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# COUNTING THE COST of climate on life cover

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**C**limate change is increasingly shaping mortality, morbidity and long-term risk dynamics, making it a material consideration for life insurers, regulators and advisers alike.

FAnews spoke to **Izak van der Westhuizen, Chief Financial Officer at BrightRock**, about how climate-related health risks are beginning to influence life insurance underwriting, pricing, and portfolio management.

### Emerging underwriting considerations

"Insurers are beginning to consider incorporating climate-adjusted assumptions into underwriting by recognising heat exposure, air pollution, and infectious disease risk as emerging mortality and morbidity drivers," says van der Westhuizen.

"Some markets are experimenting with geographic risk overlays (e.g., urban heat islands, flood-prone regions) and reviewing occupation-based risk more closely. At the market level, this has translated into more scenario testing and assumption reviews than immediate repricing, but the direction is clear. Life insurers will soon need to start considering climate risk pricing and risk frameworks."

He notes that insurers also have an opportunity to influence behaviour. "Although not yet seen in the South African market, insurers can influence behaviour through programmes that encourage hydration, activity adjustments during heatwaves, air-quality awareness, and preventative healthcare. Some markets are exploring incentives for climate-resilient behaviour, such as rewarding lower-risk commuting patterns."

Data and analytics are central to these efforts. "Advanced analytics allows insurers to combine climate data with health and demographic data to better understand emerging risk patterns. Machine learning and geospatial modelling are increasingly used to test correlations between the environment and claims outcomes. However, most insurers are still in the research and pilot phase, using these tools primarily for scenario analysis rather than automated underwriting decisions."

### Limitations of traditional mortality and morbidity models

Van der Westhuizen highlights that climate change challenges some of the core assumptions underpinning traditional actuarial approaches. "Traditional actuarial models rely heavily on historical stability, but climate change introduces non-linear, compounding, and regionally uneven risks that are difficult to capture in historical data."

He explains that "Chronic heat exposure, mental health effects, and long-term pollution impacts unfold slowly and interact with socio-economic factors, making attribution difficult. Models also struggle with correlated risks, such as simultaneous health deterioration and economic stress. Many actuarial bodies now highlight the need for forward-looking scenario modelling rather than pure experience-based assumptions."

The claims experience is beginning to reflect these pressures, although insurers remain cautious. "Globally, there is growing evidence of higher mortality during heatwaves, increased hospitalisation during air pollution events, and rising mental health-related disability following climate disasters. While most life insurers are cautious about claiming direct causation, reinsurers and population



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studies report statistically significant excess deaths during extreme heat events."

"In emerging markets, health system disruption following floods or disasters is also linked to delayed care and worse outcomes. The trend is not yet uniformly visible in life portfolios, but reinsurers are increasingly treating it as a material emerging risk."

**Long-term implications and strategic responses**

The impacts are not evenly distributed. "Yes - evidence is strongest among elderly populations, outdoor workers, low-income communities, and people in high-heat urban environments," says van der Westhuizen.

"Regions experiencing frequent heatwaves (Southern Europe, South Asia, parts of Africa) already show higher excess mortality during extreme heat periods. In South Africa, climate vulnerability overlaps strongly with socioeconomic vulnerability, which amplifies health impacts. This raises concerns for both protection gaps and adverse selection in life and disability portfolios."

From a governance and risk management perspective, expectations are rising. "At market level, best practice includes embedding climate risk into Own Risk and Solvency Assessment (ORSA), conducting regular climate risk stress tests, and reviewing long-term pricing assumptions."

"Insurers are also expected to consider climate exposure in their investment portfolios, given the link between asset risk and long-term solvency. Building internal climate expertise and strengthen-

ing data partnerships is increasingly seen as essential rather than optional. Regulators globally, including in South Africa, are moving toward formal expectations in this area."

"Industry stakeholders should treat climate risk as a strategic, not just technical, issue – one that affects products, pricing, capital, reputation, and social purpose. Collaboration between insurers, reinsurers, regulators, researchers and public health bodies is critical, as no single institution has sufficient data alone. Focusing on resilience-building, rather than only risk exclusion, positions the industry for long-term relevance."



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