

43 VICTORIA STREET
HAMILTON 12
BERMUDA

PHONE: (441) 295-5278
FAX: (441) 292-7471
EMAIL: enquiries@bma.bm



PRESS RELEASE

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The Bermuda Monetary Authority Introduces Subject Matter Expert Team Focusing on Innovation and Climate Change

HAMILTON, BERMUDA – The Bermuda Monetary Authority (Authority or BMA) is increasing its focus on climate change matters with the introduction of a regulatory and supervisory team specialising in the licensing and supervision of innovative business model proposals to address climate change risk and the associated protection gap. The team will also work with climate change risk solution service providers (to the financial services sectors) wishing to participate in the Authority’s innovation hub.

The BMA recognises that the challenges posed by climate change continue to exacerbate, resulting in a tremendous impact on both communities and regulated entities. With respect to industry impact, while recent BMA and Prudential Regulation Authority stress testing¹ suggests that Bermuda’s (re)insurers would remain resilient to a wide range of risk scenarios, the Authority’s data estimates that combined gross potential loss for the Bermuda commercial (re)insurance market on major natural catastrophe perils is approximately USD \$200 billion. More specifically, the BMA’s analysis of the exceedance probability curves demonstrates that Bermuda commercial (re)insurers are more exposed to Atlantic Hurricane than any other peril. The gross average modelled losses for this peril, across all companies, stretches from \$772.6 million for the “1-in-50” year events up to \$1.5 billion for the “1-in-1,000” year events.

The economic impact on communities is even more profound. According to Aon plc², out of 416 notable 2020 natural disaster events, the protection gap was roughly 64%. It has been noted that developing countries suffer the vast majority of uninsured losses, with a 2018-commissioned Lloyd’s of London study³ attributing an estimated 96% of the total global insurance protection gap to developing countries.

Accordingly, there is more opportunity for increased natural catastrophe financial support from the (re)insurance

¹ See page 6 of the *Bermuda Insurance Property and Casualty Market: Catastrophe Risk and Stress Testing Analysis 2019 Report* published here: [BMA Report](#)

² See page 1 of the *Aon Weather, Climate & Catastrophe Insight: 2020 Annual Report* published here: [Aon Report](#)

³ See page 4 of the *Lloyd’s of London A world at risk: Closing the insurance gap* published here: [Lloyd’s Report](#)

industry, of which Bermuda has a high level of existing expertise. Through this new team's introduction, as well as other Environmental, Social and Governance (ESG) initiatives, the BMA is committed to supporting industry's pursuit of these opportunities and efforts to mitigate climate change business risks, alongside contributing to global solutions regarding climate change and the global insurance protection gap.

Additionally, this initiative will not be limited to the insurance industry. The team will be comprised of subject matter experts from across the BMA's business units. Paralleled with the upcoming introduction of the General Regulatory Sandbox (and the Authority's existing regulatory sandboxes), this will further enable sectors throughout Bermuda's financial services ecosystem to have the requisite regulatory and supervisory guidance, support and parameters as they pursue innovative solutions relating to climate change risk.

BMA Deputy Chief Executive Officer, Craig Swan, says, "As the Authority has historically done, it will continue to update its framework to ensure agility. The team's initial focus will be on the insurance, investment funds and digital assets sectors, providing both incumbents and the widening array of entrants with an evolving framework that flexes to innovations and ESG considerations. The goal is to ensure industry and the BMA continue to use 'cutting edge' approaches in managing risks and opportunities, respectively. This ultimately will maintain Bermuda's important role in assisting individuals, communities and businesses around the world to mitigate climate change risks and develop sustainably."

The Authority will continue to have substantial dialogue with the Bermuda market on ESG and actively participate and support development and adoption of broad international and local standards and guidelines. Interested parties who have specific suggestions or business cases on the topic, including a desire to participate within one of the BMA's regulatory sandboxes or its innovation hub, may engage the BMA by emailing climaterisk@bma.bm.

Media Contact: Stuart Roberts, Assistant Director, Communications; Direct line: (441) 278-0312; Cellular: (441)704-4117; E-mail: sroberts@bma.bm

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