

# Integrating Climate-Related Risks Into Financial Decision-Making and Reporting

*Allison Ashcroft, MFABC Director of Sustainability*

*Maryam Z. Sherkat, MIABC General Counsel & Chief Risk Officer*



**Municipal Finance  
Authority of BC**



---

**MUNICIPAL INSURANCE ASSOCIATION  
OF BRITISH COLUMBIA**

---

# Ingesting Day 1 of AMBC

Asset Management vis a vis:

- Disaster Risk Reduction Legislation
- Climate Change
- Land Use Planning
- Natural Asset Valuation
- Decolonization and UNDRIP

No big deal, LGs have lots of capacity to spare.

You're not alone, MFABC and MIABC also have new and complementary assessment + disclosure requirements

**Let's conquer together.**



# BC's Climate-related Hazards + their Impacts



## FLOODING

- Damage to roads, railways, and surrounding infrastructure harming supply chains
- Pressure of sewer and water systems
- Damage to water treatment facilities
- Drinking water contamination
- Flooding of homes and businesses

## WINDSTORMS

- Damage and destruction to power lines
- Damage to roads, railways, and surrounding infrastructure harming supply chains
- Damage to buildings through falling trees and lifting roofs

## HEATWAVES

- Human and animal health
- Harm to agriculture resulting in food insecurity
- Damage to roads, railways, and surrounding infrastructure harming supply chains
- Exerts pressure on energy grids

## WILD FIRES

- Damage and destruction to power lines
- Damage to roads, railways, and surrounding infrastructure harming supply chains
- Damage to homes and business real property
- Human and animal health

All climate-related hazards have potential impact (direct/indirect) to local govt:

- Service levels
- Asset Impairment
- Urgency/prioritization of investments and asset renewal
- Cashflows and collectibility
- Liabilities (nuisance/negligence)

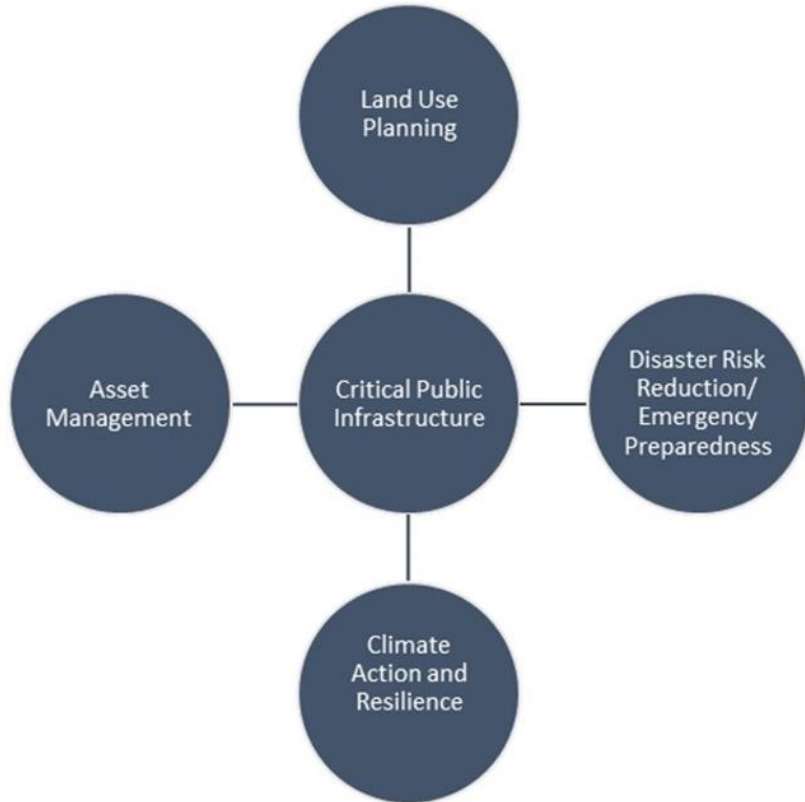
This calls for transformative change to LG + LG-adjacent systems and processes.

# Resilience Planning for Critical Public Infrastructure and Service

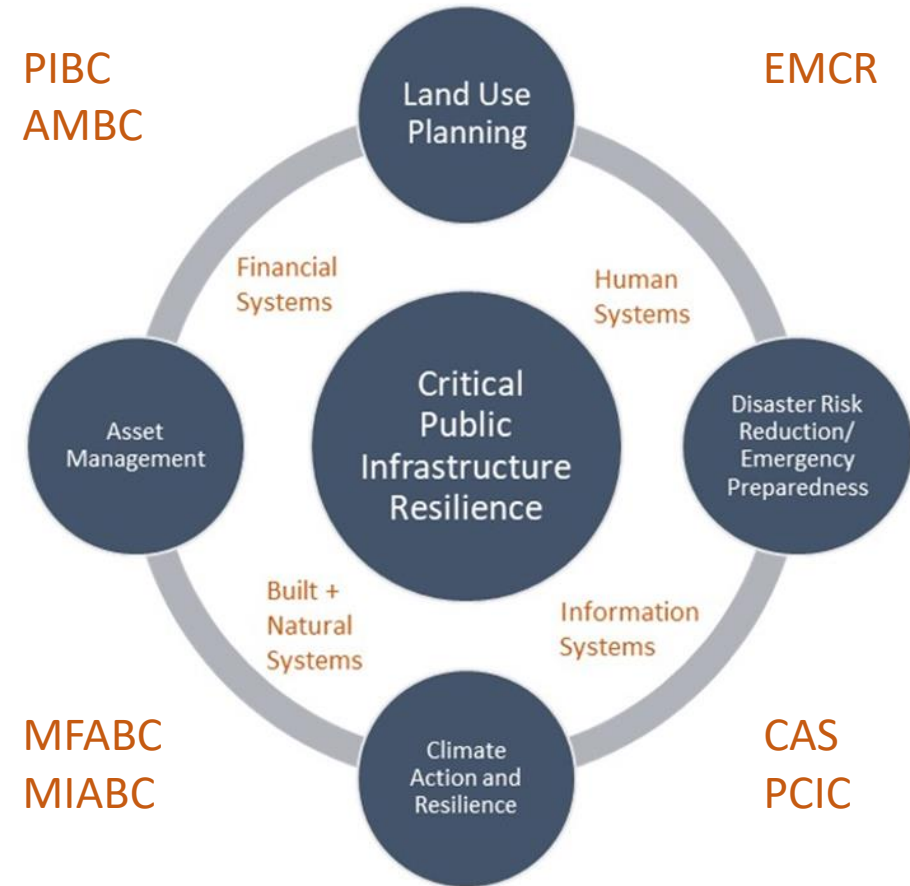


How might we transition ...

From – Distinct and disparate processes and teams



To – Fully integrated processes, teams, and partnerships







# A Morning Coffee with MFA and MIABC

**Reintroduce our organizations**

**Share our new climate risk reporting requirements and investor expectations, and how those potentially impact our offerings to members.**

**ID overlaps with local gov's' asset mgmt. planning and hazard risk assessments.**

**Q+A - Invite your participation**

- opportunities for collectively supporting our respective orgs' commitments
- other challenges that financial orgs like MFA or MIABC might help local gov's approach or overcome.

How is climate risk impacting how local government infrastructure and services are protected through property and liability insurance?

MIABC business activities and reporting requirements

# Integrating Climate-Related Risks Into Financial Decision- Making and Reporting — A Local Gov Insurer's Perspective

---

Maryam Z. Sherkat, *MIABC General Counsel & Chief Risk Officer*

November 2023

---



MUNICIPAL  
INSURANCE  
ASSOCIATION  
OF BRITISH  
COLUMBIA

---



# The Municipal Insurance Association of BC

A self-insured pool of 170 local governments

Liability coverage:      Bodily Injury  
   Property Damage  
   Errors & Omissions

\$40,000,000 coverage per claim

Property and ancillary coverage





# Climate-Related Risk Metrics

Probable  
Maximum  
Loss

Occurrence  
Limit

Minimum  
Capital Test  
Ratio

Earthquake  
Data  
Exposure



# OSFI Guideline B-15

## *Climate Risk Management*



Establishes expectations related to management of climate-related risks



Aims to support regulated entities in developing greater resilience to, and management of, climate-related risks



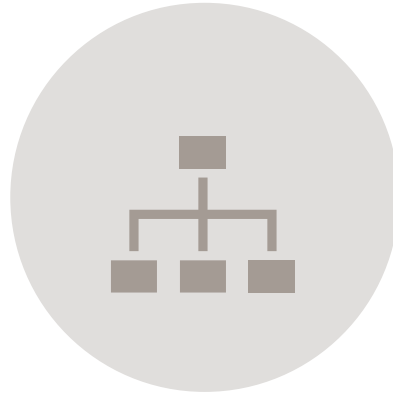
Organized into chapters that are interrelated and mutually reinforcing. For example: enhanced transparency through climate-related financial disclosures (chapter 2) incentivizes improvements in the quality of governance and risk management practices (chapter 1)



# Expected Outcomes from Guideline B-15?



UNDERSTAND AND MITIGATE AGAINST  
POTENTIAL IMPACTS OF CLIMATE-  
RELATED RISKS TO BUSINESS MODEL  
AND STRATEGY



HAVE APPROPRIATE GOVERNANCE AND RISK  
MANAGEMENT PRACTICES TO MANAGE  
IDENTIFIED CLIMATE-RELATED RISKS



REMAIN FINANCIALLY RESILIENT THROUGH  
SEVERE CLIMATE RISK SCENARIOS &  
OPERATIONALLY RESILIENT THROUGH  
DISRUPTION DUE TO CLIMATE-RELATED  
DISASTERS



# Financial Services Authority (BCFSA)



PROVINCIAL CROWN AGENCY RESPONSIBLE FOR SUPERVISION AND REGULATION OF FINANCIAL SERVICES SECTOR



PROVIDES INFORMATION AND GUIDANCE NECESSARY TO ENABLE INDUSTRY PARTICIPANTS TO COMPLY WITH LEGISLATIVE REQUIREMENTS AND BEST PRACTICES



PUBLISHES GUIDELINES WHICH SET OUT EXPECTATIONS OF FINANCIAL INSTITUTIONS





# Natural Catastrophe and Climate-related Risks (NCCR)



Discussion Paper launched July 2023 to introduce BCFSA's proposed approach to NCCR



Financial Services Sector Forum in June with panel discussion - "Future Proofing: What does a Climate Ready Financial Sector Look Like?"



Consultation and Discussion Paper open for comments from regulated entities until end of November 2023



# Be Future Focused



How is climate risk impacting how local government infrastructure and services are funded?

MFABC business activities and investor expectations

# Municipal Finance Authority is ...

- **A non-profit** - A 50yo municipally-owned member Co-operative
- **A municipal infrastructure bank**

## Our Core Mandate

- **The long-term lender in BC** - The legislated LT lender to all munis and regional districts in BC (other than City of Vancouver)
- **A AAA-rated bond issuer** - Loan aggregator and bridge to global capital markets

## Other Activities/Roles

- **A short-term lender** - equipment financing and revenue anticipation
- **An investor** - for MFA's sinking funds and reserve
- **An investment administrator** - Offering pooled fund investment products to local govts, including a new FFF-fund launched in Sept/23





# Funding BC Local Govt Infrastructure and Services



AM is dependent on funding for capital and operating needs:

Locally through:

Property  
Taxes



User  
Fees



DCCs



Reserve Fund  
Allocations



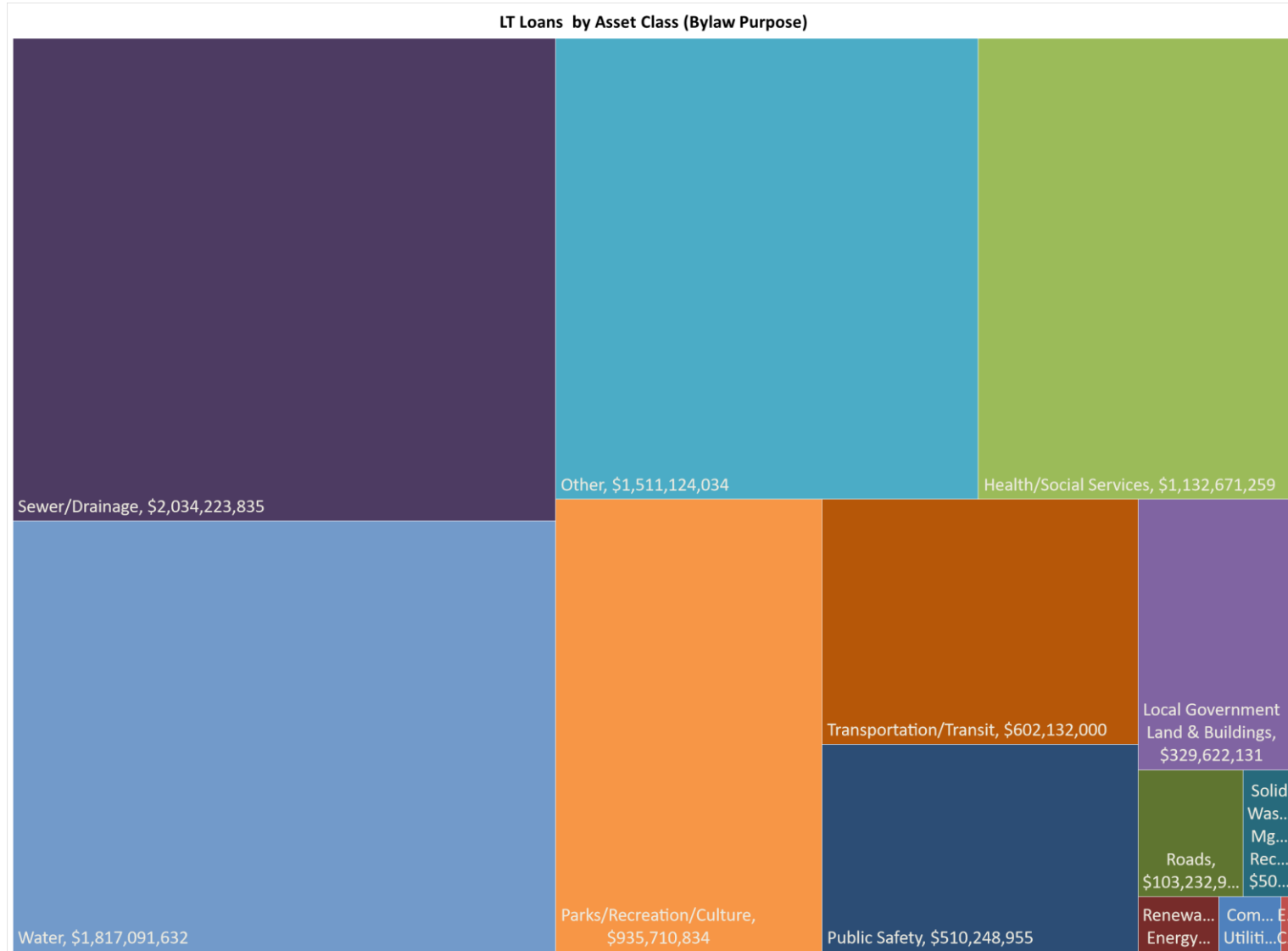
Senior Government Contributions  
(Federal/FCM, Province)



Financing from Municipal Finance Authority  
(as needed)



# MFA in Perspective ~ \$9B in Long-term Borrowing



## Loan Purpose:

### ~ 50% Self-insured Linear Assets:

23% sewer/stormwater

20% potable water

8% roads/transpo/transit

### ~ 50% Insurable Assets:

12% regional health districts

10% parks, rec + culture

6% public safety

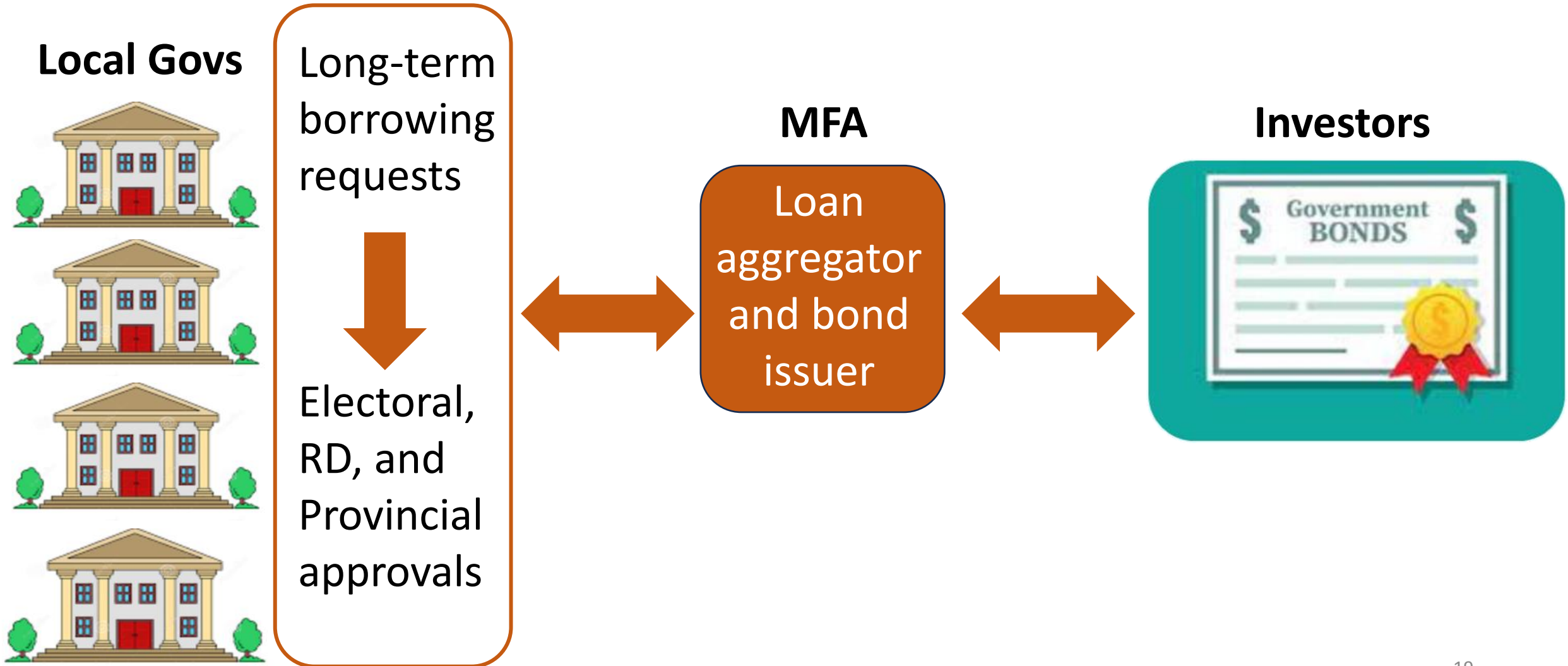
4% land and buildings

17% other

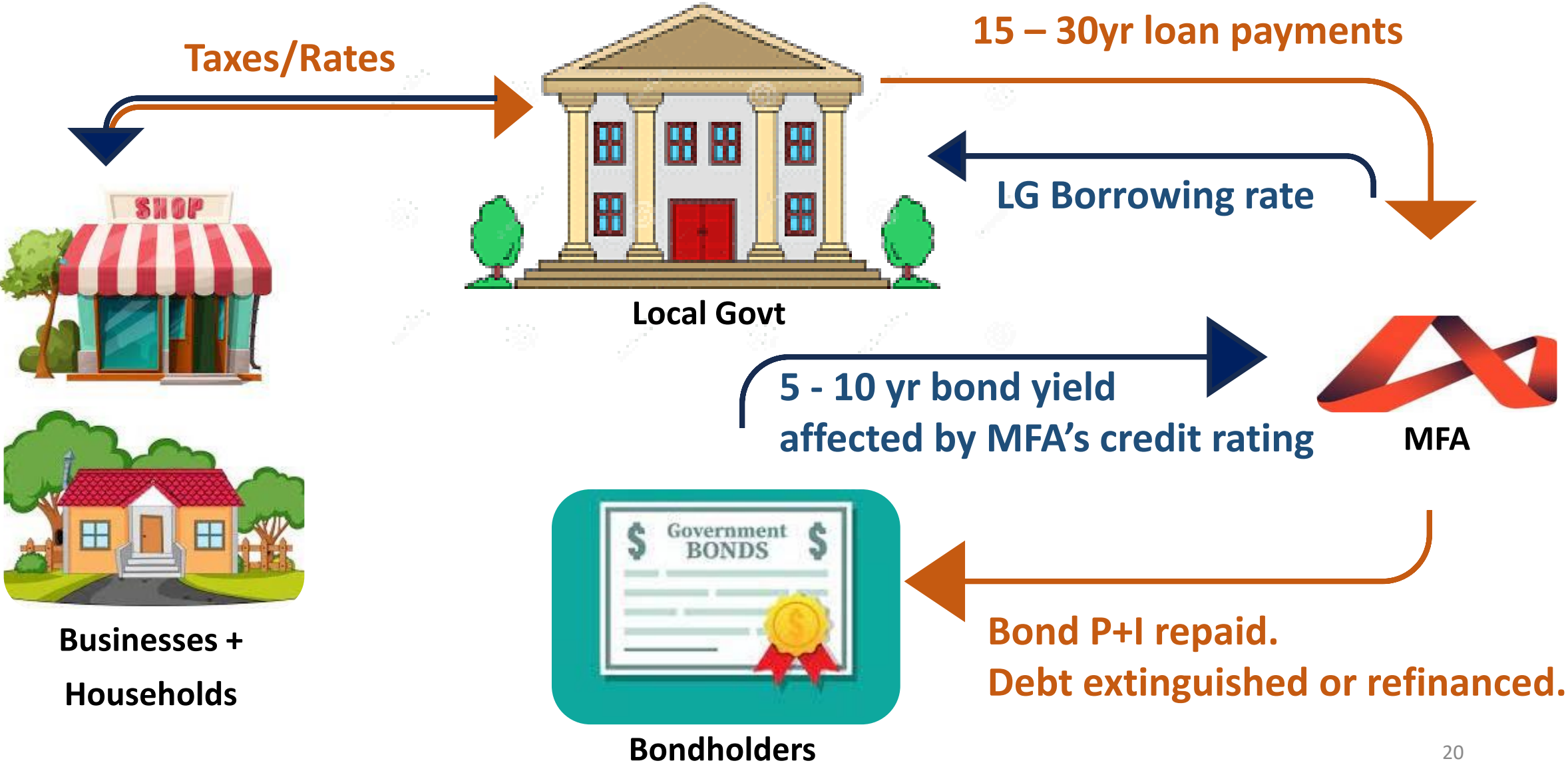
# MFA loan origination and aggregation process



BC method for 'unlocking private capital' for local gov's



# Visualizing the Deal Flow Between LGs – MFA - Investors

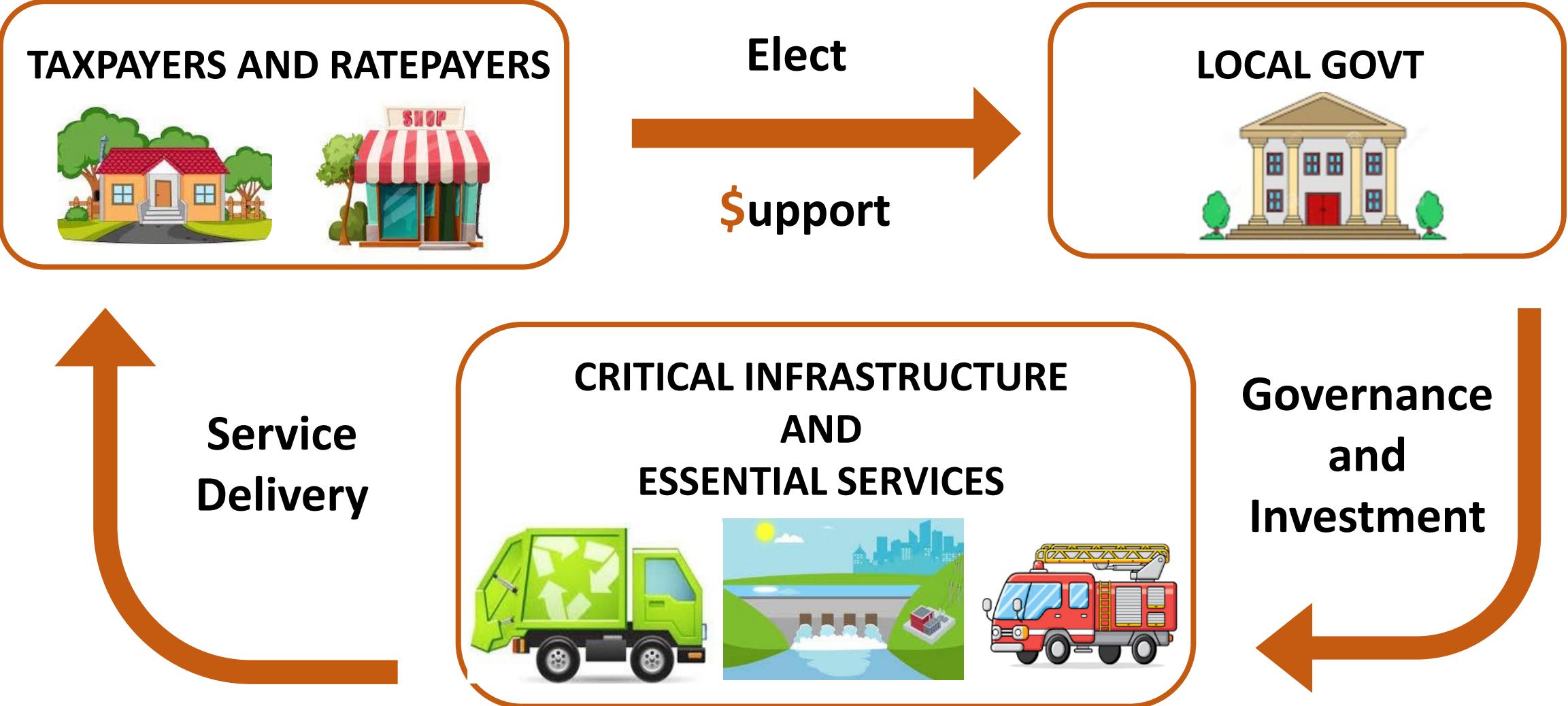






# Cycle of Financial Health for MFA, MIA, Local Govs + Communities

Depends on Sustainable Service Delivery (and Senior Govt Funding)





# MFA's Two Forms of ESG/Sustainability Reporting

## Transactional: Bond issue

### Scale + Perspective:

- Project + purpose category view
- Impact-focused disclosure

### Standards + Regulations:

- ICMA Green/Social Bond Principles
- Global Reporting Initiative (GRI)

## Annual: Organization-level

### Scale + Perspective:

- Portfolio view
- Risk-based disclosure

### Standards + Regulations:

- OSFI Regs + Reporting Requirements
- Intl Sustainability Standards Board S1 and S2 standards, derived from TCFD Framework



# Why ESG Performance and Reporting of MFA and the Province Should Matter to Local Govs.

**Our ESG 'ratings' affects LGs and local economies in a number of ways:**

- The ability of BC businesses and governments to benefit from the **growth in sustainable finance**
- MFA's ESG performance/reporting increasingly factors into our **credit rating which directly impacts the borrowing costs** of LGs.
- Public sector decarbonization and resilience efforts impact BC's ability to **attract desirable investment and business**
- Public sector ESG performance affects BC businesses' ability to **compete in export markets.**
- **PSAB requirements** for similar sustainability disclosures in the annual reports of local govts is coming, we can share our learnings as earlier adopters.



Now, As Always, You Can  
**ASK US ANYTHING**

[AskUsAnything@miabc.org](mailto:AskUsAnything@miabc.org)

