

ASSAL Statement on Climate Change

The Association of Insurance Supervisors of Latin America (ASSAL), which brings together the insurance market supervisors of Ibero-America, being gathered in the city of San José, Costa Rica, we recognize that:

1. Climate change is one of the key emerging risks impacting the global economy, affecting households, businesses, and governments, influencing the quality of life, future well-being, and even the species' survival.
2. Climate change can result in so-called "physical risks", i.e., incurring losses from the impacts of increased frequency and severity of extreme weather events and changes in weather patterns over the long term. Physical risks impact our economies and are transmitted to the insurance industry, causing higher premiums, reduced coverage, and reinsurance capacity, and, eventually, an increase in the protection gap, with their consequent potential effects on society's well-being and the solvency of insurance companies.
3. Another consequence of climate change is the so-called "transition risks", i.e., the risk of incurring losses arising from the consumer and government's inability to adapt to regulatory, technological, or behavioral changes to move towards a sustainable, low-carbon economy. Transition risks imply new challenges for insurance companies, especially in their investment activities, and may affect the volatility and valuation of assets. Given the above, insurers must act to manage climate change-related risks adequately.
4. In addition, insurance companies play a fundamental role in the transition to a sustainable, low-carbon economy, given their dual role as risk managers and institutional investors. Insurers can design products and services that transfer and socialize risks associated to climate, thereby reducing policyholders' vulnerability to significant economic losses. As investors, insurance companies have the potential to mobilize and redirect financial resources needed for the transition to a sustainable economy.
5. We are fully aware that, for the transition to a sustainable economy, we shall coordinate with the various national and international stakeholders, to address sustainability challenges for the insurance industry. This will allow supervisors to fulfill their role and insurers to provide the economic and financial functions and services that societies require for their sustainable development objectives.

Addressing these issues is a priority for ASSAL's agenda. In this sense, the members of the Association promote:

1. The identification, assessment, mitigation, and monitoring of the financial risks arising from climate change and variability faced by the insurance sector in its dual role as an institutional investor and risk underwriters.
2. The identification of opportunities for the insurance sector in the transition to a sustainable economy, particularly in its role as an institutional investor and risk management experts.
3. The exchange of experiences and best regulatory and supervisory practices around climate change management, both among the jurisdiction's members of ASSAL and in the insurance companies themselves.
4. The permanent assessment of members' resilience to climate change.
5. Continuous training of ASSAL members on issues related to climate change and sustainability in the insurance market.

From its origins, ASSAL has been committed to strengthening the ties between different member jurisdictions, encouraging the adoption of best supervisory practices. Within the framework of the above, ASSAL will promote the implementation of measures to face the challenges of climate change and sustainable development for the insurance sector, in such a way that it provides its value proposition, which is essential for the transition to a sustainable economy, and the adequate protection of the insured.

San José, Costa Rica, May 5, 2023