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PRESS RELEASE

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The Bermuda Monetary Authority Publishes 2020 Climate Change Survey Report

HAMILTON, BERMUDA – The Bermuda Monetary Authority (Authority or BMA) published the results of its climate change survey today. The survey, conducted in 2020, gathered information from insurance groups, commercial insurers (classes 3B, 4, D, E and select 3A and C classes) and select special purpose insurers. The survey focused on insurers’ general climate risk understanding; an assessment of climate change’s impact on strategy and governance, underwriting and product development, and investments; climate change stress testing; disclosures; and lessons learned from COVID-19 that translate to climate change risk management.

The 2020 Climate Change Survey Report reveals a number of headline findings, all of which highlight climate change’s increasingly complex implications to the financial services industry. More specifically, the report finds that climate change has shifted from being considered by a niche part of the market to being a high priority for a broad range of companies. Increased boardroom and top management awareness is pushing climate change into companies’ strategy and operations. Much of the climate change awareness focuses on the challenges it brings, such as the pressure to some lines of business and the uncertainty around the speed and realisation path of transition phases to low-carbon economies and still evolving methods, methodologies and standards for risk assessment and disclosure. The survey results also found that Bermuda insurers’ current risk management practices have positioned them to incorporate climate change risks, particularly physical risks for non-life insurers that have historically written the property catastrophe business lines. To address these risks and challenges, insurers view skill and knowledge development as crucial. However, beyond the risks that climate change brings, it also brings investment and other opportunities (e.g., development of innovative insurance products and services), which insurers are currently exploring.

This survey forms part of a larger BMA effort to support Bermuda’s broader climate change initiatives. This larger effort also involves ongoing engagement with both industry and international peers and standard-setters. More specifically, engagement with industry includes an exposure assessment and vulnerability analysis. This trial run will serve as a basis to set regulatory and supervisory expectations for insurers’ impact assessment of climate change risk and define future filing requirements. At the international level, the Authority is a member of the Sustainable Insurance Forum and actively participates in various International Association of Insurance Supervisors’ systemic risk initiatives. These strategic steps will allow the BMA to continue working towards incorporating climate change risk into its supervision framework, setting expectations for insurance companies’ governance and risk management practices.

Craig Swan, BMA Deputy Chief Executive Officer, says, “The goal of our climate change efforts is no different

than with any of our other efforts—to identify and ultimately establish best practices and align our framework accordingly. These efforts will require collaboration, innovation and a problem-solving mind-set across industry and jurisdictional borders. One of the more tangible tools in our regulatory toolbox that we foresee using is our sandbox facility. This time-tested facility, which we will be expanding beyond the insurance sector, creates the necessary flexibility to explore innovative financial services products that may serve as climate change adaption tools.”

The 2020 Climate Change Survey Report has been published on the BMA’s website at:
www.bma.bm/publications/bma-surveys.

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