

Macro Roundup Article

Headline: [Measuring the Climate Risk Exposure of Insurers](#)

Article Link: https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr1066.pdf?sc_lang=en

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Tweet: As of 2020, @NewYorkFed finds life and property and casualty insurance firms were well capitalized for the climate risk they are bearing.

Summary: Insurance companies can be exposed to climate-related physical risk through their operations and to transition risk through their \$12T of financial asset holdings. We assess the climate risk [CRISK] exposure of property and casualty [P&C] and life insurance companies in the U.S. In terms of transition risk for life insurers, we observe a notable increase in their transition climate beta during the 2019-20 fossil fuel price collapse. The aggregate transition CRISK for life insurers in the U.S. also significantly rose by more than \$ 150B, equivalent to around 28% of their market cap. Excluding concurrent undercapitalization, the marginal CRISK attributed solely to climate stress increased by more than \$ 85B during the same period. In terms of physical risk for P&C insurers, we find that the top ten P&C insurers mostly had negative CRISK values [excess reserves], indicating no sign of potential systemic under-capitalization under physical climate stress. As of the end of 2020, their aggregate marginal CRISK stood at \$15B, equivalent to approximately 7% of their market cap. Related: Farmers Insurance Limits Sales in Florida, California Amid Storm, Wildfire Risks, Climate Shocks Are Making Parts of America Uninsurable. It Just Got Worse and Florida Ocean Temperatures At 'Downright Shocking' Levels

Primary Topic: Science

Topics: Financial Markets, GDP, Global Warming, Government/NGO, Science

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