



OLD MUTUAL

HOW OUR INDUSTRY CAN PROACTIVELY RESPOND TO CLIMATE RISK REALITIES

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03 October 2023



INSURE

DO GREAT THINGS EVERY DAY



AGENDA

What are the Global Climate change trends?

What are we seeing in South Africa?

Specific to Old Mutual insure

What are we as Old Mutual Insure doing in response to Climate change?

Brokers/Advisors have an important role to play

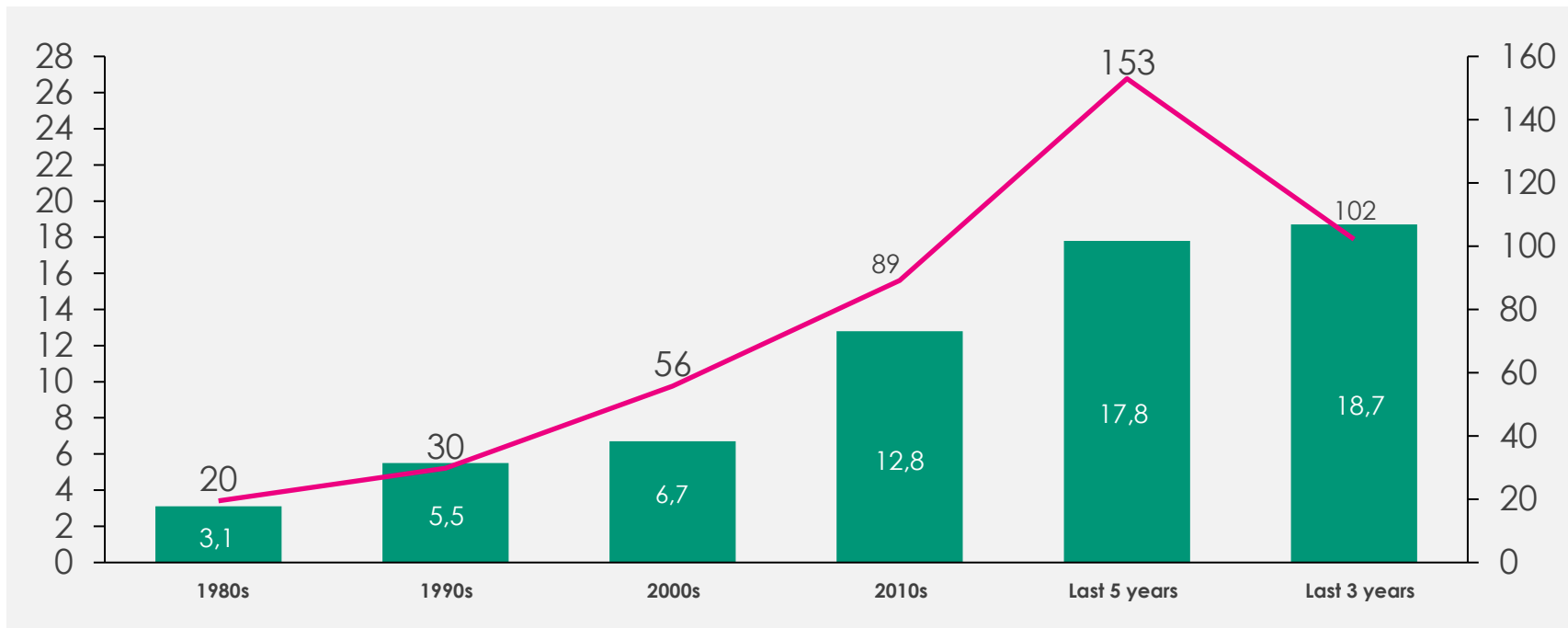


THERE HAS BEEN AN INCREASE IN BOTH FREQUENCY AND SEVERITY OF NATURAL DISASTER GLOBALLY



US natural disasters 1980 – 2020

— Cost/ year (\$bn) (RHS)
■ Number of events (LHS)



Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2022)

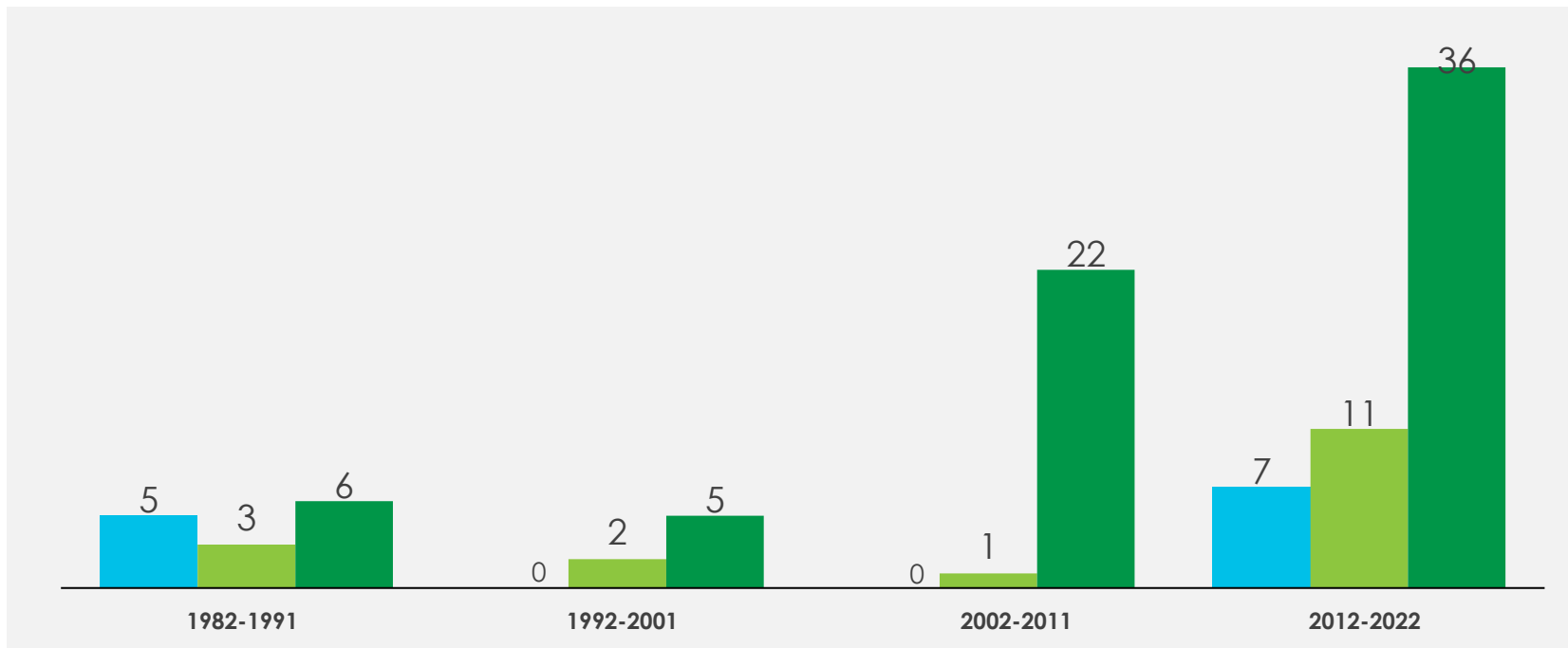


WE HAVE OBSERVED INCREASE IN FREQUENCY OF WEATHER-RELATED CLAIMS



Frequency of large catastrophe claims increased from 6 to 36 per decade

- Small
- Medium
- Large



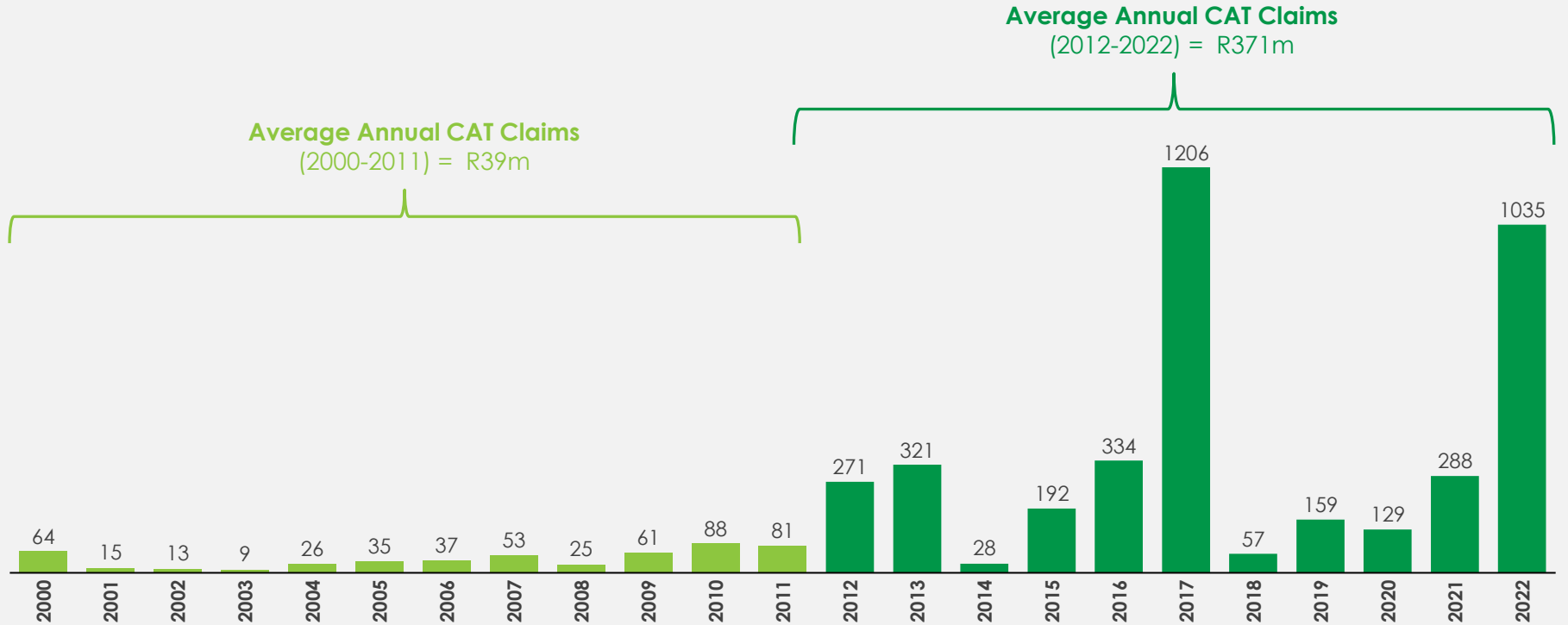
Source: Old Mutual Insure pricing data



SEVERITY OF WEATHER-RELATED CLAIMS HAS INCREASED 10-FOLD OVER LAST DECADE



Catastrophe (CAT) claims will continue to increase volatility and make reinsurance expensive



Source: Old Mutual Insure pricing data (inflation- and exposure-adjusted weather catastrophe claims) R'mil



REINSURANCE CLAIMS EXCEED R80BN IN SA OVER LAST 3 YEARS



Sasria claims from July unrest hit R32 billion

news24 Sibongile Khumalo

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SOUTH AFRICA

R17bn — That's the estimated cost of KZN floods damage

28 April 2022 - 17:04

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Bad news for insurance claims in South Africa

Stuart Wilson 18 July 2022



DAILY MAVERICK

08/25/22

SHOCK TO THE SECTOR

SA insurance industry drowning in claims after KZN flash floods, Covid-19 and July riots



CLAIMS & SHORTS THIS WEEK
2022 R481-billion
2021 R529-billion
2020 R609-billion

Source: Old Mutual Insure estimates, news articles, industry discussions



'Off-the-charts records': has humanity finally broken the climate?

**The
Guardian**

“Unfortunately, **these new records will not last**. Global warming will push records into the unknown sooner rather than later,”

– Dr Raúl Cordero, until recently at the University of Santiago, Chile.

“July has been the hottest month in human history and people around the world are suffering the consequences...This **will become the average summer in 10 years' time.**”

- Prof Piers Forster, of the University of Leeds, UK.



THUNDERSTORMS AND FLOODS

Severe thunderstorms have accounted for up to 70% of all insured natural catastrophe losses in first half of 2023 – all Swiss Re

- Insured losses \$18.4 bn - 2x as high H1 as annual 10-year average
- US \$34 billion
- New Zealand \$2.3 billion
- Italy >\$0.6 billion,
- Beijing \$353 million

Insured losses from catastrophes

As of Aug. 9, 2023





WILD FIRES RAGE IN H1 2023

- 42 million acres have burned across Canada - 600% higher than the current year-to-date average.
- Wildfires cost Europe \$4.43 bn
- 1 million acres of land destroyed – Greece, Spain and Portugal
- La Haina, Hawaii – 100+ dead – no warning

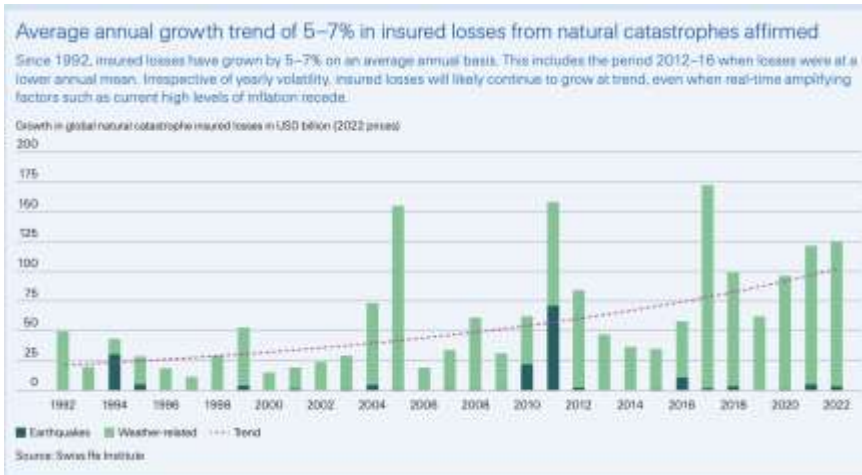
<https://www.bloomberg.com/news/articles/2023-09-04/greece-suffers-most-damage-as-wildfires-cost-europe-4-1-billion?sref=ORKWvBAY>



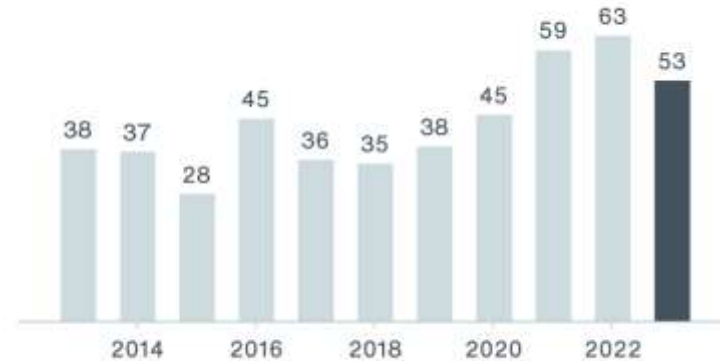


COUNTING THE TOTAL H1 '23 CLIMATE COSTS

- **\$50 bn** - Insured losses of natural catastrophes H1 2023
- **54% above H1 10-year average** and 2nd highest since 2011 – Swiss Re
- Economic losses **of \$120 bn - 46% above** 10-year average
- 2022 third-costliest year ever for insurers and reinsurers - Fitch
- **5% to 7% growth** in average annual losses since 1992



Insured Losses (2023 \$ bn)



Data: Aon Catastrophe Insight



SA's climate woes

FLOODS

- Western cape floods (2 events in 2023 alone)
 - More than two months of rain in one weekend – 11 dead
 - Agriculture sector losses – R1.4bn
- Citrusdal floods 2023
- KwaZulu-Natal floods in 2022
- 2 Johannesburg thunderstorms in Dec 2022

EARTHQUAKES

Johannesburg earthquakes

<https://www.dailymaverick.co.za/article/2023-09-26-why-more-than-two-months-worth-of-rain-fell-in-western-cape-weekend-storm/>



Sir Lowry's Pass above Somerset West was closed for hours due to fallen trees on 25 September 2023. Disaster management officials have been working round the clock amid reports of flooded roads, damaged homes, uprooted trees and power outages. (Photo: Benton Geach / Gallo Images)



WHAT DOES IT MEAN FROM AN INSURER'S PERSPECTIVE?

- Insurers need to rethink their underwriting strategy
 - De-risking from high risk areas
 - Exposure management
 - Underwriting criteria is going to change, and will need to become real time
 - Advanced climate risk modelling needs to be integrated into underwriting criteria
 - Risk assessed at a street address and suburb level in real time
- Ensuring that our Capital base/Balance sheet is evolving with climate related risks
- Insurance is going to be more expensive - premiums will rise as claims continue to increase due to climate risk

“Protective measures need to be taken for insurance products to remain economical for such properties at high risk. It is high time to invest in more climate adaptation.”

- Jérôme Jean Haegeli, Swiss Re's Group Chief Economist

<https://reclaimfinance.org/site/en/2023/09/12/making-deals-in-monte-carlo-the-reinsurers-in-the-face-of-climate-change/>





EXAMPLES OF OUTPUTS FROM OUR MODELLING

SOUTH AFRICA 30M FLOOD MAP



River and surface water: flood extents and water depths for return periods 20, 50, 100, 200, 500 and 1,500-year

Maps of areas that benefit from flood defences



www.jbarisk.com

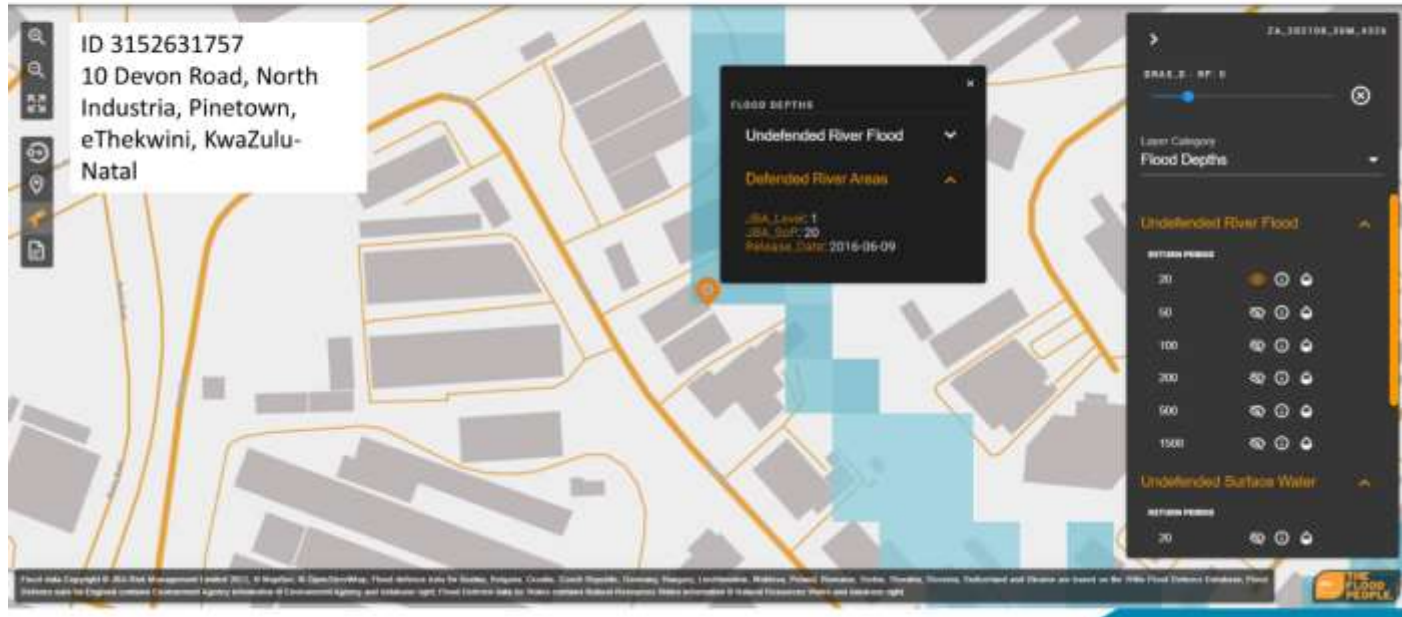
100-year return period river flood extents

Slide 2
Confidential



EXAMPLES OF OUTPUTS FROM OUR MODELLING

RIVER FLOOD RISK - BASELINE





EXAMPLES OF OUTPUTS FROM OUR MODELLING

River Flooding | Example output

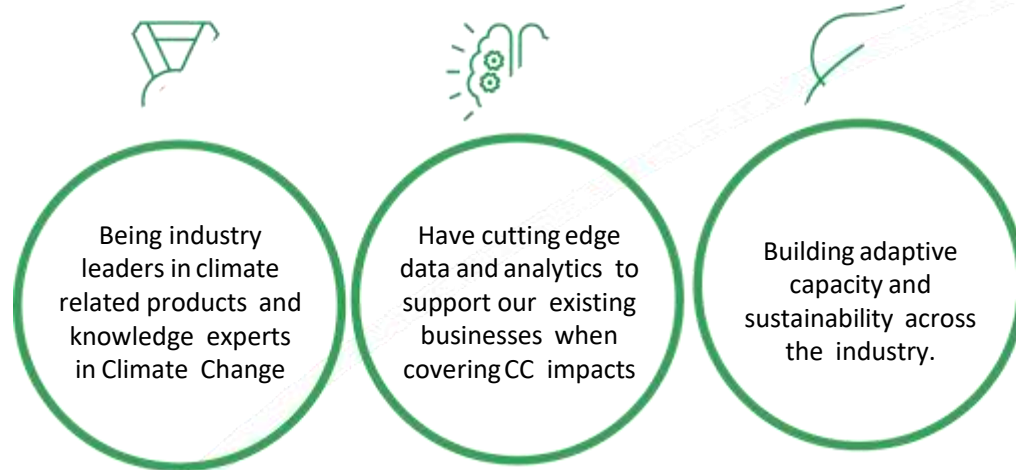




OUR CLIMATE CHANGE VISION

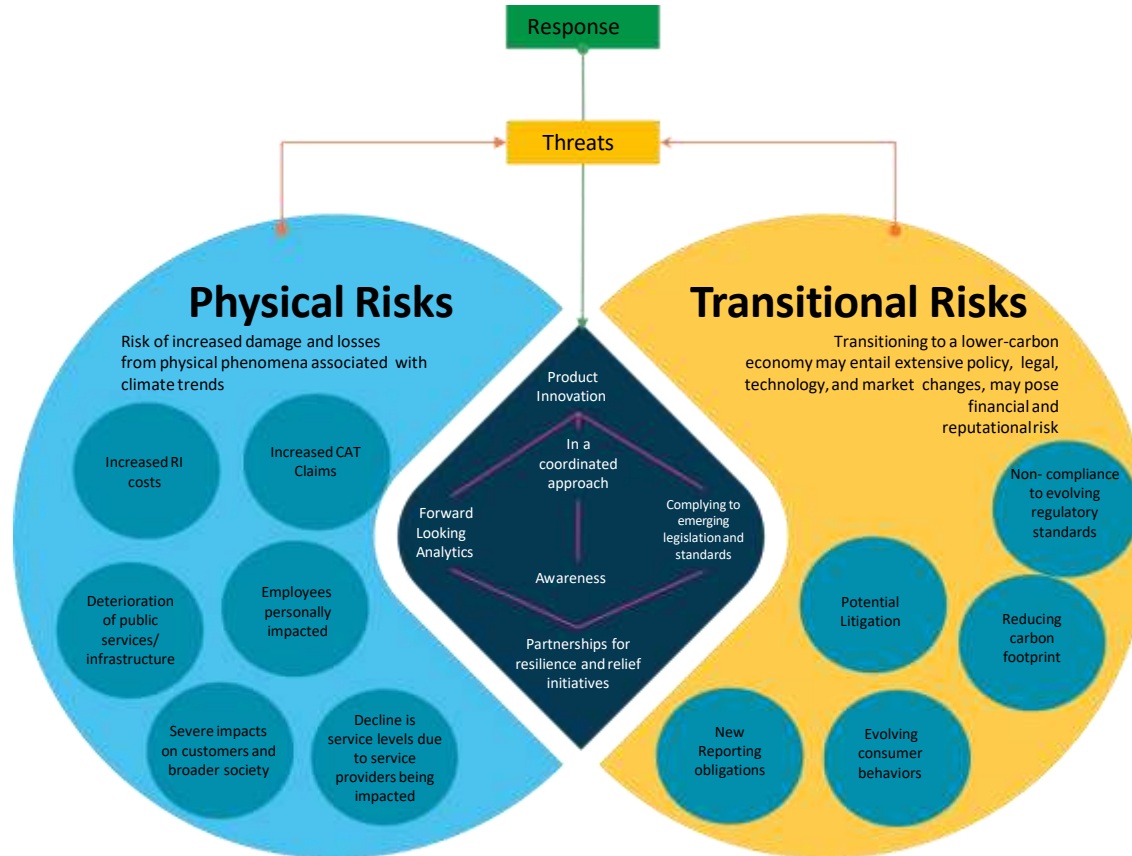
We aim to have an elevated, coordinated approach to responding to the key physical and transitional risks. In doing this, we seek to ensure that we are supporting the communities we operate in

Be a leading short-term insurer in South Africa within the climate space, which means:





WHAT IS OUR PROPOSED APPROACH GOING FORWARD?





WHAT DOES IT MEAN FROM A BROKER CUSTOMER PERSPECTIVE?

- Brokers play a critical role in ensuring their clients are insured appropriately – climate change makes the need for advice even more important
- Insurance no longer a grudge purchase – you cannot run from climate change
- Customers need to proactively manage their exposure to climate risks
 - Ensure houses are maintained properly
 - Ensure waterproofing is effective
 - Understand sea levels and flood lines are going to rise and what that means from a risk perspective





BOTTOM LINE

- Climate catastrophes are the new reality
- More and more frequent catastrophic losses lie ahead
- Work together to make sure insurance industry remain sustainable
- Insurer balance sheet management more important than ever
- Give the right advice to ensure clients are properly covered



THANK YOU

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