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Latin American insurance regulation plays catch-up on climate risk

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Companies: Suramericana.

Climate risk needs to be one of the "top priorities" for the insurance industry in emerging markets, according to Juana Francisca Llano, vice president at Latin American insurer Suramericana.

"We believe the insurance industry has a responsibility for prioritising and managing issues relating to climate change and including these in its core business processes," Llano, who is based in Medellín in Colombia, told *InsuranceERM*.

"In so doing, we can help build up climate-related financial resilience and speed up the transition to a low carbon economy, thereby driving the competitiveness of emerging countries through supporting their production capacities."

Llano said insurance legislative "backwardness" in regulating climate change solutions has held back progress in many Latin American countries.

Regulatory efforts have only started to gather pace in the last few years and, despite a rise in the number of regulatory authorities looking at the physical and transition risks associated with climate change that must be addressed as part of insurers´ overall risk frameworks, the region still has to catch up with global counterparts.

Limited access to information, the complexity of the phenomena to be transferred, and the particular nature of the risk on each sector, have all restricted the development of risk transfer mechanisms in the Latin American region. At the same time, domestic companies have been slow to progress on green investment initiatives, such as green bonds.

Initiatives

Llano said potential environmental initiatives could come from, for example, the International Association of Insurance Supervisors' Insurance Core Principles (ICPs), which provide a global framework for supervising the insurance sector,

"Although these do not address specific risk issues, the ICPs serve as a basis for regulators to identify and respond to the new and emerging risks to which the insurance sector is exposed. Here, the ICPs provide a framework for regulatory authorities to address the insurance sector with respect to climate risks."

The Latin American region is largely dependent on fossil fuels, which has increased the amount of vulnerability and exposure to transition risks and which can increase financial, reputational and strategic risks for the region.

Llano was a participant on the *Emerging markets and the critical role they play in climate resilience* panel at the Insurance and Climate Risk Americas conference held in New York this week.

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