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Press Release

New paper calls on insurance sector to intensify climate risk scrutiny

- Paper by the International Association of Insurance Supervisors (IAIS) and the Sustainable Insurance Forum (SIF) marks first important review of climate risk by an international financial standard setting body
- 2017 saw highest year of insured losses ever, at US\$138 billion
- Total economic loss stood at US\$340 billion, highlighting the insurance gap

Moscow, 31 July 2018 – Intensifying climate risks such as extreme weather events, present significant challenges for the insurance sector and warrant “ongoing and intensifying scrutiny” by supervisors, highlights new a new paper from the IAIS and the SIF.

The Issues Paper on Climate Change Risks to the Insurance Sector marks the first effort by an international financial standard setting body to assess how climate change risks may affect financial institutions.

Physical, transition and liability risks as well as figures on extreme weather events point to a growing trend of damages, both for insured and uninsured goods. In 2017 alone, a series of major hurricanes and other natural disasters brought insured losses to a peak of US\$138bn. Overall economic losses from natural disasters in that year amounted to a total of US\$340bn – the second highest annual figure ever recorded – drawing attention to a clear insurance gap for weather-related losses. A massive 83% of these losses were concentrated in North America. According to Aon Benfield, the total economic losses from hurricanes in 2017 were nearly five times the average of the preceding 16 years (2000-2016). Losses from wildfire in 2017 were by far the highest ever recorded during a single year. In California, for example, insured losses from wildfires reached US\$13bn, stemming from damage to 21,000 homes and 2,800 businesses.

“Climate change is now recognised as a critical emerged risk facing the insurance sector. The Issues Paper is an important resource and capacity building tool for supervisors and insurance firms alike. Going forward the SIF will continue to work in partnership with IAIS to help strengthen strategic responses and it’s leadership on climate risk,” Geoff Summerhayes, SIF Chair, said at the IAIS Executive Committee meeting in Moscow, where the paper was adopted. “The Issues Paper is an important resource and capacity building tool for supervisors and insurance firms alike. Going forward the SIF will continue to work in partnership with IAIS to help strengthen strategic responses and its leadership on climate risk.”

Developed over seven months since the IAIS Committee Meetings in Kuala Lumpur, where the IAIS confirmed climate and sustainability issues as a strategic priority, the paper aims to raise awareness for insurers and supervisors of the challenges presented by climate change and how to respond.



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It sets out a three-pillar framework of observed approaches to address climate change risks, which supervisors may consider in designing and implementing their own efforts. Drawing on an internal survey, the paper sets out ten state-of-the-art approaches undertaken by SIF members – including Australia, Brazil, France, Italy, the Netherlands, Sweden, the United Kingdom, and the US states of California and Washington in the United States.

A public consultation on the paper was undertaken during April. Several hundred comments were received from 20 registered respondents – including market associations, insurers and reinsurers, supervisors, and NGOs. The compiled comments on the document and list of responses is available on the IAIS website.

Over coming months, the paper will be translated into all UN languages (Arabic, Chinese, English, French, Russian, Spanish) plus Portuguese. The SIF will also develop templates for supervisors to facilitate outreach efforts with firms, and encourage adoption of best practices.

ADDITIONAL QUOTES

Victoria Saporta, Chair of the IAIS Executive Committee: “I am proud that the IAIS is showing leadership by adopting this paper on climate risk issues, which are critically important for our members. Thank you to the SIF for advancing our partnership – and showing that this challenging work can be done in a short time. We look forward to working with the SIF to support outreach on this paper.”

Jonathan Dixon, Secretary-General of the IAIS: “We’re delighted that this paper has come together so well, thanks to the hard work of our members in the SIF and the partnership with UN Environment. As an association, we recognize the value that the SIF brings to the IAIS membership – and look forward to tackling other climate and sustainability related issues in partnership.”

Jeremy McDaniels, SIF Secretary: “This paper represents the culmination of months of hard work by SIF member supervisors, who are spearheading best practice in the complex area of climate risk assessment, scenario analysis, and stress testing. On behalf of the SIF Secretariat and UN Environment, I thank the IAIS for its support in developing this landmark document – which can help orient the work of supervisors in other sectors. I’m very excited to work with our members on new challenges, including practical supervisory tools for climate change risks.”

UN Environment Executive Director Erik Solheim: “The financial sector needs to speed up its action on climate change within the next 36 months if we are to make the shift to a low-carbon economy – and insurers are leading the way. Supervisors have recognized that they have a critical role to play in this debate – and now is the time to move to action by including climate change risk information into routine supervisory practice.”



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Notes to Editors:

The final Issues Paper is available on the IAIS website, at <https://www.iaisweb.org/page/supervisory-material/issues-papers/file/76026/sif-iais-issues-paper-on-climate-changes-risk>

About the International Association of Insurance Supervisors

The IAIS is a voluntary membership organization of insurance supervisors and regulators from more than 200 jurisdictions with a mission to promote effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and contribute to global financial stability. For more information or to subscribe to email alerts, please visit www.iaisweb.org or contact iais@bis.org.

About the Sustainable Insurance Forum

The Sustainable Insurance Forum (SIF) is a global network of insurance supervisors and regulators working together to strengthen responses to sustainability challenges facing the insurance sector. Launched in December 2016, the SIF provides a platform for international collaboration among supervisors, facilitating knowledge sharing, dialogue, and uptake of policy innovations. The SIF is convened by UN Environment, which serves as its Secretariat.

For more information please visit www.sustainableinsuranceforum.org or contact Jeremy McDaniels, SIF Secretary, at Jeremy.McDaniels@un.org