

Climate risk, sustainability and the protection gap

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

Climate change affects every instrument discussed in this chapter. Insured losses from natural catastrophes have exceeded one hundred billion US dollars in several recent years, according to Swiss Re's *sigma* reports, while the share of uninsured losses remains large, especially in developing countries.¹ Chapter I of this Part described the gap in the Swiss earthquake insurance, which shows that even rich countries leave large risks uninsured. Alternative risk transfer offers instruments to narrow such gaps, from catastrophe bonds sponsored by governments to parametric covers for communities and farmers. Investors who care about sustainability have shown interest in insurance-linked securities that finance the resilience of vulnerable regions.

Supervisors have begun to address climate risks in insurance. FINMA has published a circular on nature-related financial risks, which requires insurers and banks to identify and manage climate and other environmental risks according to their size and complexity. The Ordinance on Climate Disclosures, in force since 2024, requires large companies to report on climate matters in line with the recommendations of the Task Force on Climate-related Financial Disclosures.² For captives, these developments mean that their owners must consider whether the risks they retain will become more frequent or severe, and whether the commercial capacity above their retention will remain available at acceptable prices.

1 Notes

1. On insured and economic losses from natural catastrophes (insured losses above USD 100 billion in several years since 2017) and the protection gap, see Swiss Re Institute, *sigma*, natural catastrophe reports (various years). Figures to be verified. ↩

2. FINMA Circular 2026/1 "Nature-related financial risks" (published December 2024), and the Ordinance on Mandatory Climate Disclosures for Large Companies of 23 November 2022 (SR 221.434), in force since 1 January 2024. Circular number and status to be verified.
↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/basel-climate-risk-sustainability-and-the-protection-gap