



11 July 2022

To: All Regulated Insurance Entities

Supervisory Issues and Information Circular

Re: Climate Change, Environmental, Social and Governance and Sustainability

With climate change accelerating both in frequency and in the intensity of extreme weather events, the Cayman Islands Monetary Authority (the "Authority"), similar to other regulators in various jurisdictions around the globe, recognises the prevalence of Climate Risk and Environmental, Social and Governance ("ESG") considerations and the need for thoughtful sustainable initiatives. As insurers are exposed to both physical and transition risks through underwriting activities and investments, the impact of climate change threatens their individual resilience and financial stability.

Climate related risks are a material risk consideration for the insurance sector due to the direct impact on insurability of policyholders' assets as well as insurer's operations, investment objectives and reputation. As such, there is a growing need for insurers to better understand the impact of related climate and ESG risks in their risk management and corporate governance frameworks. Those charged with governance of insurers should also have clear roles and responsibilities in managing and mitigating these risks.

Such risks can also cause business interruptions and accessing the appropriate level of resources to manage these risks will minimise disruptions on insurers' operations. Whilst the Authority recognises that sustainable investing is increasingly becoming the fastest growing investment strategy within the financial services sector, insurers should ensure that they monitor the inherent environmental risks within their investment portfolios, including the collection and management of data required for risk modelling and establishing consistent transparency and disclosure requirements.

As part of its supervisory mandate, the Authority will continue to participate in international engagements, undertake reviews and assess available information, such as best practices, with the aim of developing a suitable regulatory and supervisory approach for climate and other ESG-related risks. Should you have any questions, please email the Authority's Insurance Supervision Division at ContactInsurance@cima.ky.