

Financial Stability Institute



Asociación de Supervisores
de Seguros de América Latina

14 de octubre de 2021, 16:00-17:15 CEST

Sesión virtual sobre el cambio climático en el sector asegurador

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Palabras de Bienvenida

Jonathan Dixon
Secretario General, IAIS

Babak Abbaszadeh
Presidente y CEO, Toronto Centre

Housekeeping rules

Please do not record this session - this session is off the record. / Por favor no grabe esta sesión - es una sesión extraoficial.

The views expressed during the virtual session are the speakers' own views and not necessarily those of the presenters' own institutions. / Las opiniones expresadas durante la sesión virtual son las opiniones personales de los panelistas y no necesariamente las de las instituciones de los panelistas.

Participants can send questions for the panelists and technical assistance questions only using the Zoom Q&A function. / Los participantes pueden enviar preguntas para los panelistas y las preguntas de asistencia técnica solamente a través de la función de preguntas y respuestas de Zoom.

For any technical issues, kindly contact Olga Salashina via Zoom Q&A function or via e-mail at (assal@cmfchile.cl). / Para cualquier problema técnico, póngase en contacto con Olga Salashina a través de la función de preguntas y respuestas de Zoom o por correo electrónico a (assal@cmfchile.cl).

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Keynote speech

Cambio climático: la necesidad de actuar

Swenja Surminski

Subdirectora y Jefe de Investigación sobre Adaptación, Grantham
Research Institute on Climate Change and the Environment, LSE

Insurance and climate change – a new reality for society's risk manager?

Swenja Surminski,
Head of Adaptation Research
Grantham Research Institute, LSE
October 2021 IAIS ASSAL FSI

Emerging topic ?

Distant risk ?

New Normal?

Corporate Reality?

Strategic Opportunity?

Core business issue?

Which one is it for you?



Climatic change and the insurance industry: still a critical issue



Evaluating and dealing with the effects of natural catastrophes has always been among the insurance industry's main tasks. When considering the future we are, however, having to devote more and more attention to the issue of climatic change: is it making natural catastrophes more frequent? Are we going to face more dramatic occurrences and greater losses in future? How can the insurance industry ensure that it provides an adequate response to the threat of climatic change?

One thing is certain: in future, the limits and possibilities of insurance against natural hazards will require even greater attention from the insurance industry than they do now. We must find ways of evaluating and quantifying the threat posed by individual risks. To do this, the insurance industry is dependent upon research: it is researchers who assess potential natural hazard scenarios and supply the insurance industry with important data and ideas.

Swiss Re has been considering the potential effects of climatic change for years. The company is aware that this could be a matter of life and death – not only for reinsurers. This is why Swiss Re seizes every opportunity to organize discussions between representatives of the research community and the insurance industry. This document, for example, is the product of a seminar on climatic change which was held at Swiss Re Zurich in May 1996, at which researchers presented scientific results for Europe, with particular emphasis on the alpine region.

Global leaders are committed to keep global warming below 2 degrees.

- **But:** At the moment we are on track for at least 3.6 degrees.
- “Climate change is becoming a defining theme of the global economy.” (Schroders Investment Bank 2020)
- **But:** “Markets show blissful ignorance.” (BlackRock 2019)
- “We have to create a world in which it is unacceptable not to have planned in advance.” (Lloyds of London, 2017)
- **But:** Risk management remains imbalanced: Just 12% of funds are put into risk reduction and prevention and 88% go into response, repair or reconstruction after an event. (*Surminski, S. and Tanner, The Triple Dividend of Resilience, 2016*)

Fit for today and fit for the future?



- **Liability risks** - corporates exposed to more lawsuits, greater public scrutiny of corporate action

Global trends in climate change litigation: 2019 snapshot

Policy publication © 4 July, 2019

Download

[GRI Global trends in climate change litigation 2019 snapshot \(PDF\)](#)

This policy report provides an overview of current issues in climate change litigation, focusing on selected cases and developments from May 2018 to May 2019. The report draws on the **Climate Change Laws of the World** database and the **U.S. Climate Change Litigation** database.



- **Physical risk** – direct and indirect impacts on asset values, risk profiles, compound and cascading risks

- Changing business models for the **transition** to the low carbon / net-zero economy

Home > News & commentaries > Insurers disclosing climate risk need to remember their customers

Insurers disclosing climate risk need to remember their customers

Commentary © 2 August, 2019

Credit: iStock

By Swenja Surminski, Head of Adaptation Research, and Sam Unsworth, Policy Analyst, Grantham Research Institute on Climate Change and the Environment

Extending climate risk disclosure to customers could yield a range of benefits for insurers, customers and the climate, but the industry will need to deepen the relationships that it holds with customers in order to achieve this, write Swenja Surminski and Sam Unsworth in this post for the **Sustainable Finance Leadership** series.

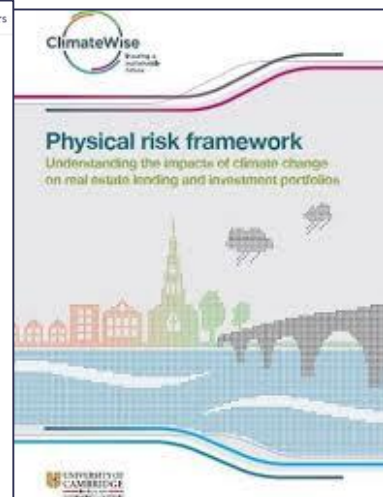


Table 2 Heatmap of the transition impact on major insurance business classes by 2030

Class of business	Existing contracts	New contracts	Insurance demand and size
Energy – fossil fuel	Asset stranding and liabilities from production sites will have impact	Introduction of carbon capture storage S and co-firing with biomass	Decline in sectoral size due to product demand contractions
– renewables	Evolving regulations and business models	Risks in power purchase agreements can be better insured	Growth in sectoral size due to move away from fossil fuels
Aviation	Performance of new fuels unclear	Limited change in technology pre-2030	Sectoral slowdown due to modal shift
Marine	Risks from retrofitting ships, new fuels and cargo types	Handling of new fuels and cargo types	Unclear: slowdown but risks emerge with new fuels and cargo
Motor	Internal combustion engine driven more in rural areas	New business models involving electric vehicles and pay-per-use	Unclear: growth varies across vehicle types and usage
Construction	Perils change, but impact on claims is unclear	Tighter building standards and energy efficiency requirements	Retrofits and new materials, but offsite construction lowers risks
Credit, financial guarantee and M&A	Profits and business interruption	New sources of revenue risks faced by various businesses	New technical and business environments require insurance
Property	Perils change, but impact on claims is unclear	Changes in supply chains require insurance for properties	Unclear: changes in exposure vary a lot by property type
Product liability and recall	Liabilities from energy efficiency and sustainability standards	New liabilities associated with low carbon products	New technologies and fuels require insurance
Other liability	Increasing pressure from climate change litigations	Provide cover for climate change related settlements and litigation	Magnitude of risks increases expected to result in growth

Lloyds of London, Vivid Economics, Grantham Research Institute: Transition to a low carbon economy - implications for different sectors, 2020

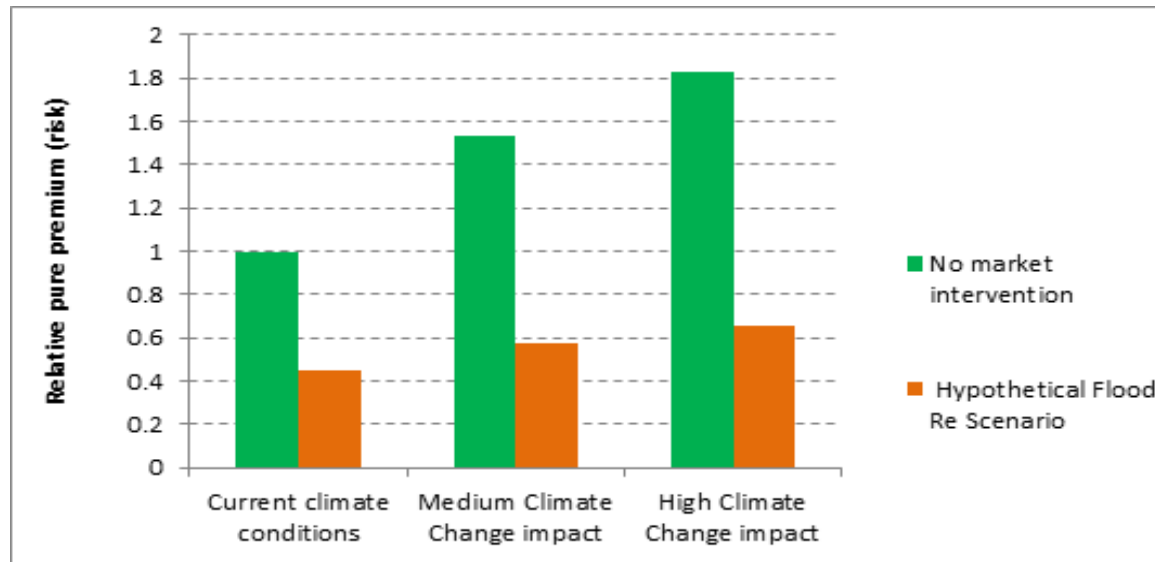
Reputational issues

- Reporting and disclosure: quantitative and qualitative data, narrative of understanding, evidence of targets, transparent methodology for metrics and targets and active projects
- Greenwashing
- Engagement with employees
- Pressure from activists



The problem of 'lock-ins'

Many decisions today are not reflecting risks tomorrow; or it is assumed that insurance will be available and affordable. This poses risk for financial stability and raises difficult social questions.



Source: adapted from [Jenkins, Surminski, Hall and Crick 2016](#), in Prudential Regulation Authority and Bank of England: [The impact of climate change on the UK insurance sector \(2015\)](#).

What to look out for?

- **Underestimating impact of physical risks:** The sector looks at climate change through the cat risk lens– this is too narrow. It is not a gradual process; and interdependencies and cascading risks require new responses.
- **The resilience and adaptation challenge:** Most climate impact models assume that we will adapt – that is unrealistic given current state of adaptation across the world. Adapting later will be significantly more expensive and in some cases impossible.
- **Avoid silo industry response:** Very few insurers have a strategy for litigation risk or adaptation, growing number with transition risk strategies and commitments.
- **Trends in non-insurance and under-insurance:** is already impacting many sectors, geographies, hazards
- **Disclosure and engagement:** Risk disclosure is increasing, but not well understood, smaller companies often not involved, results not used to inform products, and strategies.



THANK YOU!
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► Panel sobre el cambio climático: desafíos y oportunidades para el sector de los servicios financieros

Moderador: **Babak Abbaszadeh**, Presidente y CEO, Toronto Centre

► Panelistas:

- **Tomas Soley**, Superintendente de Sugese, Costa Rica
- **Maryam Golnaraghi**, Directora, Cambio Climático y Medioambiente, The Geneva Association
- **Emmanuel Buttin**, Oficial de Políticas, Finanzas Sostenibles, Comisión Europea

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Preguntas y respuestas de los participantes

Complementadas por las observaciones de Swenja Surminski

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¡MUCHAS GRACIAS!