



Institute
and Faculty
of Actuaries

The War Against your own Brain - Cognitive Biases and Climate Change

Nicola Kenyon FIA

Scott McGruther-Johnson FFA

Hymans Robertson speakers



Nicola Kenyon FIA

Head of Insurance Innovation & Change, Hymans Robertson
nicola.kenyon@hymans.co.uk



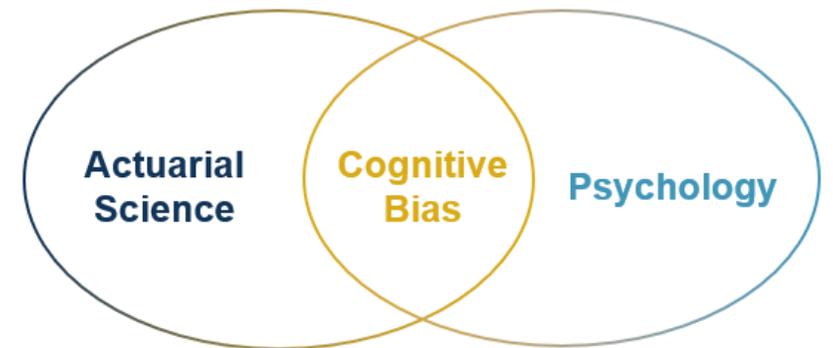
Scott McGruther-Johnson FFA

Consultant, Hymans Robertson
scott.mcgruther-johnson@hymans.co.uk

The War Against your own Brain

Agenda

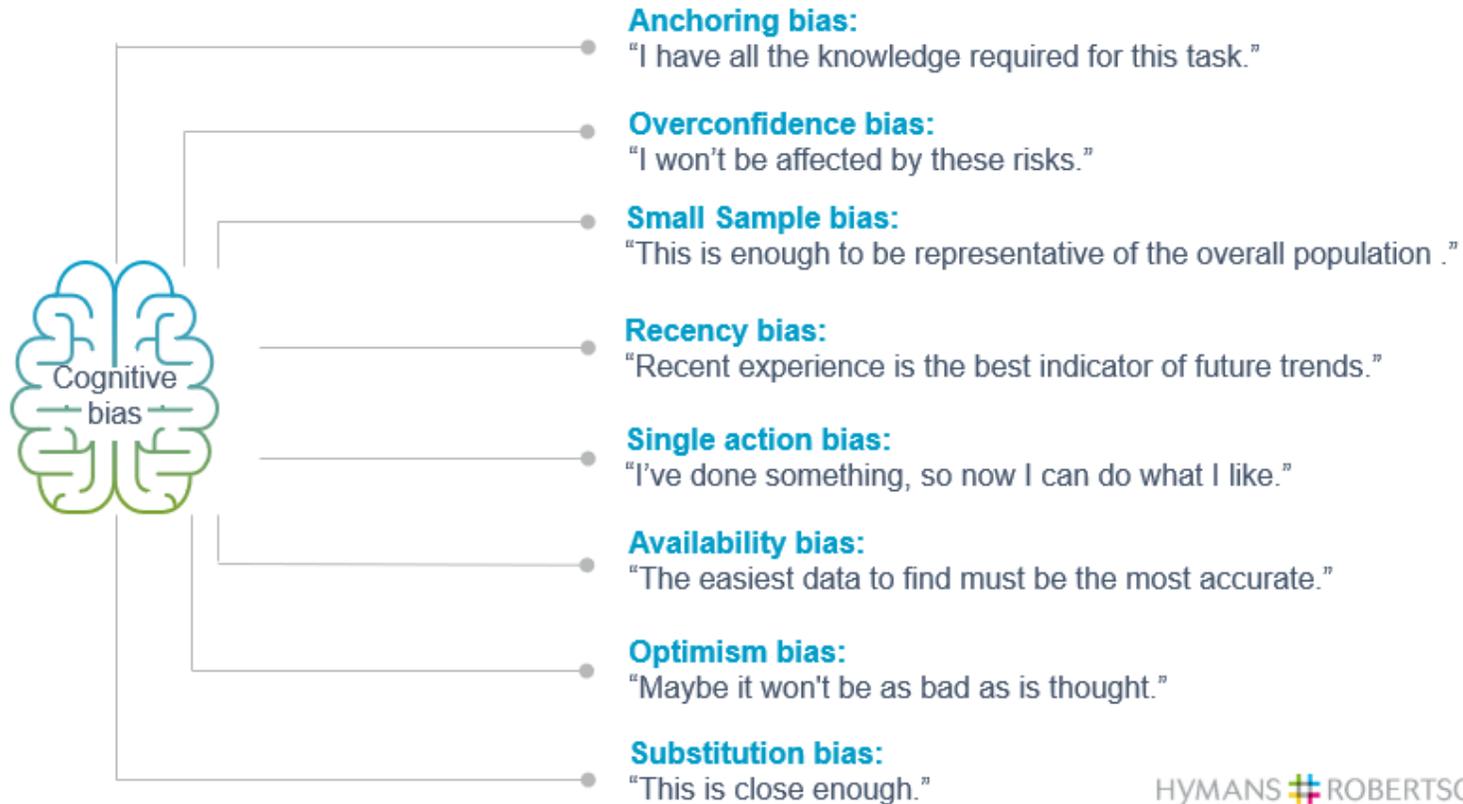
- Why we struggle to address issues like climate change
- How this impacts the financial industry
- What psychology can do to support climate goals
- What 3 things you can do.
- Q&A



Cognitive Bias and Its Influences

“The confidence that individuals have in their beliefs depends mostly on the quality of the story they can tell about what they see, even if they see little.” — Daniel Kahneman

Short Term Thinking



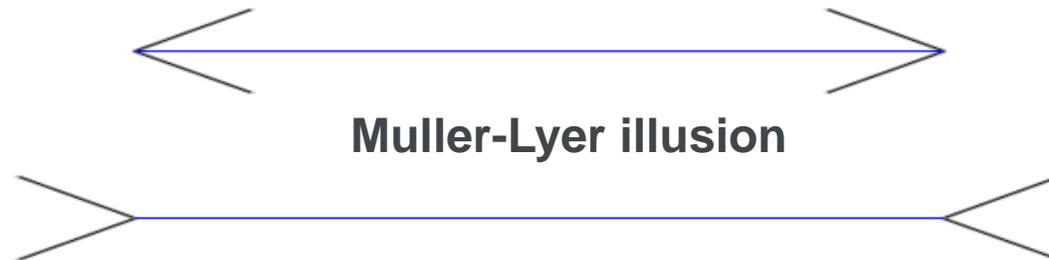
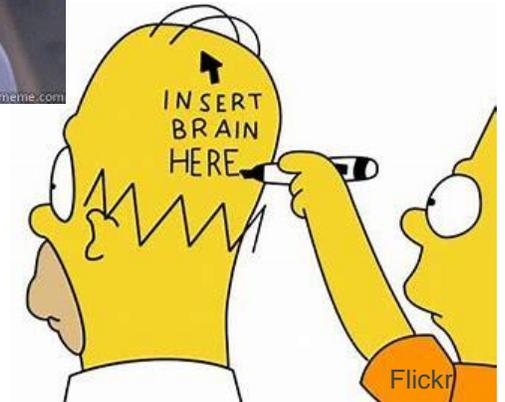
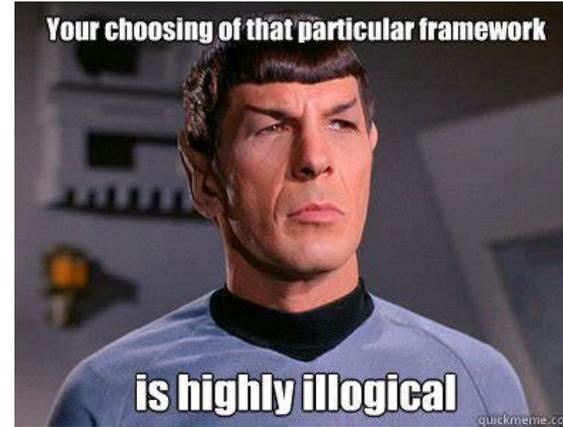
HYMANS  ROBERTSON



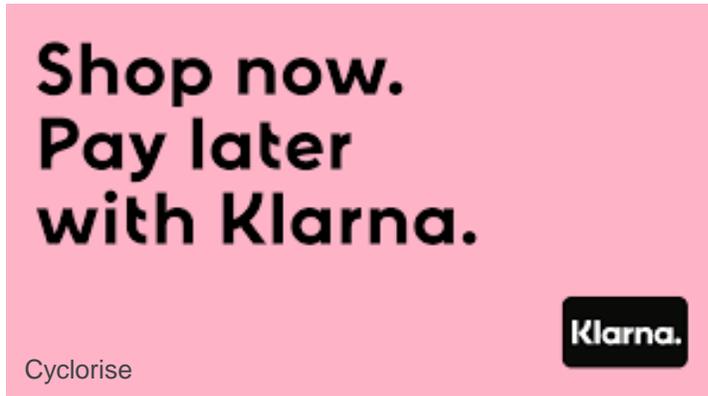
Institute
and Faculty
of Actuaries

Are we rational?

"We have come this far because we are the smartest creatures who have ever lived. But to continue, we require more than intelligence; we require wisdom."
- David Attenborough



Clickbait culture and our need for instant gratification



 1 plastic bag 33g CO2	 1 disposable coffee cup 16g CO2	 1 Google search 0.2g CO2
 Latte (dairy) 350g CO2	 1 pint of beer 665g CO2	 1 glass of wine 300g CO2
 Microwave Use (0.945 kWh) 400g CO2	 Clothes Washing Mach. (0.63kWh) 275g CO2	 Tumble Dryer (2.50kWh) 1000g / 1kg CO2

clevercarbon.io

unclimatechange ✓

UN Climate Change

Follow

41K Followers 566.5K Likes

Twitter

kimkardashian ✓

Kim Kardashian

Follow

5.3M Followers 21.5M Likes

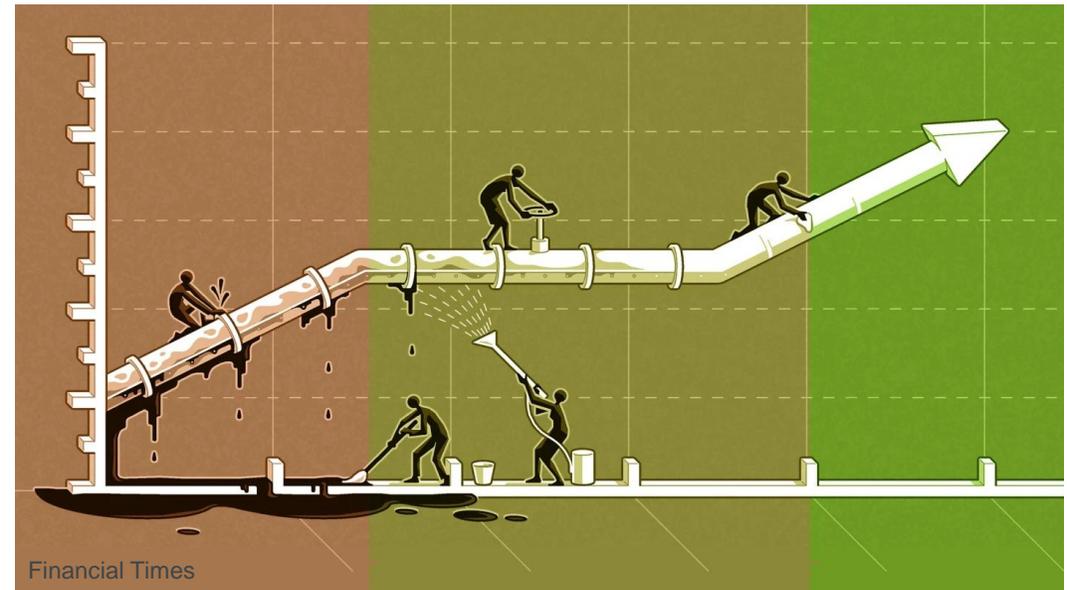
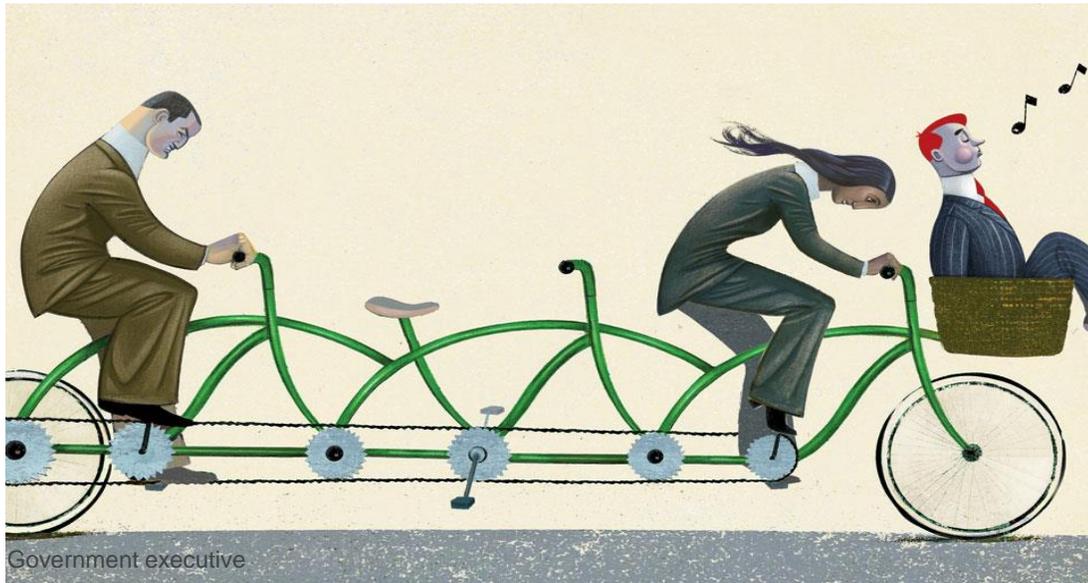
HYMANS + ROBERTSON



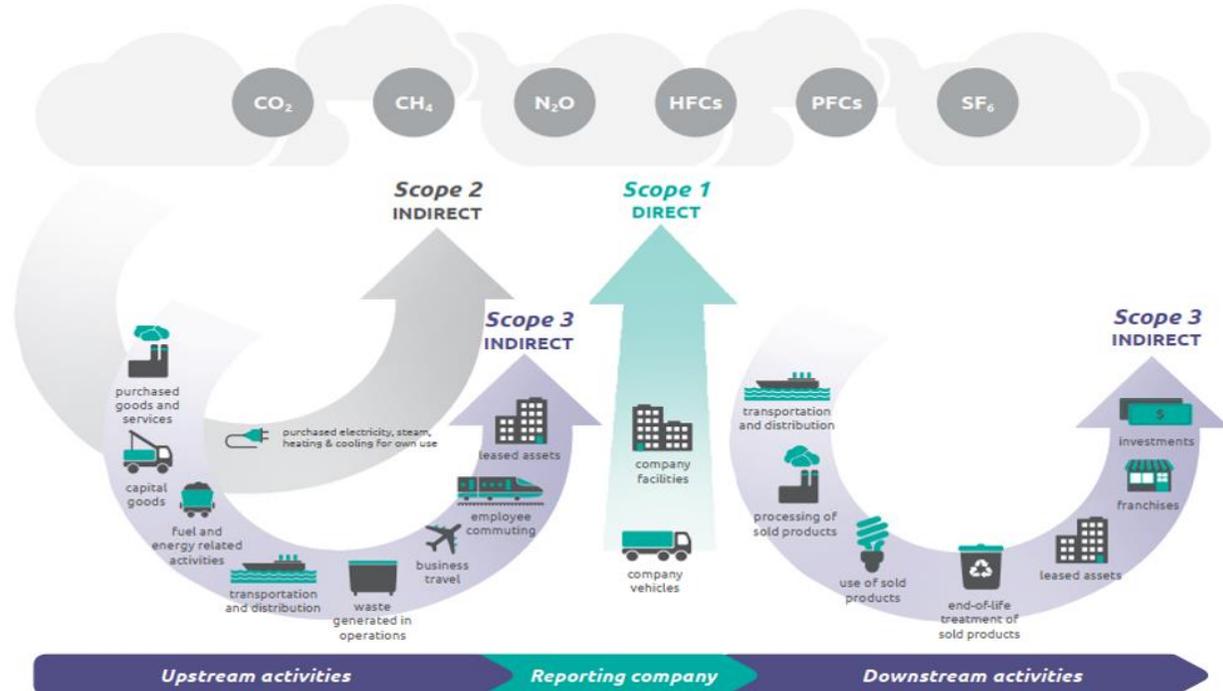
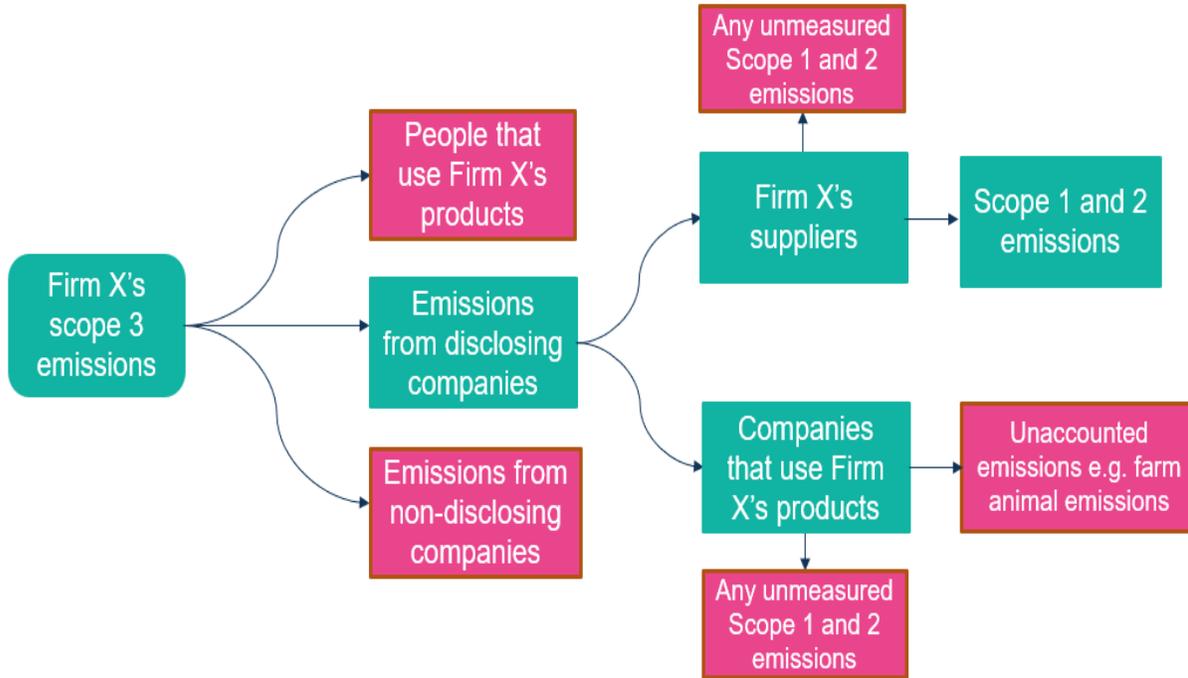
Institute
and Faculty
of Actuaries

Bystanders, free-riders and the tragedy of commons

“What is common to many is least taken care of, for all men have greater regard for what is their own what they possess in common with others.” – Aristotle



The issue with the data



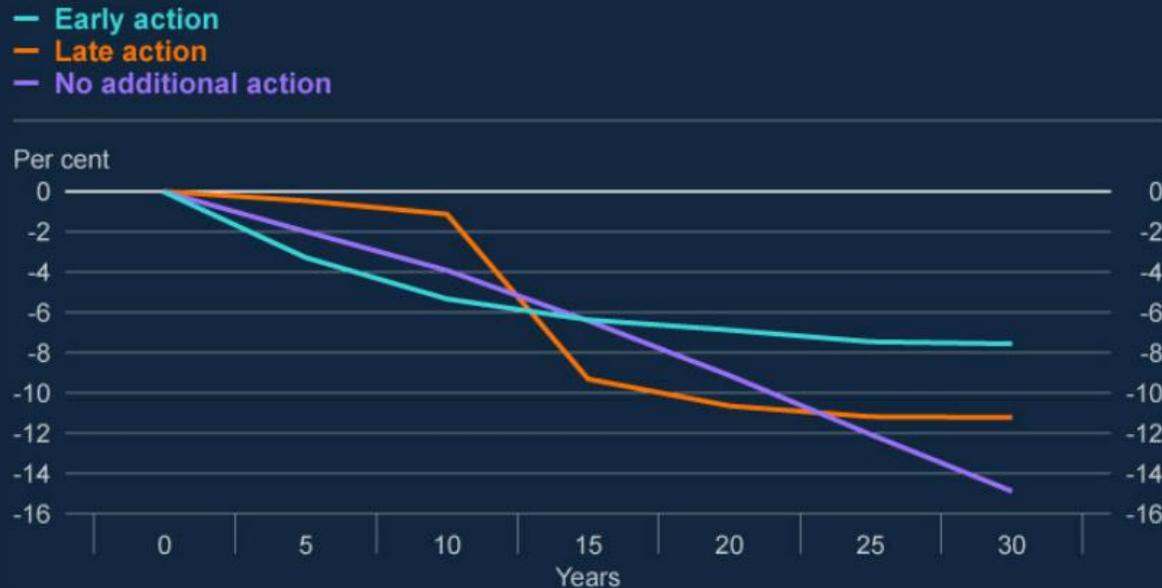
“Climate change represents the greatest and widest-ranging market failure ever seen.”

– Sir Nicholas Stern

Predicting the Unpredictable

Chart 4.7: Projected investment losses are largest in the NAA scenario

Change in Market Value of insurers' invested assets ^(a)



Source: Bank of England

“As human beings, we are vulnerable to confusing the unprecedented with the improbable. In our everyday experience, if something has never happened before, we are generally safe in assuming it is not going to happen in the future, but the exceptions can kill you, and climate change is one of those exceptions.” – Al Gore

Considering the consumer

SYSTEM 1

Intuition & instinct

95%

Unconscious
Fast
Associative
Automatic pilot



SYSTEM 2

Rational thinking

5%

Takes effort
Slow
Logical
Lazy
Indecisive

Only **63%** of consumers believe that their investment choice could have an impact on climate change.[^]

[^]Census Wide Survey for Hymans Robertson

Source: Daniel Kahneman

Greening your pension is **21x** more powerful at cutting your carbon footprint than stopping flying, becoming a vegetarian and moving to a renewable energy provider combined.*

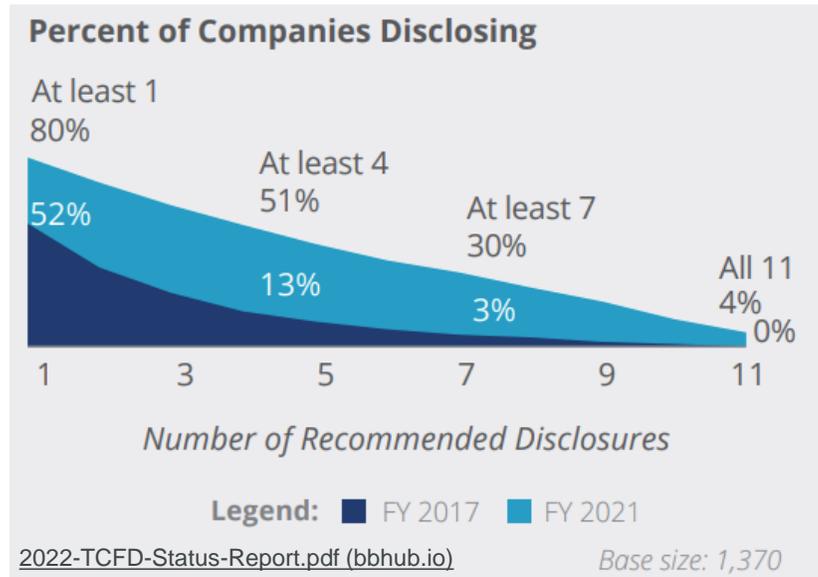
*research by Make My Money Matter, Aviva and Route2

HYMANS  ROBERTSON



Institute
and Faculty
of Actuaries

How do we approach an issue like climate change?



Misleading Labels



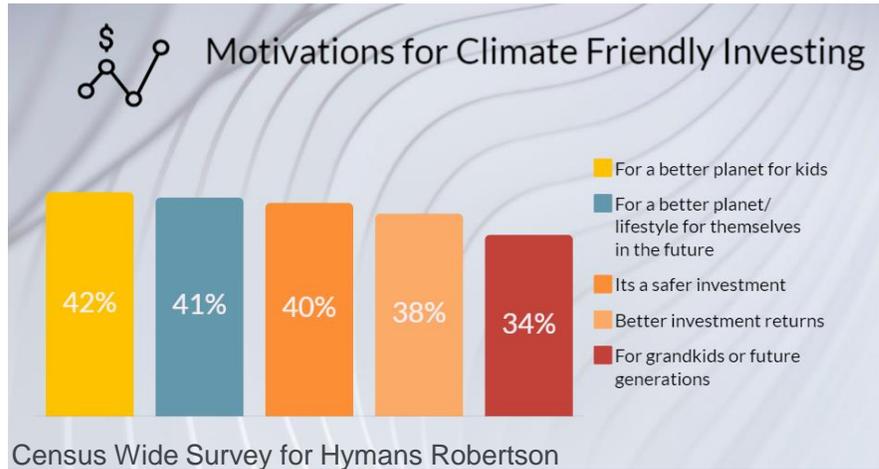
Trustworthy Certifications



THRIVE Project

FINANCIAL TIMES
 ESG's legal showdown: 'There's nothing to suggest DWS is a one off'

Reframe and refocus



“To save what can be saved, just to make the future possible: that is the great motivating force, and the reason for passion and sacrifice.”

- Albert Camus, Philosopher



Peter, retired bouncer and grandad from south London
vs.
55 Tufton St, the shadowy home of Big Oil



From Rich Felgate

8:49 pm · 25 Oct 2022 · Twitter for iPhone



GREEN NEWS

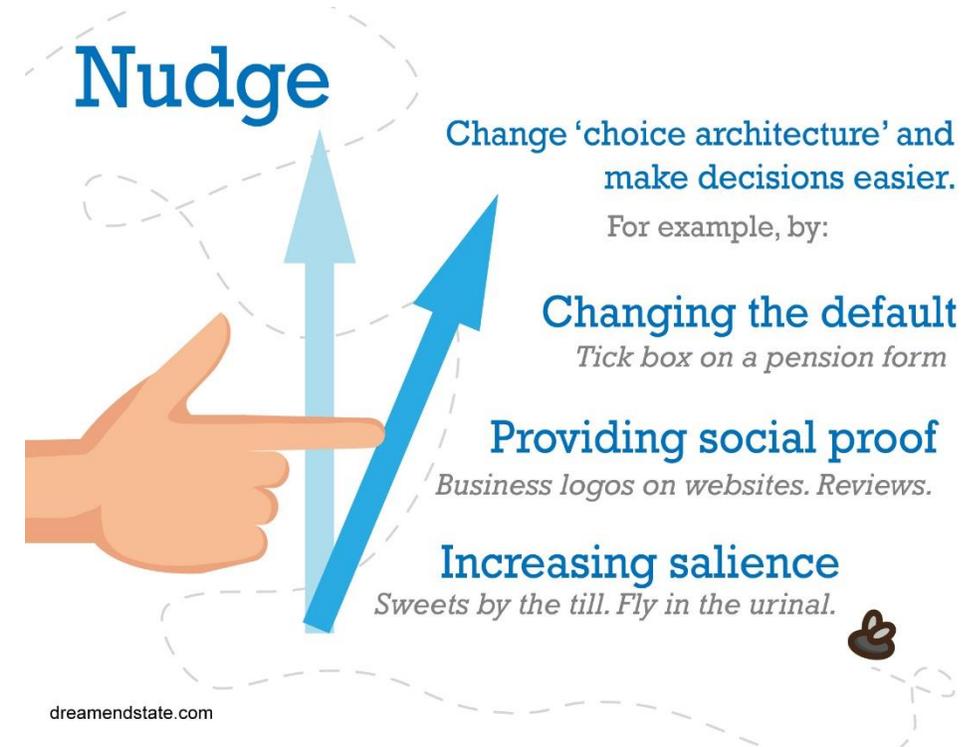
Children’s COP: Young people given a ‘seat at the table’ for the first time in Egypt

HYMANS ROBERTSON



Institute and Faculty of Actuaries

Our actions have impact!



“There is no question that climate change is happening; the only arguable point is what part humans are playing in it.”

– David Attenborough

What can you do?

- **Encourage all default options to be sustainable/impactful**
- **Exit vs voice: what are YOU achieving vs what would be done anyway**
- **Engage with our own psychology more honestly**

Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



Institute
and Faculty
of Actuaries

Thank you

This Powerpoint presentation contains confidential information belonging to Hymans Robertson LLP (HR). HR are the owner or the licensee of all intellectual property rights in the Powerpoint presentation. All such rights are reserved. The material and charts included herewith are provided as background information for illustration purposes only. This Powerpoint presentation is not a definitive analysis of the subjects covered and should not be regarded as a substitute for specific advice in relation to the matters addressed. It is not advice and should not be relied upon. This Powerpoint presentation should not be released or otherwise disclosed to any third party without prior consent from HR. HR accept no liability for errors or omissions or reliance upon any statement or opinion herein.

References

- Sigma Earth (2022) “Global temperature reaches 1.2°C above pre-industrial levels”
- Md.Sum, Rabihah & Nordin, Norhafiza. (2018). “Decision-Making Biases in Insurance Purchasing.”
- Strobl, R. (2022). “Background risk, insurance and investment behaviour: Experimental evidence from Kenya.” Journal of Economic Behavior & Organization
- Ye, H., Nicholas, R.E., Roth, S. and Keller, K. (2021). “Considering uncertainties expands the lower tail of maize yield projections.”
- Task Force on Climate-Related Financial Disclosures. “TCFD Report Finds Steady Increase in Climate-Related Financial Disclosures Since 2017”
- Tejvan Pettinger (2016). ”Tragedy of the Commons”
- Make My Money Matter. Available at: <https://makemymoneymatter.co.uk/>.
- Woo, G. (2019). “Downward Counterfactual Search for Extreme Events.” Frontiers in Earth Science
- Groopman, J. (2019). “Can Brain Science Help Us Break Bad Habits?” The New Yorker..
- Moore, C. (2019). “What Is The Negativity Bias and How Can it be Overcome?”
- Bruckmaier, G., Krauss, S., Binder, K., Hilbert, S. and Brunner, M. (2021). “Tversky and Kahneman’s Cognitive Illusions: Who Can Solve Them, and Why?” Frontiers in Psychology
- Rozin, Paul, and Edward B. Royzman. “Negativity Bias, Negativity Dominance, and Contagion.” Personality and Social Psychology Review, vol. 5, no. 4, Nov. 2001,
- Behavioural Insights Team. “We Need to Talk about Climate. But How?”
- Whitman, James. “Against Our Nature - a Hitchhiker’s Guide to the Climate Crisis.” 1st ed., Aviva Investors, 25 Oct. 2021.
- Kirk, David. “Downwards Counterfactual Analysis – Twenty Third Floor.” Twentythirdfloor, 30 Oct. 2017
- Woo, Gordon. “Downward Counterfactual Search for Extreme Events.” Frontiers in Earth Science, vol. 7, 19 Dec. 2019
- Remnet, Art. “5 Social Influence Examples and How They Affect Us Daily - the Strategic Marketing Group.”
- Park, Toby. “A Fine or a Nudge? Charging for Plastic Bags Works and Is an Interesting Behavioural Case Study.” 2 Aug. 2022
- The Center for Public Impact. “Smoking Ban in the United Kingdom.”, 2022
- Weiss-Cohen, Leonardo, et al. “Extraneous Menu-Effects Influence Financial Decisions Made by Pension Trustees.” Economics Letters, vol. 187, Feb. 2020
- Task Force on Climate-related Financial Disclosures, 2022 Status Report