

**FIDES**  
**Statement from Río de Janeiro 2023**

**Climate Change**

Climate change and its consequences represent one of the most significant challenges facing humanity in the 21st century. Its effects are evident in the increase in global temperatures, glacier melting, rising sea levels, the disruption of historical precipitation patterns, the intensification of extreme weather events, and the loss or severe disruption of natural biodiversity patterns, among others. These effects have negative implications for health, security, the economy, development, and the well-being of people worldwide.

In 2022, according to Swiss Re's Sigma report, insurance covered approximately 45% of the \$275 billion in global economic losses resulting from natural disasters. In Latin America, losses reached \$17 billion, of which only \$1 billion was insured, accounting for a mere 5.9%.

Faced with this reality, there is an indisputable global consensus that climate change is a real threat that must be urgently addressed through a global effort to prevent the worsening of its consequences.

It should not be overlooked that the insurance sector is one of the most affected by climate change, as it must bear the risks and costs associated with damage caused by increasingly frequent and severe extreme weather events. As such, insurers are acutely aware of the challenges and threats posed by climate change to our business.

Our sector plays an important role in the fight against and adaptation to this phenomenon. We can contribute by combining insurance protection with prevention services and risk transfer schemes that cover the adverse impacts of climate change. Insurance cannot prevent climate events from occurring, but it can at least ensure that those who suffer from them, especially the most vulnerable, are not left without resources to face the future.

We also participate in green financing by investing in projects that have a positive impact on the environment and people. We become important agents of change by promoting the adoption of sustainable climate risk management practices and encouraging clients in terms of prevention. In this regard, insurance can act as a lever to mobilize all economic sectors, with a particular focus on small and medium-sized enterprises, to transition to an economic model aligned with climate neutrality.

With these contributions, we are also helping to achieve United Nations Sustainable Development Goal number 13: "Take urgent action to combat climate change and its impacts."

Despite our commitment to providing proposals and solutions to this challenge, the problems we face in covering climate-related losses are diverse and complex. Some of these problems include:

- The increase in the frequency and intensity of extreme climate events, such as floods, fires, droughts, and hurricanes, which result in increasingly significant economic and human losses. This increase in frequency and intensity can render climate events uninsurable, as they become systemic and frequent rather than fortuitous and sporadic.
- The difficulty in estimating and predicting climate risks is compounded due to the uncertainty and variability of future scenarios that require complex models and more sophisticated and up-to-date scientific data.

- The lack of coverage for the most vulnerable and exposed sectors, such as agriculture, fishing, and tourism, which may remain unprotected or without access to insurance coverage.
- Legal liability for damage caused by climate change, which can lead to claims or lawsuits against insurers or their clients for not taking sufficient measures to prevent or mitigate greenhouse gas emissions.

These problems pose a challenge to the solvency and stability of insurers, consumer protection, and business protection, as well as the accessibility and affordability of insurance. Therefore, we need governments to adopt a series of measures, including:

- Establishing clear, stable, and coherent regulatory frameworks that define objectives, responsibilities, and incentives for climate change mitigation and adaptation.
- Promoting public-private collaboration to develop innovative and affordable solutions that meet the protection needs of the most vulnerable and exposed sectors affected by climate change.
- Facilitating access to information, data, and scientific models that allow insurers to assess and predict climate risks and design appropriate products and services.
- Supporting the transition to a more sustainable and low-carbon economy by promoting renewable energy, energy efficiency, sustainable mobility, reforestation, and other actions to reduce greenhouse gas emissions.
- Promoting education, awareness, and citizen participation in the fight against climate change, fostering a culture of prevention, responsibility, and solidarity.
- Prohibiting construction in high-risk areas exposed to significant flooding.
- Developing effective land use planning for flood control. This will reduce damage and recovery costs.
- Facilitating access to global and open reinsurance markets to reduce the geographical concentration of climate-related risks, ensuring greater availability of capital to support Latin American insurers and reinsurers.
- Identifying insurance coverage gaps in our society and taking measures, in collaboration with governments and government agencies, to minimize them. This will result in an improved insurance prevention function among the most vulnerable groups.

With these measures, we can transition to a better-insured society, continue working to reduce the protection gap for the effects of climate change, and efficiently, accessibly, and sustainably insure against the impacts of this phenomenon over time. A better-insured society will be a more sustainable one.

Río de Janeiro, September 2023