



# IAIS

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

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## **IAIS Global Insurance Market Report provides first quantitative study on the impact of climate change on insurers' investments**

- ***More than 35% of insurers' invested assets are exposed to risks from climate change, according to data covering 75% of the global insurance sector.***
- ***Scenario analysis confirms significant benefits of an orderly transition towards internationally agreed climate targets from both a financial stability and solvency perspective.***
- ***IAIS report provides important insurance supervisory perspective in international efforts to identify and address data gaps and analyse financial stability risks.***

**Basel, Switzerland** - The International Association of Insurance Supervisors (IAIS) today published the 2021 special topic edition of its [Global Insurance Market Report](#) (GIMAR). The report, a first such global quantitative study, assesses how insurance sector investments are exposed to climate change.

"Climate change is the defining challenge for this generation. The GIMAR uses data from our wide membership in combination with analytical tools to understand how the insurance sector is exposed to climate risk," said Vicky Saporta, IAIS Executive Committee Chair. "The results highlight the benefits of pursuing an orderly transition towards internationally agreed climate targets to minimise the risks to solvency and financial stability."

Climate change poses material risk to the economy and the financial sector, including the insurance sector. Changes in climate are already leading to more extreme and frequent weather-related events, thereby increasing the physical risks to which insurers are exposed. Insurers will also need to manage their investment exposures to those assets and sectors most vulnerable to physical and transition risks.

Drawing on unique quantitative and qualitative data gathered from 32 IAIS Members covering 75% of the global insurance sector, this report represents the first global deep-dive analysis on insurers' investment exposures and supervisors' views on climate-related risks. Using the data, scenarios were developed to assess future climate change impacts.

Quantitative data analysis shows that "climate-relevant" assets within equities, corporate bonds, loans and mortgages, sovereign bonds and real estate represent more than 35% of insurers' total assets. Within equities, corporate bonds and loans and mortgages, most climate-relevant assets relate to the housing and energy-intensive sectors.



Scenario analysis assessing the forward-looking impact of climate change shows that the magnitude of the impact is highly dependent on the type of climate transition considered. Compared to an orderly transition towards internationally agreed climate targets, a disorderly transition, or a scenario whereby climate targets are not met, would have a two to six times greater adverse effect on sector-wide solvency. For example, under a “disorderly transition” scenario, results show an absolute drop in insurers’ solvency ratio of more than 14%, increasing to almost 50% under a “too little, too late” scenario. Nevertheless, considering the solid overall solvency position of the global insurance sector, the sector as a whole appears to be able to absorb investment losses from all scenarios tested.

“This report underscores the importance for supervisors of assessing how climate change may affect the insurance sector and individual insurers and of developing an appropriate supervisory response,” said Jonathan Dixon, IAIS Secretary General. “The IAIS is committed to deepening the breadth and scope of our contributions to helping insurance supervisors mitigate the effects of climate change.”

The Global Insurance Market Report special topic edition can be found [here](#).

### **About this report**

The GIMAR assesses developments relevant to the global insurance sector and identifies key risks and vulnerabilities for the sector. In 2020, the GIMAR was adapted to report on the outcome of the IAIS’ Global Monitoring Exercise (GME). The GME is aimed at assessing global insurance market trends and developments and detecting the possible build-up of systemic risk in the global insurance sector and is part of the IAIS Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector.

The GIMAR special topic edition delves deeper into key topics stemming from each year’s GME. The 2021 edition focuses on climate risk.

### **About the IAIS**

The IAIS is a global standard-setting body whose objectives are to promote effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to the maintenance of global financial stability. Its membership includes insurance supervisors from more than 200 jurisdictions. For more information, please visit [www.iaisweb.org](http://www.iaisweb.org) and follow us on LinkedIn: [IAIS – International Association of Insurance Supervisors](#).