



12 September 2022

NOTICE

Consultation Paper - Guidance Note: Management of Climate Risk for Commercial Insurers

BACKGROUND

1. The Bermuda Monetary Authority (Authority or BMA) is issuing its [Guidance Note: Management of Climate Risk for Commercial Insurers](#) for consultation. The guidance note provides further details on the BMA's expectations regarding climate risk in the context of environmental, social and governance risk aspects, and its consideration in governance and risk management requirements, which are part of the revised *Insurance Code of Conduct*.
2. As part of the *Insurance Code of Conduct*, this guidance focuses on corporate governance, particularly board governance, and risk management practices, including Own Risk and Solvency Assessment (ORSA) and climate risk scenario analysis.
3. The Authority expects an implementation phase of up to three years and expects insurers to show continuous progress, documented in the annual ORSA and monitored by the Authority via supervisory activities, including off-site data analysis and on-site visits.
4. The guidance notes seek to consider the diversity in the insurance market. While it targets minimum standards the Authority expects insurers to embed into their operations, the Authority's expectations are based on the proportionality principle. Additionally, the Authority acknowledges that climate risk measurement and management methods are still evolving and that insurers, therefore, will need to continuously update their approach during the implementation phase and beyond.
5. Evolving local and international best practices have informed the Authority's approach to climate risk. These guidance notes also follow the publishing of two publicly available documents: the *2020 Climate Change Survey Report* and the *2021 Climate Risk Exposure Survey Report*.

CONSULTATION

- 6.** The Authority invites the insurance industry and other interested persons to provide commentary on the proposals set out in this guidance note by Monday, 31 October 2022. Please send comments to RiskAnalytics@bma.bm with the subject heading 'Climate Risk'.