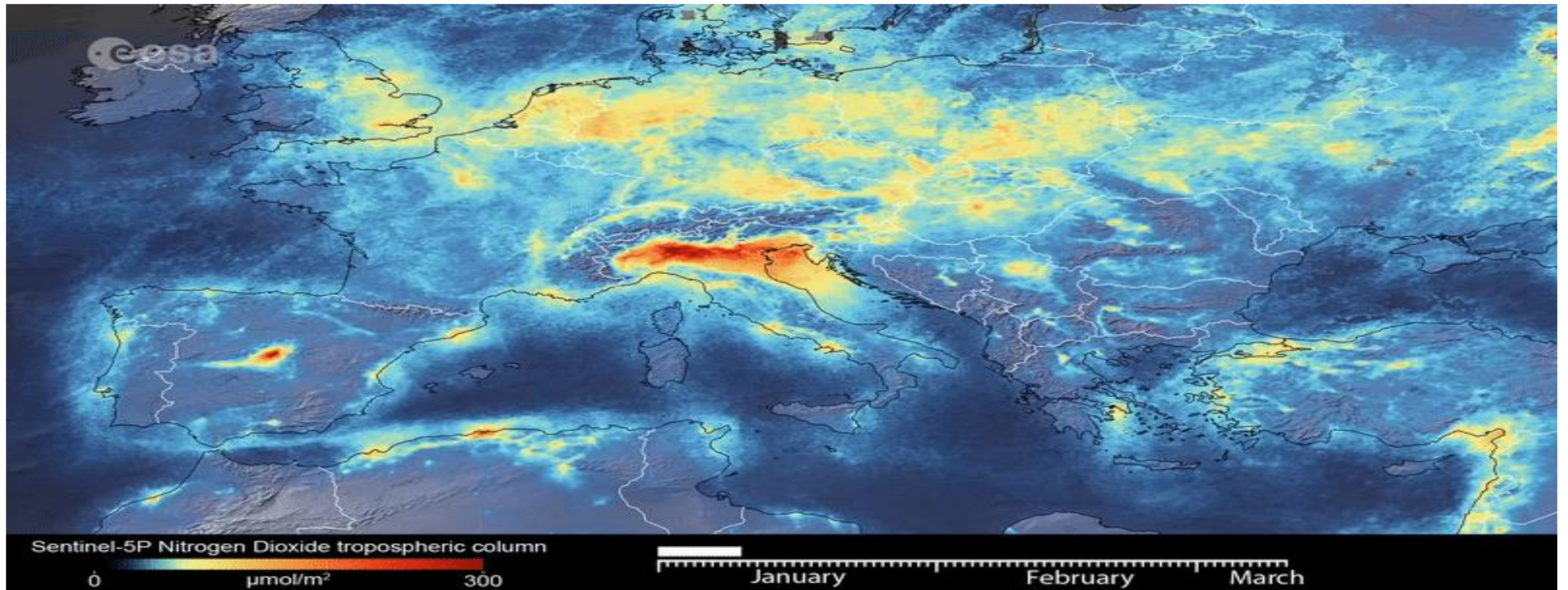
TCFD pillar		Examples of stronger practices
<b>Governance</b>	<b>Leadership</b>	Clear leadership from an empowered senior executive; C-suite and board incentives aligned to outcomes
	<b>Disclosure</b>	Comprehensive TCFD report including granular disclosures on the composition of the balance sheet
<b>Strategy</b>	<b>Commercial initiatives</b>	Thought leadership, innovative product structures matching investor demand with transition financing opportunities
	<b>Exclusion</b>	Complete exclusion of key problem sectors, e.g. thermal coal, arctic oil, tar sands, fracking
	<b>Capacity building and scenario analysis</b>	Capacity to run climate stress tests, drawing together risk and business stakeholders to identify risks and opportunities
<b>Risk management</b>	<b>Risk measurement</b>	Systematic risk identification and quantification, with output reflected in counterparty value and rating
	<b>Risk management</b>	Climate risk embedded in risk underwriting, investment decision, portfolio management processes and risk appetite
<b>Metrics and targets</b>	<b>High carbon sectors</b>	Clear terms of engagement for high carbon sectors – e.g. preferential terms linked to success in transition; potential for divestments if terms not met
	<b>Green financing commitments</b>	>10% of balance sheet committed to supporting green initiatives, clear mechanism for steering balance sheet in support of this
	<b>Balance sheet carbon intensity</b>	Commitment to measure the carbon intensity of financed activities and to move this down over time

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# DECREASED TRAVEL, DIMINISHED ECONOMIC ACTIVITIES AND HALTED MANUFACTURING HAVE RESULTED IN A DROP IN EMISSIONS

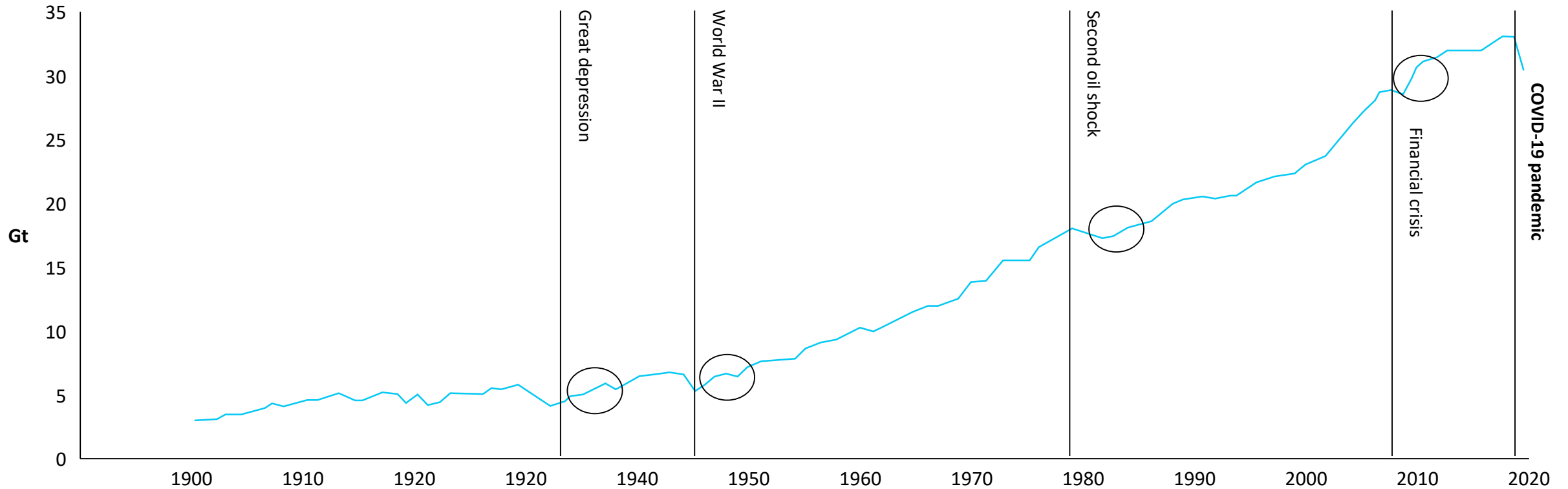
Airborne Nitrogen Dioxide over Europe



Source: European Space Agency

# HISTORICALLY, SUCH EMISSIONS DECLINES HAVE BEEN SHORT LIVED

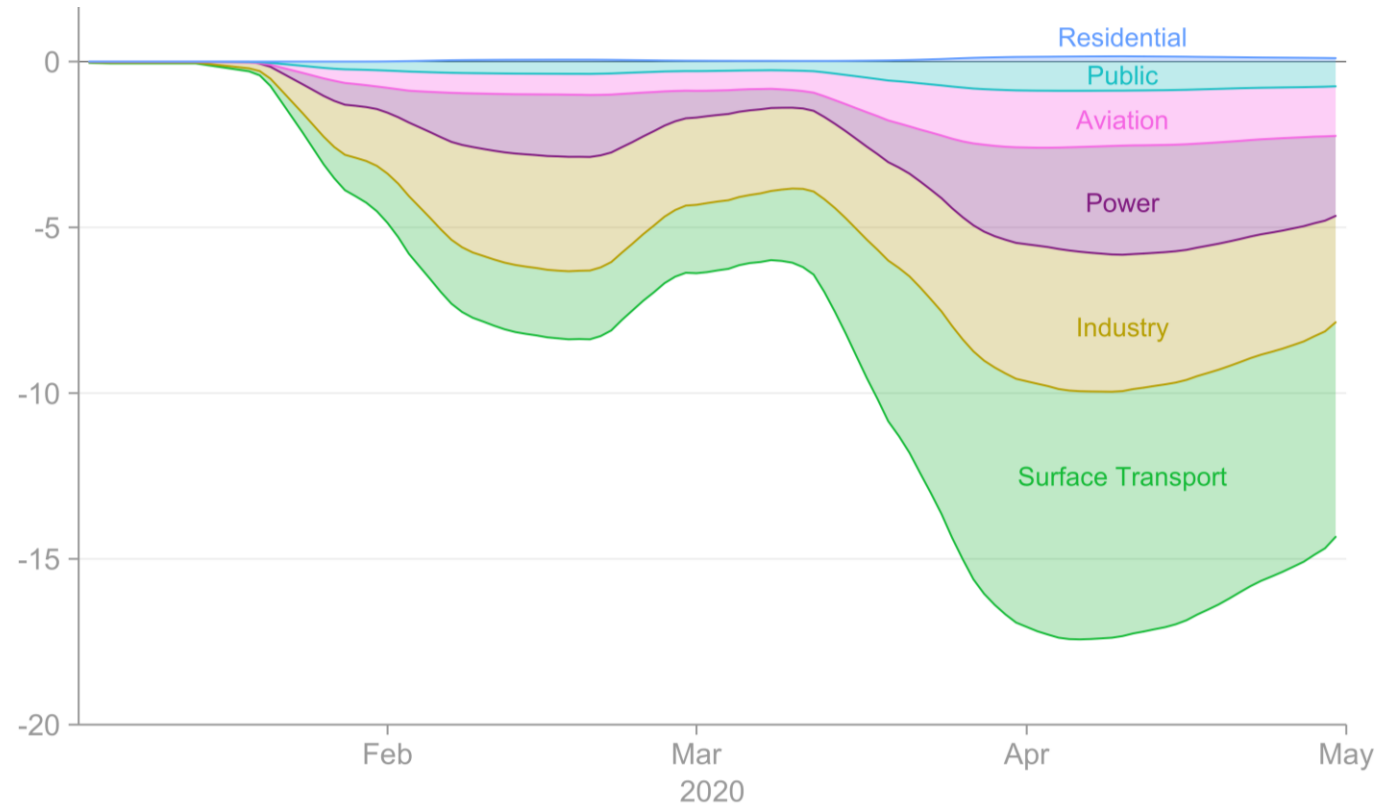
Annual change in global energy-related CO<sub>2</sub> emissions, 1900–2020



# EMISSIONS REACHED MAXIMUM DECLINE OF 17% IN APRIL AND HAVE STARTED TO RISE AGAIN

Change in global daily fossil CO2 emissions

%



For sustained decreases in emissions, long-term forces of change must be enacted

# FOR SUSTAINED DECREASES IN EMISSIONS, LONG-TERM FORCES OF CHANGE MUST BE ENACTED

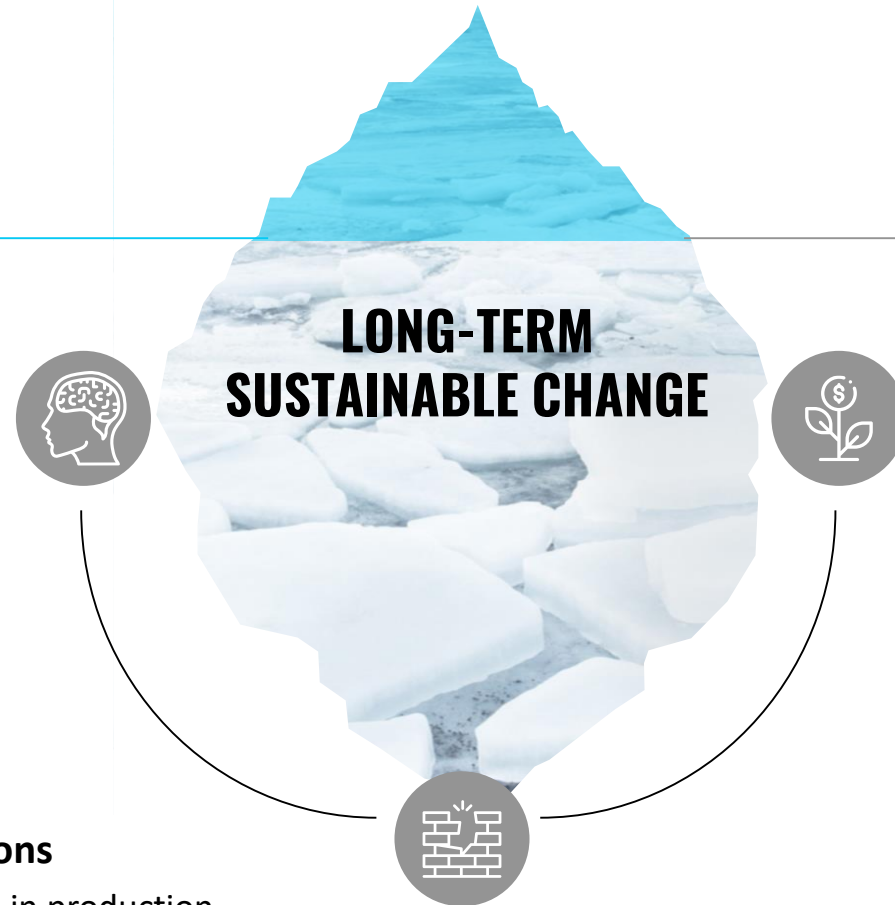
## SHORT-TERM DIRECT IMPACTS ON EMISSIONS

### Invest, finance, rebuild

- Green recovery
- ESG Fund inflows

### Economic dislocations

- Permanent changes in production
- Changing consumer habits
- Impaired business models



## LONG-TERM INDIRECT IMPACTS

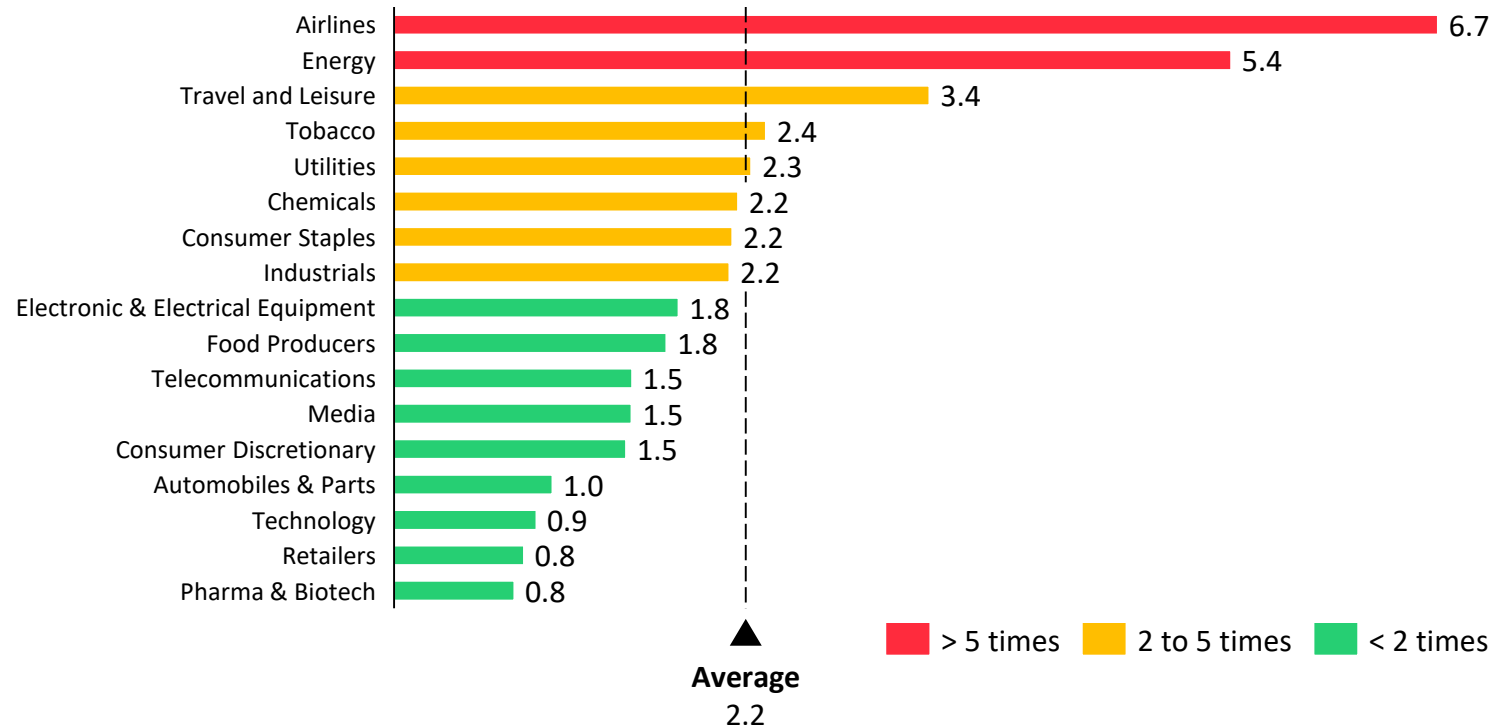
### Lessons learned & behaviours

- Planning and forecasting
- Collective Action
- Resiliency



# SOME OF THE INDUSTRIES HIT HARDEST BY COVID ARE ALSO CARBON INTENSIVE – AND PRESENT AN OPPORTUNITY FOR CHANGE

Equity market implied increases in 1 year PD per sector due to COVID-19 sector-specific shocks



**Impaired business models**  
*(e.g. business travel, high-cost oil)*



**Changing Consumer and Employee Habits**  
*(e.g. video conferencing, digital channels)*



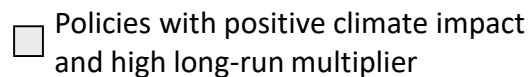
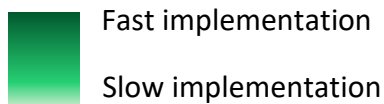
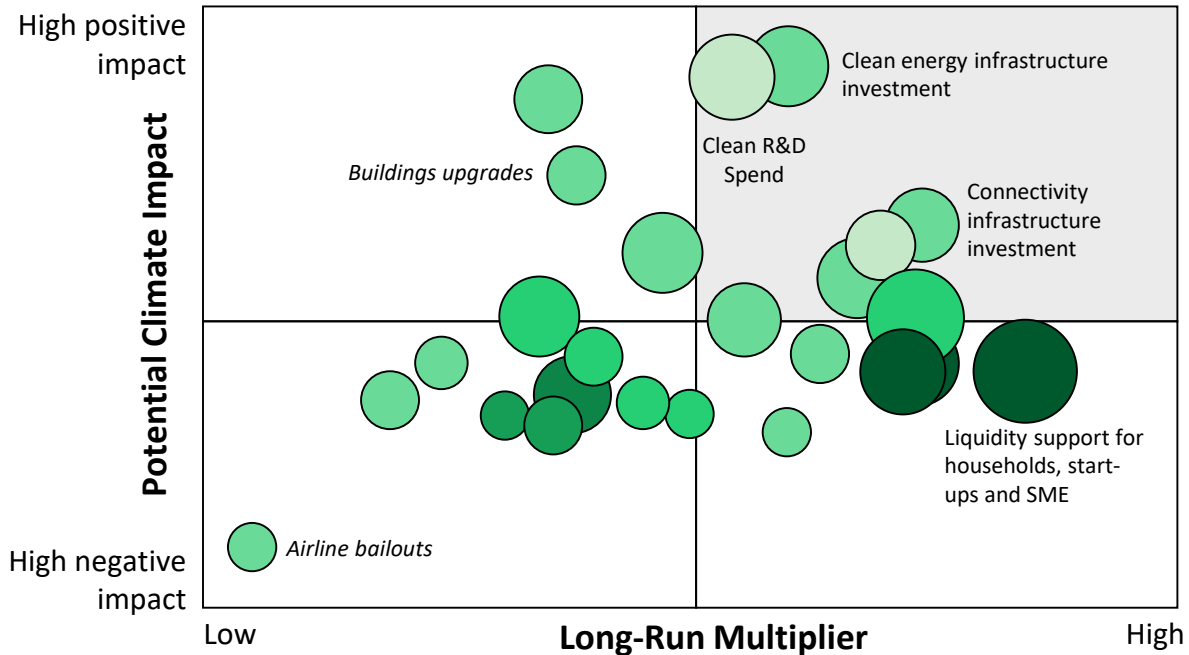
**Changes in structure of production**  
*(e.g. supply chain mgt, local production)*

Some forecasts estimate up to 30% of global workforce will work from home days a week

Source: Oliver Wyman analysis, based on equity market prices through May 1

Source: Global Workplace Analytics

# CENTRAL BANKERS, FINANCE MINISTERS, AND ACADEMICS HAVE IDENTIFIED STIMULUS POLICIES THAT ALSO REDUCE EMISSIONS



Size of circle indicates number of experts rating policy in Top 10  
Source: University of Oxford

## 65%

of people believe it's important that government actions prioritize climate change in economic recovery<sup>1</sup>

1. IPSOS, A 14 country online study, conducted via the Ipsos Online Panel system between 16th April and 19th April 2020. Total base: 28,029 online adults aged 16-74.



# Q&A

Panelists: Alban Pyanet and Ilya Khaykin