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Insurance
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Climate Risk Trends and
Considerations

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Meet our Presenters



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Sustainability and the Insurance Sector

Sustainable financing initiatives among insurance companies are largely driven by alignment of their underwriting portfolios with ESG strategies.

Support sustainable development¹

Global insurers are striving to aid sustainable development as **asset owners through optimal capital-allocation and active-ownership strategies** that complement their underwriting portfolios.

Close insurance gap¹

In 2020, economic losses from disasters were around \$202 billion, with over \$190 billion due to natural catastrophes. The economic losses from catastrophes are growing faster than insured losses. Thus, to **close this insurance gap**, insurers are endeavoring to design new insurance products to create **disaster-risk-financing systems**.

Offer holistic risk coverage¹

Insurers are actively assessing **climate change risks, including climate-related physical, transition and litigation risks**. They are focused on developing insurance products within a changing risk landscape that can assist with climate adaptation.



Sustainability and Bermuda

How can the Blue Economy provide opportunities for Bermuda?

1. Facilitate Sustainable Fisheries

- Transitioning to sustainable local fisheries and aquaculture through digital licensing and enhanced monitoring.

2. Expand Sustainable Marine Tourism

- Developing high-value, low-impact marine tourism that safeguards natural and cultural heritage.

3. Accelerate the clean energy transition

- Accelerating the transition to offshore wind and marine renewables to achieve energy independence.

4. Increase Blue investment & Blue Technologies

- Increasing investment in ocean technology and climate finance to position Bermuda as the Atlantic Hub.
- Support the financial sector and build on **existing leadership in the re/insurance industries** to **further develop climate finance** and blue finance mechanisms, with the goal of establishing Bermuda as the Atlantic hub for blue and climate finance.
- Explore development of **climate insurance products** that can limit the financial impact of hurricanes and other climate-related impacts on the island's coral reefs and/or coastal infrastructure protected by the coral reefs.



BERMUDA'S BLUE PROSPERITY PLAN

APRIL 2024, FINAL DRAFT



GOVERNMENT OF BERMUDA
Ministry of Home Affairs



BERMUDA OCEAN
PROSPERITY PROGRAMME

Sustainability and Bermuda: Parametric Insurance

A new class insurer: From discretionary assessment to formulaic, auditable triggers

Feature	Traditional Indemnity	Parametric Insurance
Trigger	Loss assessment after event	Predefined parameter met (e.g. wind speed, rainfall)
Payout Speed	Weeks or months to settle	Automatic payout — hours or days
Certainty	Subject to claims disputes	Formulaic — no disputes
Complexity	High — adjuster dependent	Transparent & auditable
Coverage	Actual loss only	Protection gap filler

BMA PSPI Framework (2026): The Parametric Special Purpose Insurer class provides a dedicated regulatory home for climate innovation, closing the protection gap for climate risks.

Sustainability and Bermuda: Blue Captives

Operationalizing nature-based insurance in Bermuda's captive market

Bermuda leads the world in captives; we are now seeing the rise of Sustainability Captives that pre-fund restoration.

- 1 Fill the Coverage Gap:** Traditional insurance markets increasingly exclude or price out climate-exposed assets — coastal property, fishing vessels, marine tourism infrastructure. A blue captive provides bespoke, stable coverage designed around the specific risk profile of its owner, closing the gap that the open market leaves behind.
- 2 Reinvest in Sustainability:** Unlike traditional insurance premiums which leave the group, captive reserves stay within the corporate structure. These reserves can be directed into green and blue investment vehicles — Ocean Prosperity Fund contributions, sustainability-linked bonds, or conservation finance — turning a risk management tool into an ESG investment mechanism.
- 3 Governance-Ready by Design:** The captive structure naturally produces the kind of clear, auditable, entity-level financial data that TCFD, TNFD and BMA disclosure requirements demand. For accountants, this is the critical point: a well-governed blue captive is not just a risk tool — it is a sustainability reporting asset.

Cultivating transparent & ESG-driven investor relations strengthens stakeholder trust, reshapes market perception, and fuels a trajectory of long-term success

KEY THEMES BY CAPABILITY

Capital Markets Relationship Management



- Narrative building to effectively convey ESG risks, opportunities, and general results in line with strategic vision
- Consistency of the narrative, KPIs and themes
- Timing responses to analyst requests – providing deeper ESG details

Statutory, Regulatory & Governance



- Ensuring the narrative incorporates statutory and regulatory ESG reporting and disclosure requirements
- Ensuring that required and voluntary disclosures, KPIs and themes are presented consistently
- Ensure narrative demonstrates ethical governance

IR Strategy & Communication

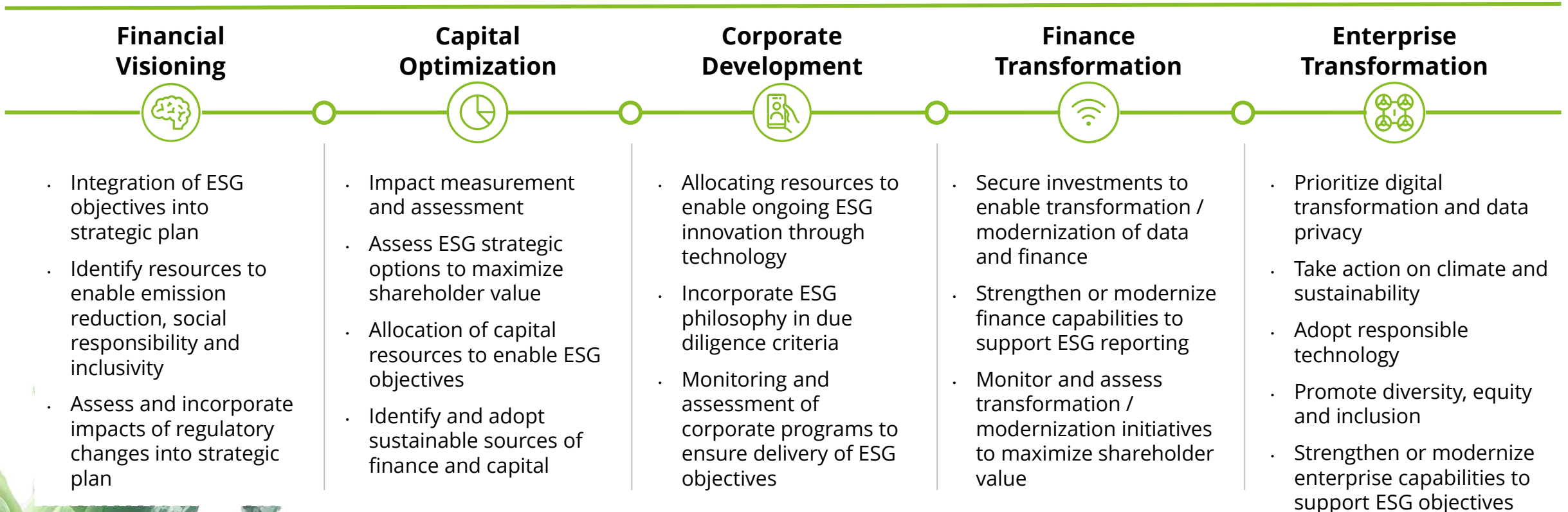


- Identifying groupings for ESG stakeholders
- Developing a communication strategy for each ESG stakeholder group
- Executing effective ESG communications based on strategy and in line with market expectations

Sustainability – Strategic Finance

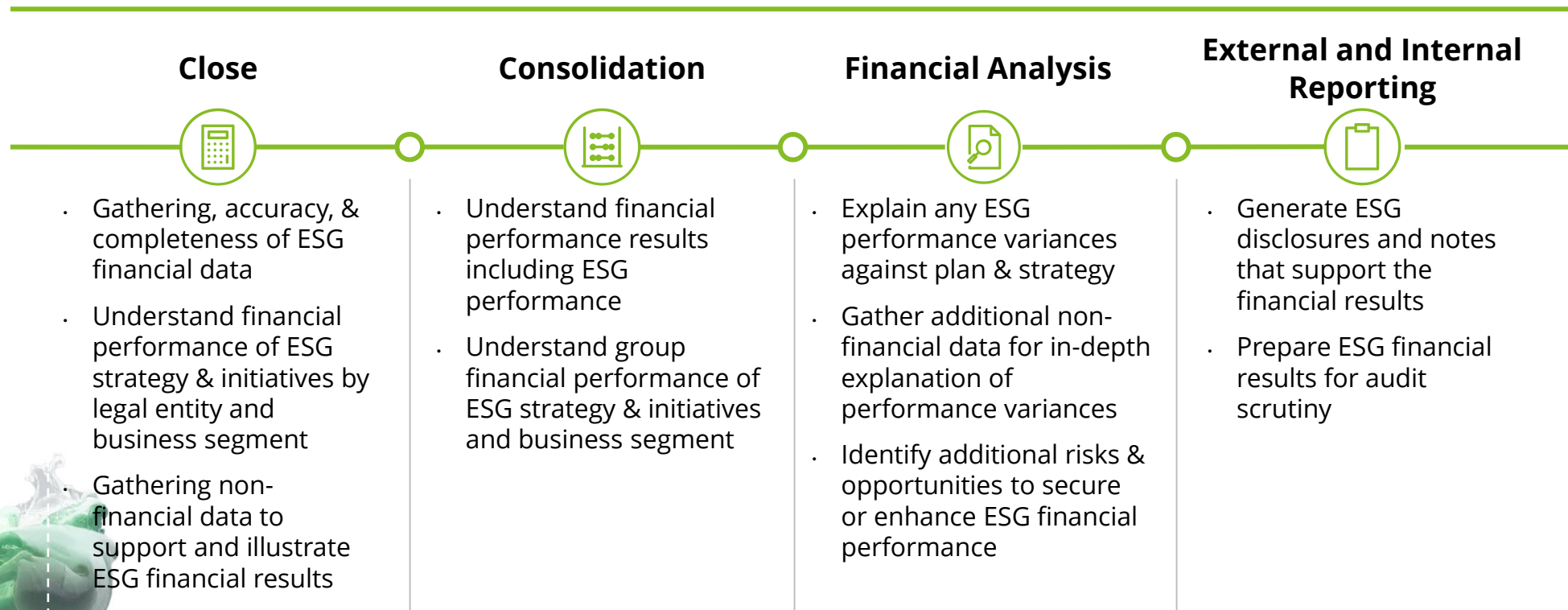
Strategic finance must ensure a company's resources are leveraged to achieve its ESG objectives and maximize shareholder value

KEY THEMES BY CAPABILITY



The controllership function is at the heart of ESG reporting and effectively manages the concrete numbers to then report progress to stakeholders

KEY THEMES BY CAPABILITY



Sustainability and Accounting

IFRS and USGAAP Climate Risk Impact

Theme	Standard	What it requires
PPE	IAS 16	Reassess useful lives and residual values; accelerate depreciation or impair stranded assets rendered uneconomic by climate transition
	ASC 360	Recoverability test when climate shortens useful lives; stranded assets written down when future cash flows no longer support carrying value
Financial Instruments	IFRS 9 / IFRS 7	Forward-looking ECL assessment must incorporate climate risk for exposed counterparties; disclose impact on financial instrument risk management
	ASC 326 / ASC 825	CECL model requires lifetime expected credit loss with climate-informed forward-looking adjustments; climate inputs increasingly relevant to Level 3 fair value estimates
Insurance Contracts	IFRS 17	Reassess actuarial assumptions when physical climate risk increases frequency or severity of insured events
	ASC 944	Recognise environmental remediation liabilities when probable No direct IFRS 17 equivalent; reserve sufficiency and premium deficiency testing under ASC 944-60 serve a similar function

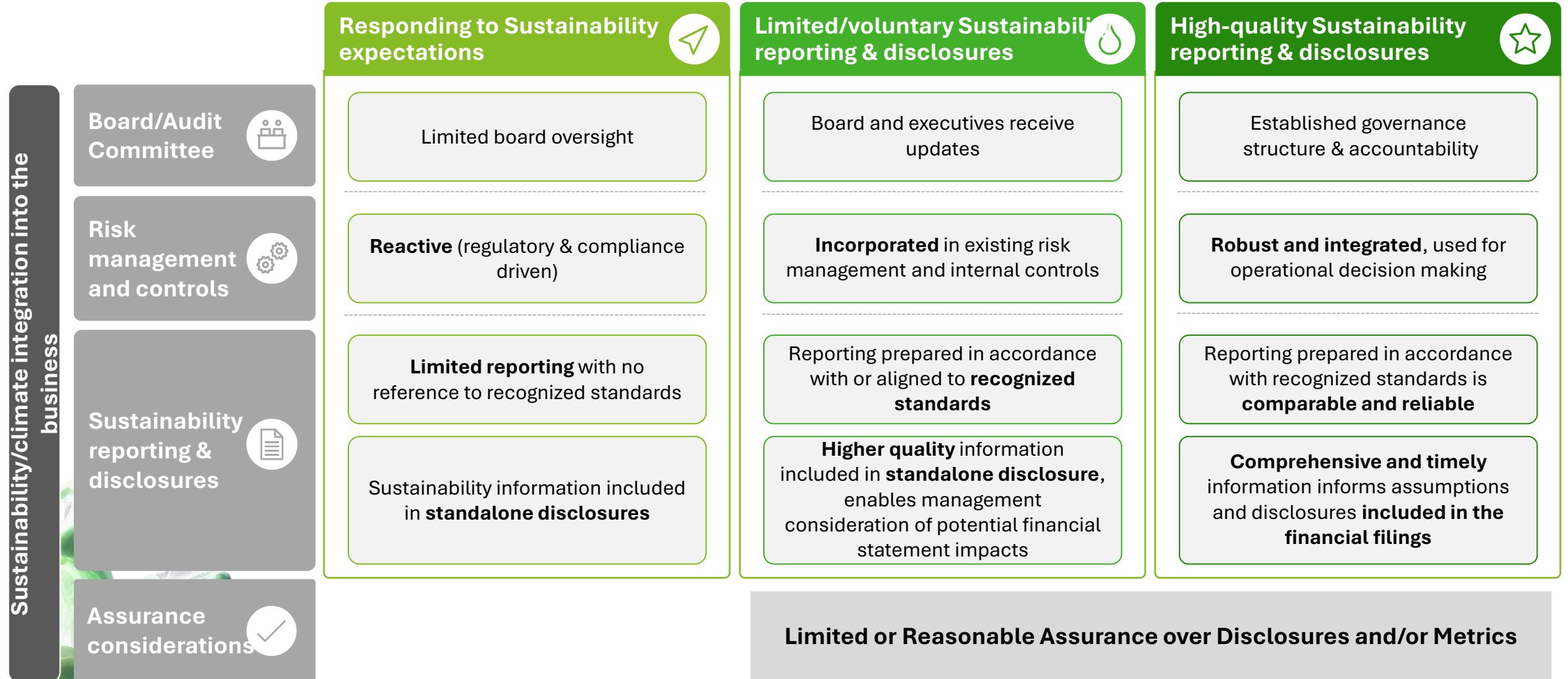
Sustainability and Accounting

IFRS and USGAAP Climate Risk Impact

Theme	Standard	What it requires
Presentation & Disclosure	IAS 1 / IFRS 18 (FY2027)	Disclose material climate assumptions and estimation uncertainties that could affect asset and liability values within the next financial year
	ASC 275 / SEC Rules	Disclose significant climate-related estimates reasonably possible to change materially within one year; SEC 2024 climate rules require material risk disclosure in annual filings (currently subject to legal challenge)
Impairment	IAS 36	Test assets for climate-triggered impairment; mandatory sensitivity disclosures for CGUs where a change in climate assumptions could breach recoverable amount
	ASC 360-10 / ASC 350	Two-step recoverability test triggered by climate events; goodwill tested annually under ASC 350 with climate as a qualitative factor
Provisions & Levies	IAS 37 / IFRIC 21	Recognise provisions for legal and constructive climate obligations — including public net-zero commitments; levy liabilities recognised when triggering activity occurs
	ASC 410 / ASC 420	Recognise environmental remediation liabilities when probable and estimable; restructuring costs recognised only on formal plan communication — no constructive obligation concept

Sustainability and Reporting

Governance is a Leading Component of Sustainability Disclosure



BMA Guidance Note



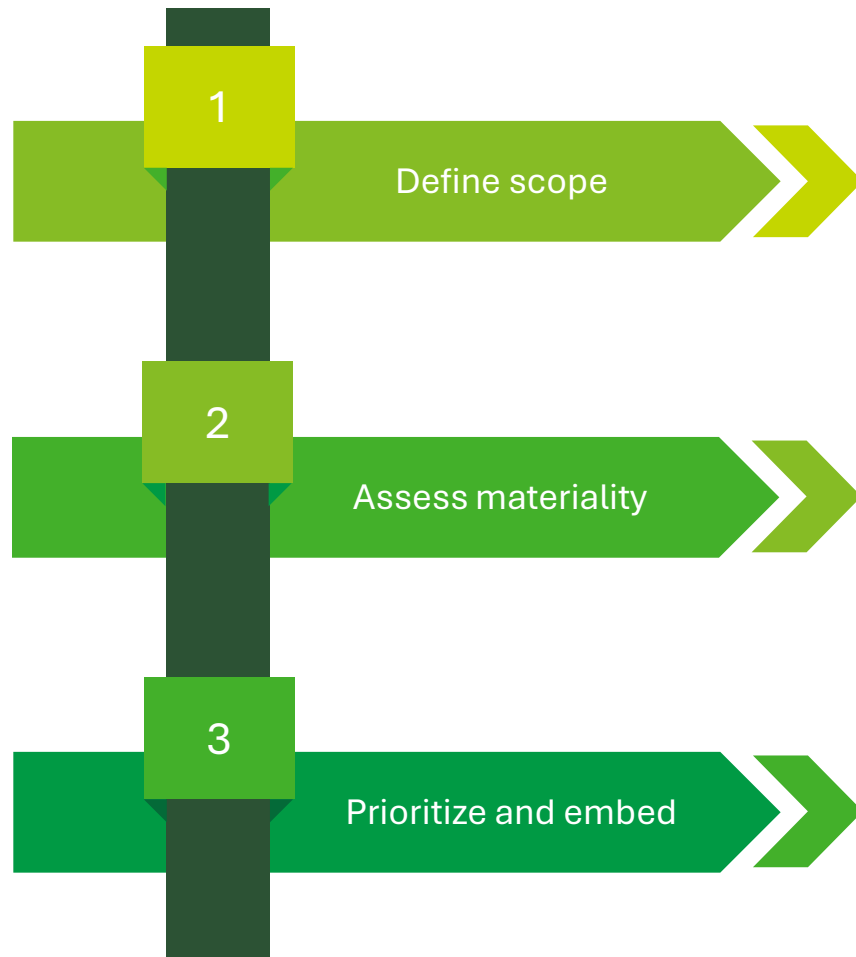
BMA Guidance note overview

Four core building blocks for embedding climate risk into the business



Materiality assessment

A structured, proportionate process for assessing whether climate-related matters are relevant to the firm



Practical approach

Define scope

- Set clear boundaries for the assessment, reflecting the business model, relevant time horizons and proportionality. The aim is a scope that is realistic, focused and capable of being defended.

Assess materiality

- Single materiality asks how climate-related risks affect the firm across underwriting, investments, operations and strategy.
- Double materiality adds a second lens by considering how the firm's own activities may create impacts that later feed back through regulatory, legal, reputational or financial channels. Start with qualitative analysis and deepen it where materiality appears plausible.

Prioritize and embed

- Not every climate issue will be material. What matters is being able to explain why something is material, or why it is not, using evidence, assumptions and time horizons. The output should feed into the broader climate risk framework, from governance discussions through to ERM and the CISSA.

Corporate Governance

Turning board oversight of climate risk into clear accountability, reporting and action



Governance Structure

Climate risk responsibilities are explicitly integrated into Board and committee mandates, enabling effective decision-making and regulatory alignment.

- Conduct governance gap assessment against BMA expectations and recommend updates to Board and committee charters.
- Define climate risk ownership across functions and recommend appropriate governance roles and resourcing structure.
- Establish escalation and reporting frameworks to ensure climate risks are monitored and communicated to governance bodies.

Policy & Risk Appetite Development

Develop a climate risk policy aligned with business strategy and regulatory requirements, supported by clear risk tolerance thresholds

- Draft climate risk policy and implementation procedures aligned with regulatory expectations and existing ERM frameworks.
- Develop climate-specific risk appetite metrics aligned with the overall risk management framework and strategic objectives.
- Align underwriting and investment governance frameworks and support formal Board approval and ERM integration.

Climate Risk Integration

Climate risk must be embedded across the policies, decision-making processes, and functional governance to ensure consistency and regulatory alignment

- Review governance documentation describing how climate risk integrates into strategic planning, risk appetite, and enterprise-wide decision-making.
- Assist management with creating a climate-risk reporting and monitoring framework with defined cadence, metrics, and thresholds.
- Establish an ongoing governance assessment process to evaluate effectiveness, identify gaps, and support continuous improvement.

Risk Management

Climate Risk should be embedded within the risk management cycle

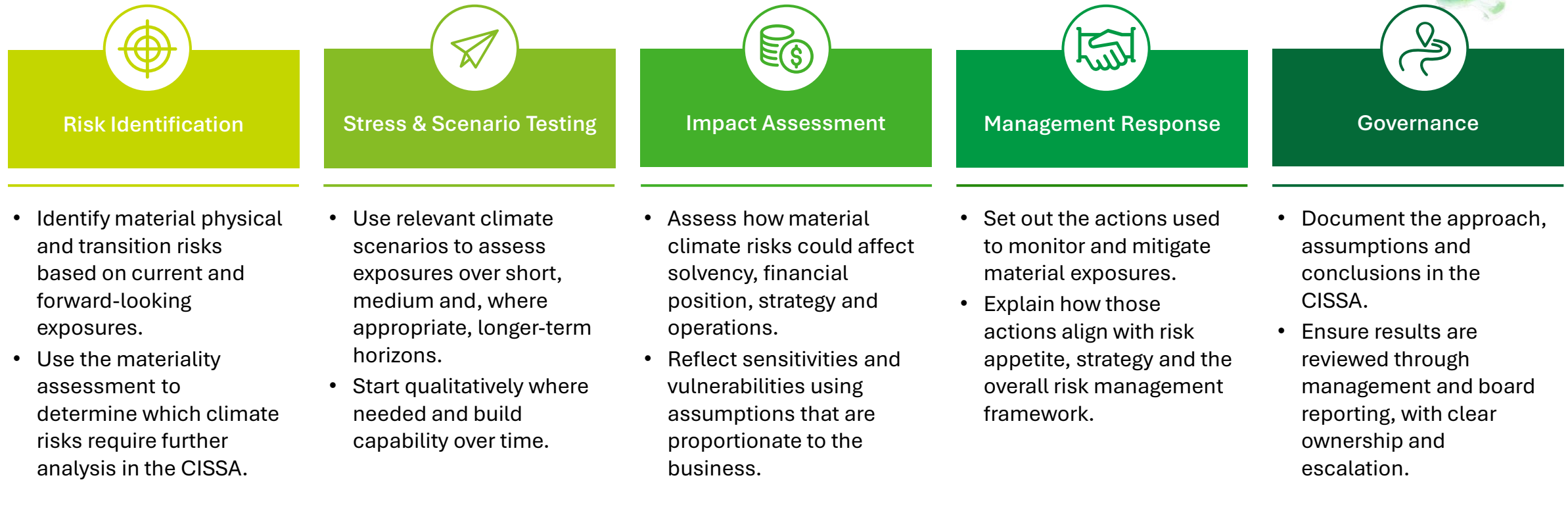


CISSA process

Translating climate risk into scenario analysis and solvency assessments



Data /Data



Q&A

