Comments received from first public consultation on climate risk supervisory guidance

16 March 2023 to 16 May 2023

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Q1: Do you have any comments on the proposed text referencing climate-related risk within the ICP Introduction?			
1	Superintendency of Banks of Guatemala	Republic of Guatemala	Yes, we considered that it is not necessary to change the title of the headland, paragraph 10 explains that risk-based supervision is a related concept to but different from proportionality.
2	Natural Resources Defense Council	United States	It would be helpful to more clearly frame the issues posed to the insurance industry by climate change. Climate change poses two basic kinds of risk: physical risk, which is generally the risk of increasing harm from hurricanes, drought, wildfires, and other extreme weather events, and transition risk, which is generally the risk to the fossil fuel industry (and related industries) and their investors, lenders, employees, and communities as we transition to a low-carbon economy. These risks manifest themselves to the insurance industry on the asset side of the balance sheet as fossil fuel-related investments face a loss in value, and on the liability side of the balance sheet as casualty claims may significantly increase because of more frequent and intense extreme weather events. In addition, climate change may threaten the insurance industry's critical role in risk-spreading. Insurance companies spread risk by issuing insurance policies in consideration for the payment of premiums. The premiums are generally set at a level that, when invested, allows the insurance companies to pay policy claims and earn a profit for the insurance company. In this way, the risk of extreme weather events (among other risks) is spread across the pool of individuals or businesses subject to these risks. Climate change threatens this model by throwing into question the historic data by which insurance companies set premiums for their policies covering extreme weather events and make projections of potential losses or damage claims made on those policies. If they respond by increasing premiums or ceasing to write coverage, they may protect their balance sheets, but at the cost of not meeting their societal risk-spreading role. To be sure, there are ways to mitigate the additional risks, such as requiring resiliency measures, requiring transparency to home buyers and renters about past damage from floods, wildfires, or other climate hazards, and pressing for stronger building codes to ensure that future structures are

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			built with climate risk in mind. As further noted below, the impacts of climate change and insurers' risk mitigation measures may be particularly severe for disadvantaged communities. By framing these issues more clearly, the IAIS would be more likely to generate responses and action plans that address them.
3	American Property Casualty Insurance Association (APCIA)	United States	The American Property Casualty Insurance Association (APCIA) represents 1200 (re)insurers that operate in the U.S. and around the globe. Our membership is characterized by diverse business models and companies of all sizes that provide critically important insurance coverage and loss prevention services that provide significant benefit to policyholders and the public. We appreciate the opportunity from the International Association of Insurance Supervisors (IAIS) to provide feedback on the Public Consultation on Climate risk supervisory guidance – part one. In general, we support the work of the IAIS to provide climate risk supervisory guidance within the insurance sector, but we would urge caution in elevating climate risk far above other material risks that the insurance sector contends with. We support reference to the importance of risk-based pricing to provide critical economic signals. In setting a supervisory framework, we also support standards that are principles based, only require information that is measurable, and avoid metrics that have no standard definition or process to measure. We support IAIS' continued inclusion of language regarding the importance of proportionality in implementing the ICPs. While we agree that the ICPs refer to risks generally, we also believe it is important to maintain the significance of risk-based supervision as reflected in the existing sub-heading. Its removal from the sub-heading suggests diminished significance. We don't necessarily agree with the broad characterization that climate risk has interconnection and amplification characteristics. Given the generalized nature of the introduction, we suggest removing the specific reference to climate risks and using another

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			opportunity to clarify how climate-related risks are interconnected and may have an amplifying effect on other risks, focusing on how climate risks manifest themselves as a financial risk for purposes of solvency regulation.
4	Verisk	United States	The suggested language amplifies two important points: 1) consideration of both traditional and emerging risks and 2) the interconnected nature of risk, especially for climate change. The proposed text is a good addition to the guidance.
5	Partnership for Carbon Accounting Financials (PCAF Inc.)	Global	When referring to climate-related risk, it is important to stress the importance understanding re/insurers' scope 3 category 15 emissions – financed emissions and insurance-associated emissions – which are the most significant part of re/insurers indirect GHG emissions inventory. Special consideration must therefore be made to how these are measured. Measuring insurance-associated emissions is an important step a re/insurer can take to identify and assess climate-related transition risks and identify potential opportunities. Therefore, understanding the underwriting portfolios-associated emissions makes good business sense for a re/insurer. GHG accounting can help re/insurers achieve multiple objectives, such as creating transparency for stakeholders, managing financial risks associated with climate policies and regulations, creating new insurance products to support decarbonization efforts, and ensuring that their own underwriting portfolios are compatible with the Paris Agreement as appropriate. The Partnership for Carbon Accounting Financials (PCAF), developed a Standard to enable re/insurers measure their insurance-associated emissions. This Standard can be found at: PCAF Standard Part C: Insurance-Associated Emissions (https://carbonaccountingfinancials.com/files/downloads/pcaf-standard-part-c-insurance-associated-emissions-nov-2022.pdf). The Standard, published on 16th November 2022, was co-created 16 large re/insurance companies from Europe, Japan, the US, Australia, Brazil and Kenya. The PCAF Standard is built upon the principles of the GHG Protocol, and The Task Force on Climate-related Financial Disclosures (TCFD) recommends the use of the PCAF Standards in their TCFD: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf) from October 2021 for insurance companies.

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			Similarly, Re/insurance companies can also measure and disclose their absolute financed emissions associated with their asset owner and asset management activities. PCAF developed the Standard for this purpose, which is available at: PCAF Standard Part A: Financed Emissions (https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf). Measuring financed emissions will enable re/insurance companies to assess climate-related risks of their asset portfolios in line with the recommendation of the Task Force on Climate related Financial Disclosures (TCFD).
6	International Actuarial Association	International	The International Actuarial Association (IAA) notes the change to the title of this section, and given the relatively short discussion on risks, think that a better title might be “Proportionality and risk considerations”. The IAA believes the new wording could be expanded to make the distinction between different types of emerging risk. Some such risks may be risks that are gaining prominence, but when they crystallise, are not enduring - an example may be cyber risk which has come to the fore recently and has become a more significant peril. However, climate risk has different characteristics - it is long term in nature and is not so easy to mitigate, particularly as many of the mitigating actions will take years to have any effect. Consequently, the impact on insurers is different for these different types of emerging risks. The IAA also notes that there is a different onus on supervisors for those risks which are systemic and those which are not. Systemic risks are primarily the focus for supervisors while non-systemic risks are primarily the focus of insurers, with supervisors more concerned that insurers are properly managing those risks. We note that there may be a tension between the insurance system’s use of risk-based pricing and the affordability of insurance for at risk policyholders. While accurate risk assessment provides economic signals to promote investment in resilience activities, the potential effect of risk assessment on all stakeholders should be considered. In paragraph 12 (redlined text on page 8 of the consultation document) we suggest that an example may help clarify the statement, such as by adding “Individual risks are often

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			interconnected and may have an amplifying effect on other risks. This is the case, for example, with climate-related risks.”
7	Ecojustice	Canada	While it is encouraging that the ICP Introduction proposes to include a reference to climate-related risk, more ambition is necessary to ensure that climate-related risks are properly addressed. Slow inaction on climate policy increases the economic impacts of climate change and risks financial stability. We are in a global climate emergency. Without immediate and unprecedented action to stop greenhouse gas (GHG) emissions, the climate emergency will have severe consequences for our economies, ecosystems, and society. Insurance supervisors should adopt a forward-looking precautionary approach to climate-related risk. The Introduction should incorporate a recognition that supervisors and insurance companies need to take a future looking approach to climate-related risk. Slow action on climate change will increase the related financial risks. The Introduction should outline that action on climate-related risks cannot be deferred or slowed because of incomplete or imperfect climate data. Finally, to have practical application, the Introduction should recognize that the best way to reduce climate-related financial risk is to reduce the impacts of climate change which requires action to reduce high GHG emitting activities.
8	U.S. Chamber of Commerce	United States	May 15, 2023 International Association of Insurance Supervisors c/o Bank for International Settlements CH-4002 Basel Switzerland To Whom It May Concern: The U.S. Chamber of Commerce (“the Chamber”) is pleased to respond to the International

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			Association of Insurance Supervisors' ("IAIS") public consultation on climate risk supervisory guidance ("the consultation"). While the Chamber agrees that climate change is a source of risk that insurers should account for, we question the implication that climate change is currently a financial stability risk to the insurance sector. The Chamber has long supported practical, flexible, predictable, and durable market-based solutions to address climate risk. Our members are driving private sector innovation across industry sectors that will be central to solving climate change. To ensure optimal policy outcomes, the best science and observations available, identification of material risk, and a rigorous assessment of available alternatives through cost-benefit tradeoffs should be the drivers of climate-related financial services policy. Billions of dollars in private sector research and development have led to the creation and implementation of innovations that help manage climate risk, accelerate emissions reductions, and help communities and companies adapt and build resilience; the insurance industry has been at the leading edge in addressing the impacts of climate change for years. Insurers have undertaken voluntary actions to address climate-related financial risk, including changes in underwriting, promoting resilience and predisaster mitigation for at-risk assets, and changes in long-term investment strategy to prepare ahead of the next crises[1]. The Chamber is committed to addressing these challenges with market-centered solutions and welcomes the opportunity to engage in constructive collaboration towards these ends. The consultation rightly notes that "the insurance industry plays a critical role in the management of climate-related risks in its capacity as an assessor, manager and carrier of risk, and as an investor and steward of financial resources, while being uniquely qualified to understand the pricing of insurance risks." Climate risk is among a host of risks that insurers account for in their strategic planning, and insurers employ different strategies to prepare for each type of risk. For decades, insurers have been at the leading edge of demonstrating

[1] U.S. Chamber of Commerce comments to the Federal Insurance Office (November 15, 2021) Found at: http://www.centerforcapitalmarkets.com/wp-content/uploads/2021/11/U.S-Chamber-ofCommerceComments_InsuranceSectorClimateFinancialRisks_Treasury-PDF.pdf?#

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			significant understanding of climate risks and have been integrating strategies to address climate-related risk throughout their organizations over various time horizons. Insurers are also reducing risks over the life cycle of their assets by making investments in more smart, modern, resilient infrastructure. Upcoming consultations by IAIS should focus on how supervisors and insurers are considering climate risk in their planning and risk management processes. Any future material developed by the IAIS should not create an expectation of "one-size-fits-all" mandates but should highlight how climate-related risk is being contemplated over different time horizons. The consultation states that climate change and climate-related risks are material for the insurance sector, and the Executive Summary asserts a linkage between climate risk and financial stability. Climate change is certainly a risk that insurers should identify and manage, and they have the tools to do so. In fact, the insurance industry has been including climate risk in long-term planning for years. Moreover, the consultation appears to conflate insurer financial stability concerns with protection gaps. The tools a supervisor would use to mitigate financial stability risks generally involve actions that reduce exposure to such risks. However, the IAIS's concerns with increasing protection gaps as climate reduces insurability is generally solved by solutions to increase exposure to fill such perceived gaps, thereby potentially exacerbating risks to an insurer's financial condition. In addition, we are concerned that an undue focus on climate risk could lead both insurers and regulatory authorities to place less emphasis on more immediate and material risks. Since climate risk is a long-term risk and it is unclear how and to what degree such risks will come to fruition, an inordinate emphasis on these risks and using resources toward that end could lead insurers to neglect more serious near term risk. We ask the IAIS to strike the right balance in its focus on climate risk. The plausibility and certainty of a risk are key considerations for insurers in determining whether a risk is material. Insurers' boards and management will place greater attention on risks that meet these criteria. If a company determines that risks are speculative and distant, they generally will not consider them material or give them heightened scrutiny, and companies should be given the flexibility to determine whether risks are material. In any future recommendations, we urge the IAIS not to place any undue emphasis on climate-related risks over others in a financial institution's

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			overall risk strategy, which could lead the institutions to spend disproportionate time and resources on climate risks when others may be more material. The consultation also asks about transition plans and whether the IAIS should explore those in a future consultation. We do not believe that transition planning merits further IAIS work at this time given the IAIS' role as a prudential regulatory standard-setter rather than a climate regulator. To the extent climate risk can be a driver for financial risks on a firm's balance sheet, the evaluation of an insurer's management of climate transition and adaptation risks should be addressed as part of existing filings with supervisors like Own Risk and Solvency Assessment (ORSA). We also caution the IAIS against any recommendations to supervisors on "greening the financial system." The Chamber agrees that climate risk is serious and that financial institutions need to account for and incorporate it into their risk management systems. However, we are concerned with the use of any tools at the disposal of regulatory bodies to "green the financial system," as this may distract insurers and regulators from safety and soundness considerations and their ability to meet the obligations of policy holders. Regulators' role is to understand and help financial institutions mitigate risk, which might manifest due to climate change. We would also oppose any recommendations to supervisors on climate-related financial risk that are intended to shift capital away from industries or sectors that may have, or are perceived to have, more environmental risk. Markets, not political decisions, should determine underwriting, and such decisions should be risk-based. Any recommendations on shifting capital away from certain industries would be beyond the IAIS' role as a prudential regulatory standard-setter. We encourage the IAIS to limit its focus to supporting financial institutions in their assessment of climate risks only for micro or macroprudential purposes and not to recommend standards that would determine capital allocation. The Chamber also supports a clear differentiation between climate scenario

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			analysis exercises and traditional regulatory stress testing exercises[2], which typically is starkly different from existing macro stress testing and given data and methodology challenges likely to be less reliable. First, the lack of historical data creates important challenges in modelling the interactions between climate, the macroeconomy, and the financial sector, which are necessary requirements in designing plausible and coherent scenarios. Second, climate stress testing attempts to measure outcomes over a much longer time horizon—30 to 50 years rather than nine quarters for macroeconomic stress testing. Third, models that generally relate credit losses to climate risk scenarios require large amounts of information about future counterparty behavior over a long time horizon. Fourth, climate stress tests generally assume that banks take no actions to hedge or reduce exposures to climate risks over that horizon. While macroeconomic stress testing has a similar assumption assess the potential impacts of transitory shocks to near-term economic and financial conditions. We oppose climate scenario testing for the purposes of imposing new prudential requirements and believe a more qualitative horizon scanning approach, particularly for longer time horizons is a more appropriate tool to help understand potential risks to a financial institution's balance sheet and inform its overall risk management strategy. Finally, a major consideration for U.S. insurers is America's well-functioning system in which states (not the federal government) are the primary regulators of the insurance industry. For years, the insurance industry has been at the forefront in addressing climate change impacts. Insurers have voluntarily made changes in underwriting, promoted resilience and pre-disaster mitigation for at-risk assets insured by commercial P&C, and changed long-term investment strategies. Regulatory bodies, including the U.S. Federal Reserve Board have taken notice of these efforts and have recognized the health of the insurance industry in the face of climate-related

2 Bank Policy Institute (BPI), Challenges in Stress Testing and Climate Change (October 2020), https://bpi.com/challenges-in-stress-testing-and-climate-change/: "Stress testing for climate change regarding hedging, and therefore may produce some error over a nine-quarter horizon, this assumption, however, becomes deeply counterfactual over a period of decades."

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			risks[3]. The IAIS should build upon the work of the U.S. insurance industry and its state-based regulators in any forthcoming recommendations. Conclusion As the IAIS continues to assess climate risk in the insurance industry, it must recognize the remarkable progress the industry has made through market-based approaches and practices and increased communication between companies and their customers. Any climate risk proposals should allow insurers flexibility and should consider their particular business, operations, and financial performance. We thank you for the opportunity to offer these comments and look forward to working constructively with you on these issues going forward. Sincerely, Will Gardner Director Center for Capital Markets Competitiveness U.S. Chamber of Commerce
9	GFIA	Global	The Insurance Core Principles (ICPs) introduction should include the definition of “climate-related risk”, as stated in the 2021 Application Paper: “risk posed by the exposure of an insurer to physical, transition and/or liability risks caused by or related to climate change”. If the terms “climate-related risk” and “climate risk” are used interchangeably that should be noted as well. GFIA supports the amendment to the ICPs, which recognises the active efforts of supervisors to integrate climate risks into their practices, as some insurers already include them in their operations, such as underwriting and risk assessment. The active engagement of supervisors should take place in dialogue and cooperation with all stakeholders.

[3] Board of Governors of the Federal Reserve System Financial Stability Report (November 2021). Found at: The Fed - Financial Stability Report – November 2021 (federalreserve.gov): “P&C insurers are one type of financial institution whose leverage may be affected by climate change. Leverage at P&C insurers remained at historically low levels in the first half of 2021. The low leverage allowed P&C insurers to cover claims from recent severe weather events without solvency issues.”

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			As highlighted in the proposed text, supervisors and insurers both play a key role in the assessment of climate risks and the assessment of the management and governance of such risks. They should therefore engage in close collaboration at both global and local level. For example: • In France, the Autorité de Contrôle Prudentiel et de Résolution (ACPR) created a working group with French insurers in order to develop its proposal for a climate scenario analysis pilot exercise. • In the US, insurers and regulators worked closely together when revising the annual climate risk survey so that it recognises proportionality, materiality and confidentiality. • In Canada, the Bank of Canada and the Office of the Superintendent of Financial Institutions are conducting a pilot project on climate scenario analysis to help the financial sector improve its ability to analyse economic and financial risks that could arise from climate change. • In Germany, the German Insurance Association (GDV) provided guidance for climate change scenario analysis in ORSA developed in a working group of German insurers. This initiative is welcomed by German supervisor BaFin. Furthermore, BaFin prepared a “Guidance Notice on Dealing with Sustainability Risks” that also addresses climate-related risks and provides risk management approaches (including stress tests and scenario analyses) in addition to governance aspects. • In New Zealand, the External Reporting Board (XRB) observed over several months as the general insurance sector developed its scenario analysis. This was mutually beneficial. As the XRB had yet to set its scenario standards, it was able to gain insight from how a sector developed its scenarios. And having the standard-setter observing gave the sector confidence that it was on the right path. Such collaborations should extend to policymakers so that they enable the incorporation of climate risks into insurers’ approaches through the creation of a sound international regulatory framework and foster a level regulatory playing field.

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10	The Life Insurance Association of Japan	Japan	The Life Insurance Association of Japan (hereafter the “LIAJ”) appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (or the “IAIS”) regarding the Climate risk supervisory guidance – Part one (or the “Consultation Document”). Based on the acknowledgement that the possible risk of climate change impacts financial stability and resilience of insurers, we perceive each initiative taken by the IAIS as a strategic theme is beneficial for the insurance sector. With this in mind, we would like to submit our comments as follows. The ICP should include the definition of “climate-related risk,” as stated in the 2021 Application paper, which defined it as “risk posed by the exposure of an insurer to physical, transition and/or liability risks caused by or related to climate change.” If the terms “climate-related risk” and “climate risk” are used interchangeably that should be noted as well.
11	Finance Watch	EU	The inclusion of a reference to climate-related financial risks in the ICP introduction is a welcome development and step towards tackling these risks. There is a potential issue with the way that climate-related risks and emerging risks are referred to in the additions to the introduction, as the proposed text assumes that the ICPs in their current form are already well-designed to address climate-related risks. The new text could better recognise the need to assess how well the ICPs capture emerging risks. These risks, including climate-related financial risks, may pose new challenges to the existing principles and prudential frameworks. A recognition of the need to assess and adapt the principles where needed would be more appropriate than the suggested assertion that the ICPs in their current design can address all the risks related to insurance and its supervision, including when applied to emerging risks. In particular, the forward-looking non-linear nature of climate related risks, as well as a more fundamental radical uncertainty of climate change, require evolution of supervisory and prudential frameworks.

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12	The Geneva Association	International	The Geneva Association thanks the International Association of Insurance Supervisors (IAIS) for providing stakeholders with the opportunity to respond to the public consultation on climate risk supervisory guidance – part one. Climate change risk is an important topic for the insurance industry, and the Geneva Association appreciates the efforts by the IAIS to create supervisory consistency across jurisdictions in this area. This letter provides high-level comments about the consultation as well as comments on specific questions. General comments on the consultation document: 1. The IAIS should differentiate between 'climate risk (natcat/ weather risks) and 'climate change risk'. The IAIS should not view 'climate risk' and 'climate change risk' as interchangeable terms. Climate risk refers to the (extreme) weather-related risks such as natcat risks that P&C re/insurers underwrite at any given time. Climate change risk includes physical, transition and litigation risks with a view to how they evolve and interact in the future (e.g., in the next 5 years, to 2030, to 2050, to 2100). We encourage future IAIS work to make this differentiation and align with the terminology used by the ISSB. 2. Both current climate (natcat/ weather) and climate change risks should not be assumed to be a threat to financial stability. We question the premise, in the first sentence of the document, that climate change may impact financial stability solely because it is a source of financial risk. It is important to recognize that climate change risk effects are vastly different than a bank run, liquidity shortfall, or market shock. The immediate impacts of climate change are not evident, considering the long-term nature of the risk. While climate change affects the severity and frequency of weather-related events over time, the year-on-year change is not observable. Climate change impacts occur over the long horizon, and their manifestation is likely to be gradual. While the severity of certain risk manifestations may increase due to climate change, these effects can be anticipated and addressed within a company's risk

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			management in the normal course of business. On the liability side, insurers providing climate-sensitive coverages can typically adapt and adjust terms and conditions due to the short-term nature of these coverages. The question then becomes how climate change risk impacts the availability and affordability of coverage. This is a problem of a different nature: a protection gap rather than a threat to financial stability. As research of e.g. the FSB shows, the relationship of climate change to key potential systemic exposures and transmission channels is not well-established at this stage, given the high degree of uncertainty around climate-related scenarios (which are also a function of future public policy decision and management actions) and the related challenges in quantifying both climate change risk and potential negative externalities to the financial system. 3. The IAIS should recognize the tension between resilience and protection gaps. The IAIS's work on climate change risk issues should be mindful of the inherent tension between the resilience of the financial institutions and the societal goal of avoiding protection gaps. The consultation document appropriately suggests that climate change is both a source of financial risk to insurers and a factor that could make certain insurance coverages unavailable or unaffordable. However, addressing concerns pertaining to climate change risk and financial stability may lead to a reduction of coverage, while addressing protection gaps may lead to expanding coverage. Policy or regulatory measures that advance one of these two objectives may impede the other. 4. Climate change should be viewed as a driver of risk, not a separate risk factor or category. The consultation document introduces a plan for incorporating climate change risk into the insurance Core Principles and other IAIS material. We encourage the IAIS to adhere to the framework outlined in its 2021 application paper and to view climate change as a risk driver rather than a separate risk factor or category and this approach should be maintained when referencing climate change risks in the introduction. We are concerned that the consultation paper appears to single out climate change as a separate risk factor.

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			5. The IAIS work on climate should consider the unpredictability of the political and policy environment. In paragraph 6 of the consultation document, the IAIS highlights the fact that near-term energy shortages have caused countries to continue with or revert to fossil fuels. This illustrates that political decisions and policy choices beyond the control of insurers and insurance regulators and supervisors could have significant and unpredictable impacts on climate change risk manifestations. In the paragraph 6 example, the pivot to fossil fuels was a policy response to potential concerns about the effects of high energy prices on people and businesses. If unaddressed, energy shortages could have led to manifestations of mortality, credit, or other types of risk. The political and policy dimension of climate change means that actual risk manifestations are likely to be different than the risks that would be measured in a forecasting model or long-range plan. While we agree that it is important for insurance supervisors to strengthen their understanding of the political and policy dimensions of climate change, we would ask supervisors to be cautious with taking prudential actions targeted to insurers where governments delay or diverge from their net zero commitments as we believe that the supervisory focus should be on the risk at the individual firm level. 6. The IAIS should approach climate scenario analysis with caution Section 2.2 of the Consultation Paper describes climate scenario analysis as “a key tool to better understand climate-related risks in the insurance sector”. While we agree on the desirability of getting a better understanding of climate-related risks the following points should be considered: • It is important that in the emerging field of scenario analysis, the IAIS and others continue their exchange with the industry, particularly in the forthcoming consultation on climate scenario analysis. • Improving scenario analysis ought to be part of an iterative feedback process between insurers and their regulators. This process takes time and both insurers and regulators need to enhance their capacities and expertise in this.

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			• Due to inherent uncertainties associated with climate change, the modelling tools that allow for forward-looking stochastic analysis of risks are imprecise. Hence, qualitative assessments should be established as part of climate risk analysis”. • Ideally, scenario analysis would provide meaningful and decision-relevant assessments for both sides of the balance sheet. But in view of new methods (i.e. applying scenario analysis to climate change), long time horizon and uncertainty around many of the parameters, the focus at this stage should be on learning rather than granularity and comprehensiveness. We have provided detailed comments on the issues for consultation and responses to specific questions in the attached annex. Detailed comments on issues for consultation 1. Changes to ICP Introduction: • The IAIS should keep the original heading "Proportionality and risk-based supervision" under the ICP introduction, as it refers to risk-based supervision and makes clear that the ICPs are about supervision and not only about risk management. The old (current) heading also aligns with paragraph 10, which explains the difference between proportionality and risk-based supervision, focusing on the greatest risks to policyholders. • Paragraph 11 refers to traditional and emerging risks, but it is unclear what this means in the context of climate change, as the insurance industry has, in practice, been dealing with climate risk for several decades. It should be kept in mind that climate change is a driver of risks rather than a new, standalone category of risk and ought to be assessed according to its materiality for different classes of business and in a holistic manner with regard to other relevant risks. • In paragraph 11, risk management and supervision should focus on material risks. The concept of materiality should find its way into this paragraph.

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			• Paragraph 12 suggests that risks can increase other risks. The interconnectedness of risks is already addressed in other ICPs from micro- and macro-prudential perspective. In our view there is therefore no need to address this in paragraph 12. Responses to specific questions Question 2: The concepts of "proportionality" and "risk" should not be included in the same section, as the risks mentioned do not pertain to the topic of proportionality. We suggest to distinctly highlight this by creating a separate section for "Risks," as discussed in paragraphs 11 and 12. This way, the sections pertaining to "Proportionality and risk-based supervision" can remain unchanged. Question 4: • Although mitigation appears in paragraph 1 (line 5) and paragraph 4 (line 5) of this guidance, there is no reference to adaptation. The most direct impact on insurance business is likely to be physical risks, which are closely related to the latter, and adaptation should be included alongside mitigation. The study of adaptation to climate change risks involves different circumstances and challenges in different countries and regions. We therefore request that this be taken into account in the issues and themes to be considered in future consultations. • The NZDPU is presently in the process of creating a worldwide, open data platform dedicated to climate change. However, insurers are still navigating how best to approach areas like climate-related risk assessment and climate scenario analysis, given the lack of established analytical standards. As the IAIS is working on supporting material for ORSA and climate scenario analysis, we suggest that they contemplate offering information such as best practices for different climate-related risk assessments and climate scenario analyses. This would enable insurers to select the most suitable method that aligns with their scale and business models, thus ensuring the effective utilization of their resources.

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			Question 5: We don't think it is necessary for the IAIS to develop guidance on transition plans in relation to insurance at this time. Transition plans are not a prudential tool but are firm-specific strategic instruments. Currently there are several private sector initiatives (e.g. TCFD and GFANZ) ongoing to support firms in developing a best practice. These initiatives are developing transition planning frameworks, and transition planning involves considerations that are not unique to insurance. Future IAIS work and upcoming consultations should therefore not cover considerations related to transition planning by insurers. Question 6: The IAIS might consider an initiative to assess how insurance supervisors are aligning their work with that of other international standard setters, such as the ISSB. Regulatory alignment helps promote a vibrant, prospering industry that meets consumer needs. We hope that our input provides helpful insights for the IAIS in developing the supervisory guidance for climate (change) risk. We will continue to be engaged and hope to contribute to the important climate-related work of the IAIS. We look forward to the other climate change-related consultations later this year. Thank you for your consideration, and please do not hesitate to reach out if you have any questions or need further clarification on any of our points.

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13	Reclaim Finance	Europe	The inclusion of a reference to climate-related financial risks in the ICP introduction is welcome, but the wording used seems to suggest climate-related risks are only one type of risk among many other risks that are as relevant for supervision. However, climate-related risks have been clearly identified by regulators and policymakers worldwide as a major potential threat to financial stability and the economy that requires specific work. The reference to CRR in the paragraph 12 addition to the introduction should be modified to reflect this: "Individual risks are often interconnected and may have an amplifying effect on other risks. This is especially the case with climate-related risks." Furthermore, two key dimensions of CRR should be better reflected in the ICP introductions: 1) As the IAIS acknowledges in the paragraph 4 of its consultation document, insurers play a critical role in the management of CRR. This critical role notably comes from the fact that the activities of insurers have an impact on climate change. Indeed, insurers choices to provide insurance to a project or company or to invest in it effectively enable companies to conduct its activities and the project to be developed, and thus to emit GHG (financed and insured emissions). In return, these emissions contribute to global warming and to the potential increase of physical CRR. When insurers support is directed toward projects and company emitting large quantities of GHG and/or locking-in emissions for years, they also contribute to increase transition CRR. This CRR loop must be taken into account. It should drive supervisors to require insurers to adopt transition plans to mitigate their climate impact and align with the international goal of keeping global warming under 1.5°C. 2) CRR is a type of emerging risks but is also already visible in a number of sector and activities as well as in the growing cost and impact of extreme weather events. Several insurers - including Munich Re - have been reporting a consistent increase in the cost of extreme weather events, while studies have already shown the agricultural sector is deeply affected by climate change. The work of the IPCC also provides key insight on how current global warming is already affecting the environment and therefore the many economic and financial activities that heavily rely on it.

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14	The Shift Project	France	Introduction In its April 2023 Report, the EIOPA, ESMA & EBA (EIOPA/ESMA/EBA Joint Committee - Report on risks and vulnerabilities in the EU financial system – April 2023) warned Europe – and the world -that : “(…) Reinsurance capacity continues to be under pressure from increasing losses to properties and businesses due to climate change. The withdrawal of reinsurance in certain lines of business, price increases and higher net retentions for cedents, may lead to a further widening of the insurance protection gap for climate related natural catastrophes. (…). Going forward, to assess the resilience of the insurance industry and society to climate-related events, it will be key to assess the reinsurance natural catastrophe capacity. (…)” Indeed, 2022 could have been “year zero” for climate risks (re)insurance worldwide. 2022 has truly seen the market failure of climate catastrophe reinsurance, globally. Price skyrocketing did not make reinsurance capacity offer meet demand. Standard and Poors wrote a few months ago about the reinsurance dislocated market (S&P Global - Is The Global Reinsurance Sector About To Turn A Corner ? – September 2022), and about price escalation in the reinsurance industry : “(…) The pricing, which should be an indicator of prospective loss trends, seems to be an uphill struggle for the past several years. The growing impact of climate change, increasing losses from unmodeled secondary perils, higher inflationary pressure, and a litigious environment have resulted in accelerated loss trends, outpacing the property catastrophe reinsurance rate increases. Hence, reinsurers have tightened their property exposure management, creating a dislocation in this market. (…)” Insurance social utility is enhancing macro-economic shock resilience. Regarding climate catastrophe risks, it might be no longer the case ? As the EIOPA/ESMA/EBA Joint Committee rightly warned, it is now the very “resilience of the insurance industry (…) to climate-related events” which is at stake.

	Organisation	Jurisdiction	Comment
			So, considering that 2022 was a historical “catastrophic” market-failure event for (re)insurance, considering that 2022 was “year-zero” for the climate catastrophe reinsurance market, IAIS answers and propositions appear outdated. As mentioned in the IAIS 2023-2024 Roadmap, ICP text modifications would be “small updates” and “limited changes”. Time for “limited changes” might be over. The very fact that the IAIS Climate risk steering group was not established until September 2021 is worrying for IAIS governance, and for the industry and its international lobbying groups as a whole. From now on, everything that has been written in the near past about the resilience of the insurance industry will seem at best overly optimistic, most of the time naive, quite often ideological, and sometimes tragic. IAIS qualifies climate change as a “specific risk” ? It is no longer “specific”. It is from now on holistic, and systemic. A good point is that the IAIS text recognizes that climate change impacts are systemic. We hope that IAIS will understand that the main driver of climate change, fossil energy, is holistic and systemic as well. Those features make climate change the most extraordinary challenge for humankind. The recent IAIS’s unplanned and sudden statement (IAIS - The role of insurance supervisors in addressing natural catastrophe protection gaps – April 28 2023) makes no reference to catastrophic year 2022. The introduction of this statement is odd, to say the least : “(…) The damage and economic losses caused by natural catastrophes are increasing, partly driven by growing exposures in high-risk areas. As the impacts of climate change intensify, this could result in even greater damages, leading to increased protection gaps (…)”. One wonders what are the IAIS rationale behind this “partly driven” ; and behind that “could result” … Instead, a great mea culpa from the IAIS, acknowledging its underestimation of the seriousness of climate change, would be welcome. An inspiring IAIS declaration might enrich the dialogue with industry lobbyists such as The Geneva Association ; or the Global Reinsurance Forum.

	Organisation	Jurisdiction	Comment
15	WWF	Switzerland	Thank you for giving us the opportunity to consult on the climate risk supervisory guidance. We would like to take the opportunity to emphasize the need to include nature. The risks of climate change and nature loss are interconnected and best managed when jointly assessed. This is especially true when it comes to assessing the physical risk affecting the insurance sector. Risk is calculated as likelihood of an event occurring multiplied with the impact of the event. The measurement of the 'impact' needs to be further addressed – and proposed best practices directly linked to measuring potential impact would be welcomed. Due to uncertainties around data quality (standardization / comparability) we also propose to push for a more conservative and precautionary approach. Answer to question 1: WWF proposes to simplify text (same content): Section 11: "The risks referred to in the ICPs address a broad variety of risks; traditional, emerging, short-term, and long-term risks. Where specific risks are described, this is typically for illustration or for a particular topic." Section 12: "Individual risks are often interconnected and may have an amplifying effect on each other and other risks. Supervisors and insurers should consider how to assess and address issues such as risk management and governance, valuation of assets and liabilities, and conduct of business considering such interconnectedness. This is the case, for example, with climate-related and nature risks." We recommend keeping the word 'risk supervision' in the title, otherwise removing it can significantly weaken the content which follows. We also propose to change the order of the chapters, please see answer to next question.
16	Institute for Energy Economics and Financial Analysis	Asia Pacific	Given the novelty of climate risk, providing more context around an insurers role in the management of climate risk and the resultant impacts would be beneficial. This includes an insurers role in underwriting and investing in high carbon emission entities or projects.
17	Association of Bermuda Insurers and Reinsurers	Bermuda	No comments.

	Organisation	Jurisdiction	Comment
18	IIF	United States	Comments on Question 1 – the ICP Introduction. The IAIS should retain the original title of the ICP Introduction, which appropriately reflects the concept of risk-based supervision that underlies the ICPs (see Paragraph 10 of the ICPs Introduction and Assessment Methodology). The focus of the ICP Introduction is on the risk management and governance frameworks of insurers, as noted in Paragraph 14. The issue of the interconnectedness of risks is well addressed in other ICPs, including ICP 16, which addresses ERM, and this issue does not need to be addressed specifically in Paragraph 12. Accordingly, we would reword Paragraph 12 as follows: Climate-related transition and physical risks are drivers of, and may be interconnected with, traditional financial risks. Insurers should recognize and incorporate into the management of their traditional financial risks the material transition and physical risks to which they are subject. Moreover, strong governance practices should ensure appropriate board and senior management oversight of climate-related risk management. The reference to 'traditional as well as emerging risks' in proposed new Paragraph 11 to the ICP Introduction is imprecise. We propose that the second sentence of proposed new Paragraph 11 read as follows: The ICPs are applicable to the full range of material risks to which insurers are subject and the IAIS endeavors to update the ICPs to reflect new and emerging drivers of those risks.
19	ShareAction	Belgium	While we welcome the reference to climate-related financial risks in the ICP introduction, the proposed text assumes that the current ICPs are already well-equipped to address these risks. However, emerging risks such as climate-related financial risks pose new challenges to the existing principles and prudential frameworks. In particular, the unprecedented nature of climate change and radical uncertainty as to its evolution (also in light of the transition to a low carbon economy) mean that climate-related risks are much more difficult to predict than other types of risks, and as such require an evolution of the supervisory and prudential frameworks. We therefore urge the IAIS to assess and adapt the ICPs so that they more adequately capture these new and emerging risks.

	Organisation	Jurisdiction	Comment
20	Finance Watches - University of Camerino	Italy	Personally, I do not think its effective the message that wants to be expressed. In fact, the scope of Para 11 and Para 12 is to highlight that there must be implemented a climate risk approach both on the insurers side which will then trigger on the consumers side. For this reason, my suggestions focus on highlighting two main aspects. Firstly climate change risks can also be caused by man-made actions (i.e. Chornobyl in Ukraine or Ilva plant in Italy). Secondly, analyzing the article from a global perspective, it is important to address policies that can be replicated all over the world no matter where the location, or the type of population as those will be the future addresses of the insurance policies (i.e. disabled people living in rural areas or an alphabet people). So perhaps I would have formulated the two paragraphs in the following way: "11. The ICPs are written to address the broad variety of risks related to insurance and its supervision. The ICPs are applicable to traditional as well as emerging risks, also caused by man-made or natural climate-change emergencies. Accordingly, the ICPs, in general, refer simply to risks in order to be able to capture those that may be relevant within the given context and type of population; where specific risks are described, this is typically for illustration or when particularly relevant to a certain topic, area, and type of consumer. 12. Individual risks are often interconnected and may have an amplifying effect on other risks. This is the case, for example, with climate-related risks either caused by man or by nature. Supervisors and insurers should consider how to assess and address issues such as climate change disaster risk management and governance, valuation of assets and liabilities, and conduct of business in light of such interconnectedness."
21	ClientEarth	United Kingdom	No response.

	Organisation	Jurisdiction	Comment
22	National Association of Mutual Insurance Companies	United States	On March 16, 2023, the International Association of Insurance Supervisors (IAIS) issued part one of a "Public Consultation on Climate Risk Supervisory Guidance." In this consultation, proposed changes are shared, questions about possible other changes are posed, and feedback on supervisory guidance is sought. The National Association of Mutual Insurance Companies (NAMIC) appreciates the opportunity to respond to this consultation. NAMIC seeks to convey several key messages to IAIS as it further considers climate-related supervision. To the extent IAIS is considering potential continuing regulatory efforts on climate-related risk, taking an approach based upon foundational insurance standards, including those outlined below, would benefit the insurance regulatory system with steadfast commitment to established and proven methods. Flexible and Principles-Based: Here, the diverse insurance sector requires a flexible regulatory approach, which articulates principles as opposed to imposing prescriptive mandates. NAMIC represents a diverse range of insurers in their size, scope, and customer base. NAMIC members include the smallest farm mutuals to the largest mutuals, reciprocals, and stock companies in America. Not all insurers have the same business models or offer the same products. A healthy marketplace has variety amongst its different competitors. Therefore, regulatory efforts dealing with climate-related risks are best when allowing insurer management sufficient flexibility to assess and address material risks and to use their own judgement in how to achieve risk management objectives. Indeed, to be workable, regulatory approaches take account of the variety in insurers' business – meaning that they are proportional and recognize the nature, scale, and complexity of the insurers business – one-size does not fit all. Rigid requirements/restrictions may not only be problematic due to differences between insurers, but they may also be problematic because of changes in climate, climate data, innovations, and the broader landscape. For these reasons, as the IAIS continues to consider climate risk supervisory guidance, any such guidance would be structured best by recognizing the importance of adapting to the context and being framed as high-level principles. Risk-Based: Property/casualty insurance has concentrated on extreme weather and has

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			focused on seeking ways to minimize the physical and financial effects of climate events on policyholders. This is not new. At its core, an insurer's responsibility to policyholders requires understanding of risk. This responsibility demands that the insurer review information and utilize disciplined processes. Not only must insurers understand risk to address exposures, insurers must be able to adjust the terms of contracts (policies) of insurance and to use risk-based pricing. When it comes to climate-related risks, it is important to note the importance of the time-horizon in the context of property-casualty insurance is premised on an alignment between time horizon and the risk. Tools have been in place for years for insurers to engage in enterprise risk management and to accordingly structure their regular review of their risk management (such as through the Own Risk and Solvency Assessment (ORSA)). Insurance regulators too must direct efforts toward those that are risk-based, especially in considering where climate-related risk is not already being measured by tools (e.g., ORSA, Risk Based Capital, Form F), and other tools to prevent duplicative effort and considers current challenges in measuring climate risk. As discussed elsewhere in these comments, confidence in data/models without sufficient support or connection should not be implied. Information accuracy goes hand-in-hand with risk-based assessments. As the IAIS contemplates continued climate risk supervisory guidance, any such efforts would be framed best by being risk-based. Insurance Fundamentals Focused: Efforts by regulators in addressing risks, including climate-related risks, must be grounded in long-standing and foundational insurance concepts. Congruous with the standards described here, this encompasses directly relevant approaches for safeguarding solvency (for insurers to meet contractual claim-payment obligations to policyholders) and not redirecting focus. As the IAIS considers possible continued climate risk supervisory guidance, any such efforts are best when remaining apart from political pressure and linked with and limited to the specific regulatory purpose consistent with insurance fundamentals. Materiality Directed: Because of the importance of assessing risks' impacts, the concept of materiality to informed decision-making matters greatly. As previously outlined, insurers'

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			businesses vary. Therefore, materiality is company-specific and should be considered in the context of an insurers' assessment of its risk and solvency (such as through ORSA). Among concerns with materiality are concerns that some data (and time horizons) may not be ready/reliable to be used for purposes of making determinations of materiality. For example, in some cases, data sets may not be credible (coming from a small subset of data points that does not deliver a complete picture or reflecting a short time period that may not provide a full view into a trend). As the IAIS continues to consider climate risk supervisory guidance, any such necessary future guidance would be best directed by focusing on materiality. Respectful of Data Challenges: Data challenges – particularly with respect to a high level of granular data and questionable consistency, accuracy, and completeness of data – and data integrity must not be ignored. Consider the wisdom of the common warning: the output will only be as good as the inputs. When it comes to data that may be used by third parties to assess, compare, and make choices about companies, it is essential that data inputs be relatively available and reliably equivalent/standardized. Regulators must not push for mandating expanded quantitative assessments in light of uncertain, still nascent, and evolving methodologies and data. Quantification of climate-related risks is still in the developmental stages, and the data and models that may be used in the future are largely unavailable today. As the IAIS continues to consider climate risk supervisory guidance, any necessary future guidance must be cognizant of and restrained by data challenges. Regulatory Resiliency and Mitigation Engagement: Property-casualty insurers provide financial protection from catastrophes, including climate-related damage, and therefore insurers play a critical role in the times before and after disasters strike. Indeed, the industry is very engaged in resiliency efforts as the threat of climate change grows more severe. And industry is not alone in this regard. Insurance regulators know first-hand the impact of natural catastrophes on people and places. The construction of the built environment and the land used makes an enormous difference in the ability of physical structures (homes and business places) to withstand perils. Addressing this reality touches on the lives of real people. It means less disruption for families and more stability for communities. And, it all has a very direct connection to the work that state insurance regulators do protecting consumers and

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			informing peer policymakers on insurance-related concerns. While others in an administration may be charged with building code matters, planning, or resiliency, having an informed insurance authority voice underscoring the benefits of adopting the latest building code may provide meaningful context and supportive momentum. Insurance regulators may make an unquestionable difference by communicating with the public as well as by engaging with other agencies, legislators, and governors on the significant value of and difference made by strong, enforced building codes. Protection gained by proactively helping to brace communities and properties for disasters is consistent with the purpose of protecting insurance consumers. As the IAIS continues to consider climate risk supervisory guidance, please also consider ways regulators can engage with other government actors to reduce risk from severe weather and natural catastrophes. Iterative: Insurer oversight (including solvency) takes all kinds of material risks into account, including climate risks. To the extent regulators find that the system must be changed, NAMIC asks that the IAIS consider the ever-changing broader context and that this be a smart evolution rather than a disruption of the robust collection of tools and processes in place today. Over time there may be more proven reliable data and modeling tools available that may not be relevant, available, accurate, and/or mature today. Moving too swiftly threatens to overwhelm the goal of ensuring that insurers, regulators, and the insurance system are focusing on material climate risk. Indeed, existing frameworks on capital modeling and solvency assessments already require insurers to include all material risks, which includes climate change if applicable to the company's strategy and exposures. By issuing guidance deliberatively and incrementally, a variety of major concerns – such as those about data quality and comparability challenges, various frameworks and possible methodologies, duplication of regulatory requests, and science-based learnings – could be assessed upfront and inform future steps. Further, possible thoughtful ways to work with (and possibly incrementally modify (consistent with foundational principles)) existing tools could be considered as a way to work on an iterative basis rather than getting ahead of expertise/science and/or risking divorcing the regulatory effort from the purpose of insurance regulation. As the IAIS continues to consider possible additional climate risk supervisory guidance, such guidance is best structured when measured and iterative in its approach.

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			The suggested addition of climate-related risk to the ICP Introduction implies that it is an example of stand-alone risk. This is not the case. If climate-related risk is going to be included, consider framing it in the context of how climate-related risks may manifest themselves as a material financial risk for purposes of solvency regulation. Such an approach of putting into context may be more consistent with the importance of being focused on insurance fundamentals (through a direct link to solvency). Further, it should also be focused on where such risk is material. Additionally, it should also incorporate flexibility (where property-casualty insurer risks can manage shorter tail risks over time) while respecting any data challenges. To the extent the suggested addition may also imply that climate-related financial risk is a systemic risk to the insurance sector, we would disagree. Indeed, at present there is not sufficient evidence that climate-financial risk currently threatens the solvency of property-casualty insurers. Further, climate-financial risk is not consistent with common notions of systemic risk in which major concerns may develop quickly and have cascading impacts.
23	Ceres	United States	These edits are appropriate, but due to the unique amplifying effect of climate-related risks, the emphasis on interconnected risks needs strengthening. Not only do climate-related risks span nearly all aspects of insurer business, including both sides of the balance sheet, but the add-on impacts of transition risks will differ in their impact on different insurance lines. Climate-related risks may also amplify risks in other financial institutions where insurance is

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			used to hedge risks or protect collateral. In a February 6, 2023 letter Ceres submitted to the U.S. Federal Reserve(1) in response to their request for comment on principles for Climate-Related Financial Risk Management for Large Financial Institutions, we noted: "To capture climate risk posed to banks more comprehensively, the Fed should incorporate indirect effects. Ceres' 2020 report on banks' transition risk emphasizes the systemic nature of climate risk, illustrating how banks' first-round – or direct – losses will be significantly amplified by second-order effects due to the interconnectedness across financial sectors, including supply chain disruptions, productivity loss, and contagion channels. Incorporating impacts could shed light on critical financial stability concerns for these financial institutions and the underlying capital markets. The Fed should also assess the impacts to other assets outside of a bank's loans as part of the analysis. Our recent derivatives report shows that other assets like derivatives could amplify shocks within a financial institution." In that same comment letter, with regard to interconnectedness, we also wrote: "Ceres believes that residential mortgage divisions of large banks are directly exposed to the risk of insurance price increases or coverage withdrawal. There are significant risks in the insurance industry as noted in this recent analysis, and the most recent NOAA data shows that the U.S. has experienced 18 separate billion dollar weather and climate disasters in 2022 that together cost at least $165 billion. Specifically, with the recent increase in acute climate-related physical risk comes the specter of home insurance price increases and denial of coverage. For example, AIG recently announced plans to leave the California market due to climate risks. As discussed above, Florida is struggling to keep premiums in check and prevent insurers from leaving the state, passing sweeping reforms to its state-run insurance provider in an attempt to remedy the issue. Louisiana is facing the same problems, and its legislature will likely hold a special session on insurance in February to address rising costs and

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			departing insurers. Moreover, low-income individuals and people of color are disproportionately harmed by disasters, and “climate-related disaster risk is correlated in many places with income and race, creating differential impacts in pricing. Ceres believes that the bank market’s reliance on the availability of home insurance for its residential mortgage portfolio could lead to a climate-related gap in risk monitoring. As such, we recommend that banks study the potential impact of residential property insurance price increases or coverage withdrawal on the value, default rate, loss given default, and financing cost of residential mortgage portfolio holdings. This includes consideration of the risks of uninsured or underinsured properties that lie outside of a flood zone when underwriting a mortgage. The Fed should consider developing tools to facilitate compliance with the National Flood Insurance Program and encourage financial institutions to move beyond compliance to recognize that there are substantial future flood risks for properties that do not lie in flood zones.” Due to the uniquely strong amplifying impact of climate-related risks, we suggest the following edit to the ICP Introduction: Individual risks are often interconnected and may have an amplifying effect on other risks. This is a particularly strong and unique case, for example, with climate-related risks. Supervisors and insurers should consider how to assess and address issues such as risk management and governance, valuation of assets and liabilities, and conduct of business in light of such interconnectedness. (1) https://www.ceres.org/sites/default/files/Docket%20No.%20OP-1793_Climate%20Principles_2.6.23_Ceres.pdf
24	Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	The draft is good, but we would say its not complete enough. It does not distinguish between the two very different activities of insurers, which are risk subscription and investments. And it does not address the crucial role that insurers have on the mitigation of climate-related risks, with products such as insurance over natural assets, e. g. mangroves (https://axaxl.com/press-releases/insurance-solutions-can-help-to-restore-mangroves-as-

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			natural-coastal-defences) and coral reefs (https://www.swissre.com/our-business/public-sector-solutions/thought-leadership/new-type-of-insurance-to-protect-coral-reefs-economies.html), both providing resilience against coastal extreme weather events. Regarding investments, much more transparency is required, once insurers are listed companies and they should disclose the locations of invested companies and their value-chain (essential to address climate physical risks).
Q2: Do you have any comments on the location of the proposed text?			
25	Superintendency of Banks of Guatemala	Republic of Guatemala	None.
26	Natural Resources Defense Council	United States	No, this place seems appropriate.
27	American Property Casualty Insurance Association (APCIA)	United States	Statements regarding proportionality, the importance of risk-based supervision, and the applicability of ICPs to traditional as well as emerging risks seem appropriate for the introduction text. While the proposed introduction text mentions the potential interconnected nature of individual risks, given the general nature of this section, we don't think the introduction text should reference any specific risks or interconnections that may warrant additional clarification.
28	Verisk	United States	The location of the proposed text is appropriate.
29	International Actuarial Association	International	The IAA's view is that this is a good place to include some overarching commentary of this nature.
30	GFIA	Global	GFIA believes it would be more appropriate to clearly dissociate the principle of proportionality and risk-based supervision and the question of the identification of the risks by locating the additional paragraphs in a new section named "Risks", while leaving the section "Proportionality and risk-based supervision" unchanged, as the risks referred to are not relevant to the application of proportionality. GFIA considers that the ICPs should primarily focus on material risks, which is not properly reflected in the current wording.
31	The Life Insurance	Japan	It is not appropriate to place the terms "proportionality" and "risk" in the same section, as risks referred here is not relevant to the context of proportionality. It would be better to point this out

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	Association of Japan		more clearly by establishing a new section on Risks" mentioned in paragraphs 11 and 12, leaving the sections on "Proportionality and risk-based supervision" the same.
32	Finance Watch	EU	The additions to the introduction appear to be located in the most appropriate section, formerly on risk management and that covers risks.
33	The Geneva Association	International	The concepts of "proportionality" and "risk" should not be included in the same section, as the risks mentioned do not pertain to the topic of proportionality. We suggest to distinctly highlight this by creating a separate section for "Risks," as discussed in paragraphs 11 and 12. This way, the sections pertaining to "Proportionality and risk-based supervision" can remain unchanged.
34	Reclaim Finance	Europe	The location seems appropriate.
35	The Shift Project	France	IAIS should recognize that time has come to focus on climate change as never before. The UK insurers association ABI rightly warns : "Climate change demands that insurance changes". If insurance should change, IAIS should change, too. Maybe IAIS statutes and mission should change ? For instance, IAIS should stop using the expression "natural catastrophes". They include events like earthquakes, which are "natural", indeed. More and more, they will mean climate-related catastrophes, which are "not-that-natural catastrophes", but more and more anthropogenic. In a 2021 Working Document, the European Commission Staff challenged the very concept of "natural catastrophe" (EC - Closing the climate protection gap - Scoping policy and data gaps – May 2021): "(…) Climate change is therefore revolutionising the very concept of 'natural catastrophe' as it is enshrined in the Treaty, in our rules, in our conceptual frameworks and our language. In some sectors and areas of Europe, change is now happening so quickly that adjusting to the new normal has become a question of shifting baselines to which risk assessment tools and decision-making must adapt. As natural hazard events occur and will continue to occur at intensities not previously experienced, and with consequences previously unimagined, risk management capabilities and predictive analytics should be increased substantially and mainstreamed throughout policies. While some things cannot be controlled

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			– such as restoring glaciers, engineering oceanic currents to flow, or entirely preventing droughts and heatwaves - the future is not somewhere we are going but something we are creating. (…)" Another example : IAIS should stop using the expression "climate insurance protection gap", when in fact IAIS means "uninsurability". IAIS supports its members in addressing "(…) emerging risks and challenges. Currently, technological innovation (including digital), cyber risk, climate risk, conduct and culture, financial inclusion and sustainable economic development and diversity, equity and inclusion (…)". One wonder what future generations will say about such a loose list ? With no prioritization ; without any vision of the "Longue durée" ? no perspective on orders of magnitude ? IAIS mission is to "promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policy holders ; and to contribute to global financial stability". That stability goal was missed in 2022, with the climate reinsurance global market failure. One might say that part of the 2022 crisis was due to rising interest rates. But everyone has noticed the uncontrolled drift of climate risks. So one wonder if there might be no longer any "stable insurance market" regarding climate risks (re)insurance. Global financial stability is not yet at risk, because risk contagion in (re)insurance industry is slower than in the credit industry. But still the so-called "climate insurance gap" is obviously widening, as explained by EIOPA/ECB recent discussion paper (EIOPA & ECB - Policy options to reduce the climate insurance protection gap - April 2023). For IAIS, climate change must be brought to the fore.
36	WWF	Switzerland	WWF proposes to change the section order (risk description first is more natural): sections 11 then 12 then 9 then 10

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37	Institute for Energy Economics and Financial Analysis	Asia Pacific	No comment.
38	Association of Bermuda Insurers and Reinsurers	Bermuda	No comments.
39	ShareAction	Belgium	No comment.
40	Finance Watches - University of Camerino	Italy	No comment
41	ClientEarth	United Kingdom	No response.
42	National Association of Mutual Insurance Companies	United States	Kindly review the response from the Global Federation of Insurance Associations (GFIA) with respect to their response to Question 2. Their response suggests focusing on material risks and separating the principles of proportionality and risk-based supervision.
43	Ceres	United States	We do not have any comments regarding the location of the proposed text.
44	Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	No.
Q3: The IAIS considers that the 2021 Application Paper material related to ICP 7 Corporate Governance and ICP 8 Risk Management and Internal Controls remain appropriate in the context of climate risk management. Are there any issues related to corporate governance and/or risk management and internal controls from a climate perspective that are not addressed in the 2021 Application Paper that would be helpful for the IAIS to develop?			

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45	Superintendency of Banks of Guatemala	Republic of Guatemala	No.
46	Natural Resources Defense Council	United States	Using Risk-Based Capital Requirements to Capture Insurers’ Climate-Related Financial Risk Exposures: Currently some insurance regulators have not directly incorporated climate risks into their risk-based capital calculations. In order to increase insurers’ resilience in the face of climate-related financial risks, risk-based capital requirements should include considerations of climate exposure, which may better ensure that policyholders receive payouts following extreme weather events without relying on guaranty associations or taxpayer funds. Reflecting the higher risks associated with physical risks (greater casualty losses because of climate change-related extreme weather events), transition risks (loss in value of fossil assets), and liability risks (litigation over climate mitigation and adaptation efforts) can better protect the solvency of an insurer during times of climate crises. Enhancing Reporting Requirements: As part of the assessment of transition risk arising from fossil fuel investments, insurance companies and their regulators must collect information in a systematic and comparable way about the transition risk posed by the companies’ investment portfolios. IAIS can play a productive role in this process by recommending information reporting frameworks that member insurance regulatory bodies could adopt for the insurance companies they oversee (“regulated insurers”). In this way, IAIS could help to usher in information reporting standards that are uniform, to the extent feasible and sensible, across the industry. One metric that has emerged in the evaluation of financial institution transition risk is “financed emissions”, which is the volume of greenhouse gas emissions attributable to a financial institution’s investment portfolio. IAIS should recommend that its member insurance regulators consider, among other metrics, requiring their regulated insurers to report the

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			financed emissions from their investment portfolios. In this regard, we note that the Partnership for Carbon Accounting Financials has developed guidance to assist financial institutions with calculating their financed emissions, including guidance about how to estimate the percentage of emissions from an activity attributable to the institution's investing. Knowing an insurer's financed emissions footprint and its trajectory over time helps regulators assess the insurer's vulnerability to transition risk from its fossil fuel investments. Examine Inclusion of Climate Risks in Requirements for Developing Own Risk and Solvency Assessments (ORSAs): The role of hurricanes, droughts, and other climate-influenced events in risk-evaluation frameworks deserves close examination given that the ORSAs (or comparable non-US frameworks) developed by insurers with highly concentrated risks may not adequately evaluate climate-related risks, per the guidance provided in IAIS's Application Paper on the Supervision of Climate-related Risks in the Insurance Sector and integrated into ICPs 7 and 8, resulting in potential financial hardships for insurers and their policyholders. For example, in the United States, there have been a large number of state and regional insurers who have entered into receivership in the past twelve months. Mostly doing business in the states of Louisiana , Florida , and Texas many of these companies were property & casualty insurers with risks concentrated in those climate vulnerable areas, rather than underwriting a more diverse pool of policies across broader geographic regions. At a minimum, these insolvencies pose a warning that companies with similar concentration risk may not be paying proper attention to climate risk. Incorporating Diversity, Equity and Inclusion (DEI) Principles and Adding Representation to Boards for Better Governance and Risk Management: As recognized by the IAIS in the report Stocktake on Diversity Equity-and-Inclusion in the Insurance Sector, incorporating DEI principles into corporate governance can lead to "…better corporate performance, better decision making, and mitigation of misconduct."

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			Literature from the Financial Stability Board, the European Central Bank, and the G20 have all stressed the importance of DEI principles in the context of corporate governance. Having broader representation within the board can bring greater understanding of the challenges facing climate-vulnerable regions and ensure decisions being made aren't creating additional burdens for climate-impacted localities and communities.
47	American Property Casualty Insurance Association (APCIA)	United States	We believe the existing description of corporate governance and risk management and internal controls are appropriate from a climate perspective.
48	Verisk	United States	With respect to Corporate Governance, the Guidance incorporates considerations for obtaining and utilizing sufficient climate-related expertise to assist with oversight and management of climate-related risks, with relevant examples as noted. It also notes the importance of assessing climate risks in both long term and short-term financial planning, establishing risk appetite, and developing strategy. Healthy discussion of climate risk at the board level and across risk and audit functions ensures an appropriate level of awareness and consideration in decision making. The role of senior management in implementing strategy, providing advice and establishing relevant metrics, the adoption of tools and building and maintaining climate-related expertise is appropriately considered. With respect to risk management, the discussion of risk measurement notes the challenges associated with the availability and quality of available data, and the difficulties of translating climate indicators into financial metrics. The guidance also appropriately allows quantitative and qualitative analysis and indicates that the ability to measure will continue to develop and evolve along with the science and improvements in data quality.

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			One suggestion is to include explicit consideration of uncertainty as it relates to the use of climate-relates tools, data and results, e.g., in the control and actuarial functions.
49	Ekō	EU	The 2021 Application paper guidance on ICP 7 should tie variable remuneration with fulfilling objectives of managing climate-related risks, particularly regarding the alignment with climate targets. ICP 7 should require disclosure of how variable remuneration is linked with climate targets. The 2021 Application Paper advice on ICP 8 in paragraph 38 (on the tools to collect climate-related data) should acknowledge that data collection and historical data will not be able to capture climate-related risks. Section 4.1 of the 2021 Application Paper should look at how transition risk and physical climate risks can disrupt business continuity and consider using forward-looking information.
50	General Insurance Association of Japan	Japan	Paragraph 42 of the 2021 Application Paper states that ALM may be affected by climate-related risks, but we would like to reiterate that this description should be deleted. While we do not dispute that climate change may affect financial assets and consequently lead to potential asset management risks for insurers, ALM of insurers is essentially an issue of market interest rate risk management, and it is inappropriate to directly link climate change and ALM. In addition, there is no indication that credit spreads on credit risk assets have widened or that defaults have increased as a result of climate change.
51	International Actuarial Association	International	The IAA notes that in ICP7 paragraph 7.10, the supervisor requires the insurer to ensure that Senior Management "… carries out the day-to-day operations of the insurer …in line with the insurer's long-term interests and viability". However, the Board is to be provided with "adequate and timely information … including the monitoring and review of the performance and risk exposures of the insurer". Given the nature of climate risks, the IAA believes it could be made clearer that consideration needs to be given to the future risk position of the insurer through forward-looking assessments. Whilst this is noted in the Application Paper on the Supervision of Climate-related Risks in the Insurance Sector (2021 Application Paper), the IAA believes this should be made clearer in ICP7. Similar comments apply to the reporting on key risks by the risk management function outlined in ICP 8.4. The 2021 Application Paper also includes a number of useful examples of supervisory

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			practice. However, it is not surprising that supervisory practice has continued to develop in this area and the IAA believes that it would be particularly helpful to update a number of these examples, and/or add in additional examples of current practice. One omission in relation to ICP 8 is an explicit mention of double materiality. External impacts from insurance activities (e.g., financing/insuring carbon-intensive activities) can quickly come back as risks for insurers: ● For an individual company (micro-prudential consideration) e.g., reputation & litigation risk. ● For the financial system's stability (macro-prudential consideration) e.g., a 4-degree world will not be insurable. Double materiality is now integrated in an increasing number of legal and regulatory frameworks, e.g., EU, Switzerland, and the IAA believes this should be included in ICP 8.

	Organisation	Jurisdiction	Comment
52	Ecojustice	Canada	Poor corporate governance on climate-related risk must be addressed. A lack of strong corporate governance slows progress to reaching global climate goals. It also contributes to resistance and the inertia of insurance companies and related corporate entities from aligning their business, operations, and investments with the 1.5°C pathway that is necessary to avoid the worst impacts of the climate crisis. To strengthen corporate climate governance, the 2021 Application paper guidance on Insurance Core Principle (ICP) 7 should link the variable remuneration of insurance directors with achieving objectives of managing climate-related risks with respect to alignment with climate targets. ICP 7 should require disclosure of how variable remuneration is linked with climate targets. ICP 7 should recognize that supervisors require corporate boards to be ultimately responsible for considering and managing material climate-related impacts across the insurers' business. Individual board members already have recognized duties to act in the best interests of the insurers, to exercise due care and diligence and act in the best interests of the policyholders, among other duties. The interplay of these duties with climate-related risk should be directly recognized in the guidance. The climate-risk responsibility should be recognized as a part of the individual board members' duties to exercise due care and diligence (section 7.4). The responsibility should also include recognition that acting in the best interests of the policyholders requires directors to take action to reduce the insurance company's impact on climate change (including through its operations, investments, and carrying of risk). To ensure climate-related risks are properly incorporated into decision-making, the ICP section 7.3 should also require insurance boards to have climate-related expertise. If the board of an insurer does not have climate-related expertise, it must be required to establish how climate-related experts will provide information and guidance to the board. With respect to risk management, the 2021 Application Paper on ICP 8 in paragraph 38 (on the tools to collect climate-related data) should acknowledge that data collection and historical data will not be able to capture climate-related risks. Section 4.1 of the 2021 Application

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			Paper should look at how transition risk and physical climate risks can disrupt business continuity and consider using forward-looking information. There must be recognition in governance and risk management that climate-related risk is already materializing and impacting the financial payouts and businesses of insurers. Although climate-related risks to insurers will increase as the climate emergency continues, climate change is already impacting insurers' business. The already present materialization of climate-related risk to insurers should be incorporated into the topics for consultation and guidance. Extreme weather events caused by the anthropogenic warming of our planet have resulted in billions of dollars of insured losses. In Canada alone, severe weather in 2022 caused $3.1 billion in insured damage. Certain geographic regions are already deemed not economically viable to insure. Supervisors should ensure that life and health insurers are also being properly considered and managed by insurers. Climate-related mortality is increasing. For example, 619 people died in British Columbia, Canada in 2020 due to the heat-related impacts of a heat dome. Climate-related morbidity is discernible. The long-term mental health effects of increasing climate impacts are largely unquantified. Actuarial tables must be recalibrated to the current climate-related risks, as well as to reflect the long-term effects of unprecedented average temperature increases, heatwaves and increasing air pollution or else there is a risk of a price-liability mismatch.
53	GFIA	Global	GFIA considers that a supervisory approach to the organisation of boards and management responsibilities that is too detailed would result in an undue burden for insurers. Each insurer should have the ability to define its own risk profile and governance structure as the materiality of climate risks and climate impacts varies between jurisdictions and entities. Regarding risk management and internal controls, and as mentioned in the 2021 Application Paper, GFIA believes that offering general perspectives would enable each entity to shape its own policies in relation to specific duties and functioning.

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54	Finance Watch	EU	Much of the 2021 Application Paper material remains an important first step towards addressing climate-related risks. There are certain further upgrades to the ICPs that would ensure these risks are properly addressed in a timely manner. In particular the guidance should provide advice on possible forward-looking precautionary measures to tackle climate-related risks rather than being limited to the generic application of traditional risk management principles, which is likely to be insufficient given the lack of reliable statistical data and universally accepted risk metrics and measurement methodologies to assess climate-related risks. ICP 7 - Corporate Governance An addition to the 2021 Application Paper guidance on ICP 7 should be to adjust section 3.5 to explicitly suggest linking variable remuneration with achieving objectives of managing climate-related risks, in particular with respect to alignment with climate targets. Refer to our response to Q5 below with regards to climate targets and transition planning as instruments to manage transition risk. Moreover, we suggest clarifying the expected transparency on remuneration practices with a clear statement in section 7.6.4. that disclosures to the supervisor and the public should describe how variable remuneration is linked with climate targets. ICP 6 - Risk Management and Internal Controls There is also room to improve the 2021 Application Paper guidance on ICP 8. Paragraph 38 in section 4.1 focuses heavily on directing insurers towards data collection for climate-related risks. It would be important to include a caveat here that some climate-related risks are unlikely to be fully captured through data collection and analysing historical data. Transition risks could be used as an example here (given that transition has not yet taken place), to then link to the additions we suggest to ICP to explicitly include transition planning under the supervisory remit. Physical risks related to major climate disruptions (so-called “green swan” events) and the risk of a disorderly transition could also be used as examples here. They are unpredictable risks as they are non-linear, but increasing over time. Therefore, an addition

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			should also be made to paragraph 43 to direct insurers towards using forward-looking information to construct methods and metrics to monitor climate-related risks. It would also be important to expand paragraph 39 of section 4.1 of the 2021 Application Paper to elaborate the potential ways that transition risk and physical climate risks can disrupt business continuity. Paragraph 44 of section 4.2.1 of the 2021 Application Paper rightly outlines considerations around limiting climate risk through limiting investments in certain industries and incorporating environmental and climate change considerations when evaluating a proposed investment. If this advice is combined with engagement via transition plans and assessments of insurer's exposure to the industries most impacted by climate change then it could allow a more sophisticated approach to tackling transition risk in particular. Rather than incentivising wide divestment that could lead to certain industries turning to less well-regulated entities than insurers to finance them. This leaves the risk these industries pose unchanged at a macro level in the financial system, whereas insurers can play a role in incentivising their transition through targeted engagement strategies, which should be part of transition plans of insurers. The ultimate end of the transition pathway may still have to be divestment, but does not have to be if these industries transition or transform. It is important to ensure that transition risk management measures are accompanied by needed adjustments to capital requirements where transition risk for these industries is currently high and underpriced as it is not captured by the existing models (either internal models or by credit ratings).
55	Reclaim Finance	Europe	The 2021 Application Paper material should be strengthened to reflect the particularities of CRR for insurers. As traditional risk mangement principles are insufficient to account for the uncertainty that characterizes CRR and for the "CRR loop" that investors choices can trigger (see response to Q1), the guidance should especially recommend forward-looking precautionary measures to be taken. Two essential such measures would be: 1) Mandatory transition plans for insurers to align with the 1.5°C international objective ; 2) Specific restrictions and requirements for insurance provided to and investment in activities that are at odds with the goal to limit global warming to 1.5°C. These activities include the

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			development of new fossil fuel production and coal power plants (cf UN HLEG report, IEA NZE scenario, IPCC). Additionally, several redaction changes should be made to ICP 7 and 8: - ICP 7 - Corporate Governance : Variable remuneration should be linked to achieving objectives of managing climate-related risks, and in particular aligning with climate targets. - ICP 6 - Risk Management and Internal Controls : a. The fact that historical data is often not sufficient to capture CRR should be better reflected. Insurers should be required to include forward-looking information to manage and monitor CRR. Here, while climate scenario analysis is useful, it should be acknowledged that it is by definition limited and insufficient to fully capture CRR. Climate scenarios should be supplemented with the use of actionable data such as data on fossil fuel operations for the companies involved in this sector (see the data from the Global Coal Exit List and Global Oil and Gas Exit List). b. Paragraph 44 of section 4.2.1 of the 2021 Application Paper rightly outlines considerations around limiting climate risk through limiting investments in certain industries and incorporating climate considerations when evaluating an investment. This point should be further clarified to clearly state that investment should be oriented toward companies that adopt a clear and robust 1.5°C alignment plan (see for example the UN HLEG report, the ACT methodology, the CA100+ benchmark.) and that do not develop projects and infrastructures that are locking-in significant volumes of emissions (such as new fossil fuel production facilities). Furthermore, this point should also be made for the insurance granted by insurers that constitute even a bigger lever to influence the behavior of companies and therefore prevent the accumulation/materialization of CRR.

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56	The Shift Project	France	ICP 8 (Risk Management and Internal Controls) excerpts : « (…) 8.6 - The supervisor requires the insurer to have an effective actuarial function capable of evaluating and providing advice regarding, at least, technical provisions, premium and pricing activities, capital adequacy, reinsurance and compliance with related statutory and regulatory requirements. (…)" (…) 8.8 - The supervisor requires the insurer to retain at least the same degree of oversight of, and accountability for, any outsourced material activity or function (such as a control function) as applies to non-outsourced activities or functions. (…)" We invite the IAIS to reconsider this ICP 8. "Uncertainty" is the key word, from now on, in climate risk management. One of the structural causes of the 2022 climate reinsured market failure might be climate risk modelling failure. Quality and robustness of these modelling should be regularly checked and assessed by regulators. The Geneva Association (TGA), in its 2018 report on climate risk modelling (The Geneva Association - Managing Physical Climate Risk: Leveraging Innovations in Catastrophe Risk Modelling – November 2018), asked :"(…) are Cat models broad and detailed enough to assist insurers and policymakers fully grasp the costs and implications of catastrophe risk? In a world with natural phenomena so complicated and affected by climate patterns so erratic, what is the predictive power of the insurance industry's Cat modelling capabilities? (…)" A clear answer for the year 2022 : It is poor. TGA added : "(…) Real-world events have also revealed the limitations of Cat models as well as the importance of understanding the underlying assumptions and inherent uncertainty in model outputs. Cat model developers have in turn responded by educating the users about the sources of model uncertainty and the importance of sensitivity testing of model assumptions. (…)" 2022 lesson : climate risk would be another kind of "known unknowns" … TGA report stated that : "(…) Over the years, the (re)insurance industry's reliance on Cat models has increased to the point that in some jurisdictions the regulators require the Cat models to be officially certified for use in markets. (…)"

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			Solvency II article 124 on “Validation standards”, gives some details on modelling : “ Insurance and reinsurance undertakings shall have a regular cycle of model validation which includes monitoring the performance of the internal model, reviewing the ongoing appropriateness of its specification, and testing its results against experience. (...) The model validation process shall include an analysis of the stability of the internal model and in particular the testing of the sensitivity of the results of the internal model to changes in key underlying assumptions. It shall also include an assessment of the accuracy, completeness and appropriateness of the data used by the internal model. (…)” EIOPA has been aware of these Solvency 2 weaknesses since its conception. As soon as 2016, EIOPA Insurance & Reinsurance Stakeholder Group (IRSG) wrote (IRSG - Own initiative paper – Catastrophe risks – 1/04/2016) that : “(…) Currently the ability of the regulators to sufficiently supervise and evaluate internal cat models is questioned. (…)” EIOPA wrote (EIOPA - Methodological paper on potential inclusion of climate change in the Nat Cat standard formula - 8/07/21) that : “ (…) In light of climate change, there is a clear need to ensure that model vendors and insurers collaborate with academic and scientific communities to develop a better understanding of the uncertainties involved in climate change and how these impacts can be quantified. (…)” Time for this kind of imprecation is past. It is time for insurance regulators, and the IAIS, to do their job, and “ensure” that crucial collaboration. Final results from the EIOPA Non-Life Underwriting Risk Comparative Study (NLCS) in Internal Models, among them Catastrophe Perils Models, are expected in the first half of 2023. It should be a landmark on this issue, in the context of the 2022 climate risks market failure. The Global Reinsurance Forum (GRF - Understanding the economic and societal value of reinsurance – August 2021) admits that: “(…) In addition to providing cost-efficient capital, reinsurance is also an enabler or an outright source of innovation, not least due to the major players’ proprietary catastrophe modelling capabilities which have spurred the insurability of major natural disasters, for example. (…). Ultimately, reinsurers’ innovative credentials help expand the limits of insurability, deepening and broadening available insurance cover and[,] narrowing protection gaps. Having said this,

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			reinsurers face challenges, too, in this context as the frequency of non-modelled risks seems to be rising and climate change trends are blurring the ability to forecast natural disasters. (…)”. Unfortunately, the analysis of certain “non-modelled climate risks” has been outsourced by reinsurers (and some insurers) to service providers companies. Risk -assessment & management- is the core social utility of finance, be it banking or insurance. In the 2000s, the finance industry outsourced the “subprime” market credit risk modelling to external providers, credit rating agencies such as Standard & Poors, or Moodys. That outsourcing tolerance was catastrophic, and badly policed by some financial supervisors at the time. Given what is happening now to our planet -and will get worse in the decades to come-, climate risk modelling challenges should be at the heart of IAIS thinking. Transparency, methodology, data collection of service providers should be monitored and assessed by IAIS members, and by IAIS itself. For instance, Solvency II, in its article 126, stipulates : “External models and data - The use of a model or data obtained from a third party shall not be considered to be a justification for exemption from any of the requirements for the internal model set out in Articles 120 to 125.” [Use test / Statistical quality standards / Calibration standards / Profit and loss attribution / Validation standards / Documentation standards]. Solvency II article 49 is on “Outsourcing”. Outsourcing of climate risk modelling by reinsurers should be radically reconsidered. Such outsourcing, which appears meaningless and dangerous from a macroprudential point of view, should be limited or even forbidden.

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57	WWF	Switzerland	WWF is of the view that the conservative approach recommended in the BCBS FAQ on Climate related risks (https://www.bis.org/bcbs/publ/d543.htm) should also be considered in ICP7. WWF also has the following more detailed comments on ICP7 and ICP 8: ICP7: We have compared IAIS coverage with our WWF SUSREG insurance framework (sustainable finance regulations and Central Bank Activities) and propose that you consider adding the following elements. We have kept the indicator numbering in case you want to have a look at the source; SUSREG annual report. Please also refer to our SUSREG Insurance assessment guide to have a more comprehensive elaboration of these indicators. Comment on relevance is written in italics. 1.1.2 Double materiality: The regulations or supervisory expectations reflect both the expected impact of E&S (climate, environmental, and social risks) issues on the insurer's risks and value creation, and the impacts of the insurer's activities on E&S issues ('double materiality assessment'). Comment: the whole document seems to be focusing on inward materiality assessment, we suggest to also look into double materiality aspects (the impact of E&S issues on the insurer's risks and value creation, and the impacts of the insurer's activities on E&S issues). 1.2.2 Risk appetite: Insurers are expected to determine their risk appetite with regards to E&S risks, supported by quantitative limits and qualitative expectations Comment: Risk appetite is mentioned as a responsibility of the Board, but no further details are available 1.2.3 Long-termism: Insurers are expected or required to factor short-term (1 to 5 years), medium (5 to 10 years) and longer-term (10 to 30 years) E&S considerations in their business and risk strategy Comment: Long term is mentioned under 3.2, but time horizons are not specified and may be misconstrued by a casual reader.

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			1.2.6 Staff and resources: Insurers are expected or required to dedicate staff and resources to the definition and implementation of their E&S strategy, consistent with the size and nature of their operations. Comment: Board and management is mentioned, but no mentioning of further staff 1.2.7 Board appointment: The supervisor has issued requirements, including guidelines, related to E&S considerations for the appointment if insurer's board members Comment: Board appointment not mentioned under the board chapter 1.2.10 Core roles: Insurers are expected to include E&S considerations in the roles and responsibilities of most core functions (incl. senior management) in areas such as actuarial, investment, underwriting and claims management. Comment: Board and senior management is mentioned, but no mentioning of further staff and their responsibilities 1.2.11 Training: Insurers are expected or required to conduct regular training on E&S issues for their staff, and both the board and senior management are explicitly mentioned. Trainings are mentioned to be science-based (resting on findings of key international scientific bodies such as the IPCC, IPBES, IEA). Comment: Training is mentioned in relations to the Board and as a remuneration variable, but except for that upskilling / capacity building around ESG is not mentioned specifically. 1.2.12 Stakeholder management: Insurers are expected or required to conduct stakeholder engagement on E&S issues, and this explicitly includes civil society representatives. Insurers are expected to include the views of civil society representatives on relevant E&S issues. Comment: Stakeholder management is not mentioned but is important, notably from a macro-prudential perspective. 1.2.13 Code of conduct and guidelines: The supervisor expects insurers to embed sustainability considerations in at least three of the four following documents: the code of

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			conduct, the investment guidelines, the underwriting guidelines, the risk guidelines (rather than only as separate documents). Comment: No mentioned of integrating climate and environmental risk in the insurers' code of conduct and guidelines. ICP8: We have compared IAIS coverage with our WWF SUSREG framework (sustainable finance regulations maturity assessment) and propose that you consider adding the following elements. We have kept the indicator numbering in case you want to have a look at the SUSREG annual report. 1.4.1 Manage portfolio E&S risk: Insurers are expected or required to assess their portfolio-level exposure to material E&S risks, and to manage and mitigate such exposure. Where applicable, the insurers are also required to review their reinsurance strategy accordingly. Comment: portfolio level risk is not mentioned in entire ICP 8 1.4.4 Climate target setting: Insurers are expected or required to set climate science-based targets to align their portfolio with the objectives of the Paris Agreement (this can also be expressed as temperature targets, i.e. well-below 2°C or 1.5°C). Comment: This is not mentioned in ICP 8 at all. 1.4.5 Nature target setting: Insurers are expected or required to set science-based targets to mitigate negative environmental impacts beyond climate, at the portfolio level. Targets to a minimum include stopping nature loss by 2030 and guiding world to full biodiversity recovery by 2050. If no overarching goal, then targets that are rooted in sub-themes that stem from material environmental change drivers (land / water / sea-use change, resource exploitation, climate change, pollution, invasive species and other), at the portfolio level, suffice too. Comment: Nature / Biodiversity risk is not mentioned explicitly at all in ICP8. 1.4.6 Risk concentration & ALM: Insurers are expected or required to analyse the impacts of E&S considerations on the concentration of risks between investment and underwriting activities, and to factor E&S risk in their asset-liability management (ALM). Comment: risk concentration is not mentioned at all. See also for inspiration 1.4.10 Risk

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			concentration management: The supervisor expects insurers to analyse, and where necessary mitigate, the concentration of E&S risks in their portfolios, in particular where a single event may have multiple impacts. 1.4.7 Natural catastrophe claims: Insurers are expected or required to have specific response plans for managing significant additional claims associated with natural catastrophes. Comment: The risk of catastrophes is mentioned, but not the expectation to have a plan to manage them. Propose to concretise. 1.4.8 Manage reputation & litigation risk: Insurers are expected or required to assess and mitigate litigation risks associated with E&S considerations, both against themselves and against insurance clients covered by liability policies. Comment: Litigation not mentioned at all. 1.4.11 E&S risk in pricing: The supervisor expects insurers to reflect E&S risks in their pricing. Insurance premiums should reflect the risk of monetary loss related to E&S risks, as well as the aversion to take such risks (brand values, reputational risk). Comment: Pricing bubble and carbon pricing is mentioned, but not specifying E&S reflection in premiums. See also for inspiration 1.4.12 Pricing incentives: Insurers are encouraged to include in their underwriting and pricing practices incentives for their clients to enhance their resilience to E&S risks.

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58	Institute for Energy Economics and Financial Analysis	Asia Pacific	Given the novelty of climate risk, it should be explicitly mentioned directly in ICP 8. A reference in ICP 8 back to the 2021 Application Paper would be helpful. Likewise, ICP 7 should explicitly mention that the Board should have an adequate level of competence and experience in climate-related risks or climate/environmental science. To protect against greenwashing, the 2021 Application Paper related to ICP 8 should include the following: Insurers should require entities that it underwrites or invests in to provide plans for decarbonising or transitioning. Those plans should be independently verified as aligning with a 1.5C pathway.
59	Association of Bermuda Insurers and Reinsurers	Bermuda	No comments.
60	ShareAction	Belgium	While we appreciate efforts to address climate-related risks in the 2021 Application Paper, there is still much work to be done. The ICPs must be updated to provide clear and specific guidance on forward-looking, precautionary measures to tackle climate-related risks. Simply relying on traditional risk management principles and metrics is insufficient, as these do not fully capture the complexity and uncertainty of climate-related risks. ICP 7 - Corporate Governance Regarding the 2021 Application Paper guidance on ICP 7, we suggest that section 3.5 should be modified to explicitly recommend that variable remuneration be linked to climate targets, i.e. variable remuneration should be linked to progress made on managing and mitigating climate-related risks and wider sustainability risks. Indeed, aligning variable remuneration with sustainability performance will ensure the meaningful integration of sustainability practices (climate-related risk mitigation in particular) into management's decision-making.

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			However, the implementation of sustainability-linked remuneration policies should not become another means of inflating executive reward packages and widening income inequality. Responsible investment incentives should be proportionate, clearly linked to factors within the control of executives, weighted appropriately against other factors, and with a clear focus on impact rather than process. Staff should not be rewarded for taking steps which have no real effect on the sustainability factors in question. Incentives should also be clearly broken down into different factors to ensure specificity – this mitigates the risk of executive performance being measured for the purposes of pay calculation against broad and vague metrics, effectively greenwashing those firms with no actual positive sustainable impact. It is also important to ensure that different levels of progress against different factors are not simply offset against one another to give a false picture of sustainability performance overall, with important issues consequently being ignored. Measures should be based on long-term objectives (such as reducing portfolio carbon emissions by a specific percentage in a timeframe of years or decades), but with clear short-term and interim milestones to monitor progress against those objectives (such as emissions reduction in a given year). Regarding transparency surrounding remuneration practices, we recommend adding a clear statement in section 7.6.4. to state that disclosures to the supervisor and the public should contain a clear description of how the variable component of the remuneration is aligned with climate targets and wider sustainability objectives. ICP 6 - Risk Management and Internal Controls Regarding the 2021 Application Paper guidance on ICP 8, we suggest modifying paragraph 38 and paragraph 43 in section 4.1., to account for the fact that not all climate-related risks can be adequately captured and assessed through the traditional method of analysing historical data.

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			Transition risks are a case in point: as the transition is an ongoing, unprecedented and radically uncertain event, it has not been 'captured' by past indicators and data. In other words, the ongoing and future effects of the transition will be very different from any past effects that the (very) beginning of the transition has had on the economy and corporations thus far. As such, it is not possible to rely on historical data to assess the likely impact of the transition and the scale of exposure to transition risk. Other examples of non-linear but ever-increasing risks are those of extremely severe climate events ('green swans') and the risk of a disorderly transition. Section 4.1. should therefore make it clear that insurers should use forward-looking risk assessment methods, thereby increasing the likelihood to adequately assess and anticipate climate-related risks. We agree with paragraph 44 of section 4.2.1 of the 2021 Application Paper outlining considerations around climate risk mitigation through limiting investments in certain industries and incorporating environmental and climate change considerations when evaluating a proposed investment. This could be paired with a recommendation for insurers to have and to implement robust stewardship policy. Indeed, insurers can also play a role in incentivising companies' transition through targeted engagement strategies (including an escalation strategy), which should be part of insurers' transition plans. In addition, there is a need to adjust capital requirements so that they better reflect the high transition risk associated with these industries, which are currently inadequately accounted for (and underpriced) by existing models. Finally, the IAIS should develop guidance to address how transition planning should be included in corporate governance and risk management processes, as we explain further in our response to question 5.

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61	Finance Watches - University of Camerino	Italy	In general, the entire application paper does not take into consideration two main focal points. The first point is that when assessing the issue of climate change risk, it is important to take into account that many countries, such as Japan, Italy, and the USA, are prone to natural disasters. This means that these countries are constantly facing natural hazards. I would like to highlight that ICP 7 and ICP 8 are expressed as if climate change is a recent phenomenon, which is not the case. This is important because many insurance companies either do not offer coverage for this type of risk or offer it at astronomical prices for areas that are constantly at risk. Therefore, there should be a sentence that obliges such insurers to create policies specifically designed to assess constant risk. For example, in Camerino (Italy), earthquakes occur approximately every 20 years (the same is true for Japan and the USA). Prior to the 2016 earthquake, many people bought their first homes through a mortgage agreement but did not sign policies that protected their buildings from earthquakes, as no insurance company wanted to be bound to a policy that would have resulted in an economic loss. It is evident that when the earthquake struck, people were left helpless and, to this day, have no risk protection whatsoever. The second point concerns the inclusion of man-made natural catastrophes, as human activities can create climate disasters in the future due to the interconnected relationship between the two types of catastrophes.
62	ClientEarth	United Kingdom	As set out in our response to question 5, the IAIS's upcoming consultations on climate risk should cover transition planning, as insurers need to adopt transition plans in order to properly mitigate the climate risks to which both individual insurers and the insurance sector as a whole are exposed. The 2021 Application Paper does not address how transition planning should be reflected in insurers' corporate governance or risk management and internal control processes, and it would therefore be helpful for the IAIS to develop guidance in relation to this. A transition plan will only effectively mitigate the climate transition risks faced by an insurer if it is actually implemented by the insurer across all parts of its organisation and internal control functions. Transition plan regulation and supervision will therefore need to address insurers' corporate governance, risk management and internal control processes. We outline below some key principles on how transition planning should be addressed in both these areas.

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			Corporate governance Insurers should be required to embed their transition plans in their governance systems, in order to ensure there is adequate accountability for the design and implementation of their plans. This will also help supervisors hold the board and senior management of insurers accountable for transition planning. The IAIS should therefore clarify how the corporate governance processes for climate risk outlined in the 2021 Application Paper apply to transition planning. This affects each of the five areas set out at sections 3.1-3.5 of the 2021 Application Paper, as addressed in turn below. (1) There should be clear and appropriate allocation of oversight and management responsibilities for producing and implementing transition plans across the board, senior management and control functions. (2) Transition plans should be reflected in annual financial planning, as well as long and short-term strategic planning processes. (3) The board should maintain effective oversight of the transition plan's production and implementation, including approving the written transition plan and reviewing it at least annually. In order to do so, the board must have appropriate understanding of, and opportunity to discuss, the transition plan. (4) Senior management should be made responsible for implementing the transition plan across the business, including in relevant operational and business policies. (5) Remuneration policies should promote the effective implementation of the transition plan through incentives set at a level to influence behaviour. The alignment of remuneration with prudent risk-taking should take into consideration that the implementation of the transition plan is key part of prudent risk management. Risk management Section 4 of the 2021 Application Paper provides guidance on how insurers' risk management

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			and internal control systems should incorporate climate-related risks. Those risk management and control systems should also incorporate any risks identified in the transition planning process. In addition, internal audit should evaluate the adequacy and effectiveness of the insurer's governance arrangements and internal controls in relation to transition planning. This is necessary to ensure that insurers take the necessary steps to successfully deliver their transition plans and to mitigate any risks associated with their plans. The IAIS should therefore clarify how transition planning should be considered within the risk management and internal control systems, including in particular by the risk management function and internal audit function.
63	National Association of Mutual Insurance Companies	United States	At this juncture, it is not necessary for IAIS to develop additional guidance to expand upon its 2021 Application Paper in the areas of climate-related corporate governance, risk management, and internal controls. Because climate change risks/impacts may already be incorporated into the company's risk management approach today, insurers should not be restricted from continuing to use or building upon that foundation. These complex areas benefit from flexibility for diverse insurers to be able to focus on materiality as well as risk management within the context of their business and structure. If the IAIS does elect to add to its existing work, among the considerations for such efforts is consistency with fundamental standards including being flexible and principles-based, risk-based, insurance fundamentals focused, materiality directed, respectful of data challenges, and iterative.
64	Ceres	United States	Ceres considers issues relating to corporate governance, risk management, and internal controls as critical. Our positions, programs, recommendations, and work with other financial institutional supervisors aims squarely at urging updates to governance, risk management, and control issues. Integration of climate risks into enterprise risk management frameworks and iteration of best practices are central to preparing for the acceleration of climate change impacts. As science, actuarial, and economic best practices rapidly evolve to better predict a range of outcomes, supervisory guidance to integrate these improvements must also evolve. Acknowledging that the Insurance Core Principles are intended to act as iterations of broad principles to underlie specific applications embodied in the IAIS Application Papers, we urge the IAIS to remain aware of future changes in practice. At this time, ICPs 7 and 8 appear to remain appropriate as expressions of principles in the context of risk management and

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			governance, but a close watch of evolving best science and periodic reviews of their appropriateness will be necessary.
65	Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	The paper does not distinguish between the two very different activities of insurers, which are risk subscription and investments. And it does not address the crucial role that insurers have on the mitigation of climate-related risks, with products such as insurance over natural assets, e. g. mangroves (https://axaxl.com/press-releases/insurance-solutions-can-help-to-restore-mangroves-as-natural-coastal-defences) and coral reefs (https://www.swissre.com/our-business/public-sector-solutions/thought-leadership/new-type-of-insurance-to-protect-coral-reefs-economies.html), both providing resilience against coastal extreme weather events. Regarding investments, much more transparency is required, once insurers are listed companies and they should disclose the locations of invested companies and their value-chain (essential to address climate physical risks).
Q4: Do you have suggestions on issues or themes to explore in the forthcoming consultations to improve the usability of the climate risk related Application Papers?			
66	Superintendency of Banks of Guatemala	Republic of Guatemala	-Analysis of scenarios with the incorporation of climate risks. -The impact of greenwashing in the insurance sector.

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67	Natural Resources Defense Council	United States	Addressing Impacts on Disadvantaged Communities: There is a real danger that the adoption of enhanced climate risk mitigation measures by insurers may disproportionately impact climate-burdened communities, including lower-income communities and communities of color. We urge IAIS to consider additional research and guidance to address likely impacts on disadvantaged communities. A substantial and growing literature demonstrates that many climate-related risks, such as the risk of extreme storms or sea level rise, are disproportionately borne by lower income communities and communities of color. Of particular concern are risk mitigation measures that force individual households and small businesses to internalize climate-related risks. Such measures may significantly restrict access to insurance within already-disadvantaged communities, further reducing their capacity to respond to climate-related challenges such as weather-related disasters or sea level rise. NRDC recommends that insurers evaluate a broad range of mitigation options and prioritize options that do not restrict fair access to insurance for climate-burdened communities. In the United States, the financial stress associated with purchasing and maintaining insurance coverage is already playing out in areas that experience recurring natural hazards linked to climate change, particularly in California (wildfires), Louisiana (hurricanes), Florida (hurricanes), and Texas (winter storms, hurricanes, high winds). In Florida, there may be an acute insurance affordability crisis in the making for lower income communities and communities of color. Because of a large number of private insurers becoming insolvent, many policy holders have been forced to purchase coverage from Florida Citizens, a state-backed insurance company. Compounding the price pressures for basic homeowners insurance coverage is a new requirement that requires all Florida Citizens policy holders within the mapped 100-year floodplain to also purchase flood insurance. Over the next few years this requirement will eventually apply to all Florida Citizens policy holders, not just those whose property is in a mapped 100-year floodplain. The requirement of such coverage coupled with the declining number of insurers in Florida is adding to the mounting

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			insurance costs facing Florida residents. If inadequate attention to climate-related risk contributed to the insolvency of insurers in Florida, then the state's lack of oversight of insurers makes it effectively complicit in this crisis of insurance. Engaging Investees and Clients to Obtain a Complete Picture of Climate Risks Via Existing Data: We recommend that the IAIS ask insurers to obtain a complete picture of climate risk for policyholders and companies in which insurers hold debt or equity (investees), subject to materiality thresholds. To avoid burdening policyholders with additional costs (either direct costs, or, in the case of investee costs, passed-through costs), we suggest requesting data that is either public or already being reported. The data providing such a complete picture has two key components: Scope 1, 2, and 3 greenhouse gas emissions and any existing climate or sustainability disclosures made by the policyholder or investee, including disclosure frameworks providing information about board oversight of climate risks, internal processes for identifying and managing climate risk, and projected financial impacts of climate risk. Scope 1, 2, and 3 greenhouse gas emissions tell insurers about a policyholder's or investees contribution to climate change and their vulnerability to transition risk in an orderly or disorderly move to a low emissions economy. "Scope 1 emissions are direct [greenhouse gas emissions that occur from sources that are controlled or owned by an organization. . . . Scope 2 emissions are indirect [greenhouse gas] emissions associated with the purchase of electricity, steam, heat, or cooling." Scope 3 emissions are everything else: "the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain. . . Scope 3 emissions, also referred to as value chain emissions, often represent the majority of an organization's total GHG emissions." The volume and trend of greenhouse gas emissions informs an insurer's picture of how a client or investee is managing transition risk. To gauge physical risk, insurers should be obtaining the most up-to-date information about a potential insured's exposure to extreme weather events, informed by the most recent climate

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			science, If, for example, a potential insured has significant investments in property on a coastline whose vulnerability to tidal flooding and extreme weather is projected to be exacerbated as a result of climate change, that information ought to inform an insurer's risk analysis. Collecting Data of Non-Renewals for Homeowners to Understand Gaps in Availability: Disaster prone areas are naturally subject to declining property values, thus can potentially increase the prospect of defaults and uninsured disaster losses. This can cause insurers to withdraw underwriting policies for high-risk areas, which consequently will decrease investments in these communities causing a decline in the local tax base needed to pay for climate resiliency upgrades. Thus, insurers need to understand where gaps of insurance coverage exist due to affordability and/or availability issues. They should request data of policies that have chosen not to be renewed, which could signify geographic areas where gaps in insurance might arise due to affordability issues. Insurers should also distinguish non-renewals (i.e., policy not renewed at the policy holders' discretion) and termination of coverage by the insurer. It would be helpful to ascertain what the insurance gap is in vulnerable areas.
68	American Property Casualty Insurance Association (APCIA)	United States	Forthcoming consultations and application papers should do more to substantiate claims that climate risk poses systemic risk for insurers and broader financial stability risk. There is little evidence to suggest that climate risk can result in a liquidity shock or any other systemic risk triggers (e.g., counterparty / interconnection risk) for an insurer that would require the holding of additional capital. Most property and casualty lines of insurance have short time horizons, allowing for rapid adjustment of underwriting and investments in response to changes in climate risk. IAIS should integrate climate risk (and its component risks) into the holistic

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			framework to assess the vulnerabilities and potential transmission mechanisms. Future work should recognize that climate risk manifests through traditional risks which the industry has long had exposure to and has a track record for managing (i.e., nat cat, credit, market, etc.)
69	Verisk	United States	A survey of climate-related tools and data may be a useful area of exploration in future consultations.
70	Ekō	EU	A key theme to be explore should be increasing capital requirements for insurers for climate-related risks. Climate risk should be an example of risks too difficult to measure in ICP 17. It is strongly recommended to adopt a precautionary stance when enforcing capital requirements for climate-related risks. It is imperative to ensure that even though these risks may appear manageable within a one-year solvency perspective, they could potentially manifest themselves unexpectedly and unpredictably in the medium to long term.
71	General Insurance Association of Japan	Japan	- In Paragraph 1 (Line 5) and Paragraph 4 (Line 5) of this guidance, mitigation is mentioned, but there is no reference to adaptation. Consideration should be given to adding/referencing adaptation, as it is physical risk closely related to adaptation that is likely to have a more direct impact on general insurance businesses. - In considering responses to climate change risks, circumstances and challenges differ among countries and regions. This should be fully taken into account in examining issues or themes to explore in the forthcoming consultations.
72	Partnership for Carbon Accounting Financials (PCAF Inc.)	Global	The European Banking Authority (https://www.eba.europa.eu/eba-publishes-binding-standards-pillar-3-disclosures-esg-risks) published on 24 January 2022 standards on Pillar 3 disclosures on ESG risks for European banks. This Pillar 3 disclosure includes the disclosure of scope 1, 2 and 3 GHG emissions (so called “financed emissions”). The PCAF Secretariat advises the IAIS to follow this example and to include similar disclosure requirements from re/insurance companies. Especially also because re/insurance companies are facing the same risks from climate change as banks. The PCAF Standards for insurance-associated emissions (Part C) and financed emissions (Part A) will support re/insurance companies in fulfilling this request. Both PCAF Standards are build upon the principles of the GHG Protocol and allow all types of financial institutions, including re/insurance companies to measure their scope 3 category 15 GHG emissions.

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			Measuring these absolute insurance-associated emissions and absolute financed emissions will allow re/insurance companies to identify potential GHG emissions hot-spots in their underwriting and asset owner portfolios. Once these hot-spots are identified, the re/insurance companies can start developing strategies to manage the net zero transition, as well as the climate risks and opportunities that emerge from these hot-spots. To include climate related provisions would enable re/insurance companies to catch up with banks and investment funds. The disclosure of the GHG financed emissions by financial institutions has quickly become best practice among banks and asset managers. And there's an ever growing number of re/insurers who already started to measure and disclose their financed and insurance-associated emissions too. Measuring and disclosing these financed and insurance-associated emissions will provide re/insurers with their baseline. Once the re/insurers know this, they are able to set science based targets and implement measure to reduce their GHG exposure. Maybe you also are aware, that the IFRS – ISSB unanimously confirms Scope 3 GHG emissions disclosure requirements (https://www.ifrs.org/news-and-events/news/2022/10/issb-unanimously-confirms-scope-3-ghg-emissions-disclosure-requirements-with-strong-application-support-among-key-decisions/) with strong application support.
73	International Actuarial Association	International	The IAA believes that it would be helpful for there to be specific guidance on asset valuation (particularly during transition) and asset rating giving the need for insurers to match investments to policyholders requirements in terms of "green" ratings. The IAIS has indicated that there will be a further paper on the design and use of scenario analysis. It will be helpful if this includes guidance on how scenarios, such as those produced by NGFS, can be adapted for use by smaller jurisdictions. Another general observation is that it might be helpful to define the terms "mitigate" or "mitigation" which could cause some confusion given the IPCC definition refers to GHG reduction as "mitigation" and efforts to adapt to climate change as "adaptation".

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			Similarly, the term "climate risk" could be defined as it can be construed to mean only physical risk or a broader concept including transition and litigation issues.
74	Public Citizen	USA	International Association of Insurance Supervisors Climate Risk Steering Group Bank for International Settlements CH-4002 Basel Switzerland May 15, 2023 Re: IAIS Public Consultation on Climate Risk Supervisory Guidance To the Climate Risk Steering Group, Public Citizen, a public interest advocacy group with more than 500,000 members and supporters, welcomes the opportunity to respond to the first IAIS public consultation on climate risk supervisory guidance. We appreciate IAIS's leadership in establishing global best practices for insurance supervisors and believe these are highly relevant to U.S. supervisors. As climate risks present an increasingly intense and urgent threat to insurance markets, we hope that IAIS will see this as the first step in a broader, ongoing effort to develop best practices on climate-related risk. While the insurance industry often touts its expertise in understanding weather and climate-related risks, this understanding has not translated into sufficient action. Insurers continue to invest in and underwrite fossil fuel expansion and delay efforts to address climate-related risks. At the same time, insurers are shifting more costs to consumers and withdrawing from communities vulnerable to physical climate risks. In doing so, these insurers are effectively

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			eroding their own markets in the pursuit of short-term profits. Insurers have made little effort to hide their emphasis on short-term thinking. Property insurers rely on one-year contracts that allow them to both quickly end contracts with fossil fuel companies and cut off homeowners vulnerable to extreme weather. This strategy underestimates not only the transition risks from fossil fuels but also the devastating impact of withdrawals on insurance markets, local and regional economies, and ultimately the financial system as a whole. Supervisors should require insurers to develop long-term risk management strategies that protect policyholders, individual insurers, insurance markets, and the financial system. As insurance supervisors consider how to respond to climate-related risks, they should recall two lessons from the 2008 financial crisis. The first is that even supposedly sophisticated risk managers can contribute to massive systemic threats when their pursuit of short-term profits blinds them to complex, correlated risks. The second is that supervisors who focus too narrowly on individual aspects of a company or an economy will be unequipped to recognize and act on interconnected risks. We urge IAIS to apply these lessons as it reviews and expands materials on climate-related risks. IAIS has stated that a good supervisory response to climate risks will protect policyholders, contribute to financial stability, and promote fair, safe, stable insurance markets. To address insurers' blind spots, IAIS should use this consultation process to strengthen its existing materials on financial stability in line with a precautionary approach. To address the interconnected nature of climate risks, IAIS should also expand its current scope to provide best practices on protecting policyholders and promoting fair insurance markets. (1) IAIS should recommend supervisors adopt a precautionary approach to climate-related risks. Insurers' traditional approaches to risk management, including modeling, hedging, and reinsurance, are insufficient to manage the unique aspects of climate risk. As New York's

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			climate risk guidance for insurers states, climate risks are “non-linear, correlated, and irreversible,” and climate impacts have consistently emerged sooner than scientists have expected. The failure of Merced Property & Casualty Company after the Camp Fire in California in 2018 shows that even well-capitalized companies may be unprepared for physical climate-related risks. And along the Gulf Coast, major insurers have rapidly withdrawn, leaving behind smaller and weaker insurers. A series of insolvencies among these insurers and a resulting access crisis shows that intervention may be too little, too late if supervisors wait to act on correlated, irreversible risks until they have perfect visibility. To address risks that are difficult to quantify, a precautionary approach requires establishing large margins of error, eliminating risks that cannot be modeled, rejecting the assumption that risks can be hedged adequately, and evaluating every part of the business for risk. We appreciate that the guidance already includes some aspects of a precautionary approach, such as recommending a whole-of-business approach, cautioning insurers about over-relying on historical data, and recommending that insurers analyze risks over long time horizons. However, IAIS should acknowledge the inherent limitations of risk management via modeling and quantification and encourage supervisors to focus on actions they can take now to increase their margin of safety. IAIS can start by integrating a precautionary approach into existing materials on scenario analysis. Several factors can enhance the effectiveness of scenario analysis, including the use of short and long-term time horizons, qualitative and quantitative data, realistic assumptions, and an expansive range of stressors. However, even with these best practices, scenario analysis remains a limited tool that likely understates risks. Moreover, the unique nature of climate-related risks make them ill-suited for management through quantification and modeling. IAIS should direct supervisors to focus on actions they can take now to reduce risk, including risk-based capital requirements. Increasing capital can be an important strategy for individual insurers who are particularly exposed to carbon-intensive assets. Given the pervasive misalignment with science-based targets, however, IAIS should also provide best practices on increasing system-wide levels of capital to

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			maintain financial stability. (2) IAIS should recommend supervisors use transition plans as a tool to monitor the stability of individual insurers and insurance markets. The most effective way to reduce climate-related risks in line with a precautionary approach is to direct insurers to engage in a managed draw-down of fossil fuel finance and underwriting. While voluntary insurer net-zero commitments have proliferated, the weak standards of voluntary initiatives like the Net-Zero Insurance Alliance, as well as the recent departure of several key NZIA members shows that voluntary associations will be ineffective in generating credible commitments and will not be able to hold insurers accountable. Supervisors must take action to ensure that insurers create credible transition plans and adhere to them. IAIS should provide best practices for transition plans that facilitate supervisors using them as a forward-looking tool to assess the stability of individual insurers and insurance markets. Because insurers are using net-zero announcements to influence consumers and investors, IAIS should also provide best practices on evaluating the risk of greenwashing as a market conduct issue. To be credible, transition plans must include short, medium, and long-term goals for meeting science-based targets and provide transparent metrics for evaluating those goals. Credible plans must include absolute reduction goals, a commitment not to finance new fossil fuel projects, and significant limits on carbon offsets and negative emissions technology. Most importantly, a credible plan for an insurer must rely on reducing financed and insured carbon emissions. Insurers' direct emissions represent just a small fraction of overall emissions. Allowing insurers to announce net-zero commitments exclusively for their operations, omitting the vast majority of their emissions, guarantees that supervisors and consumers miss the forest for just a handful of trees. Additionally, while insurers may rely on a client engagement strategy for reducing emissions, a credible client engagement strategy requires the ability to say no. If insurers plan to reduce financed or insured emissions through

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			client engagement, supervisors must require insurers to produce and follow realistic plans to deal with clients who do not make progress on emissions reductions. Supervisors must also continually monitor insurers' adherence to their stated commitments. IAIS should highlight that if the supervisor believes insurers have made genuine commitments, a lack of progress should trigger concerns about whether management is capable of understanding and addressing the climate-related risks and its own commitments, as well as capable of operationalizing its plans effectively. IAIS should also highlight that if commitments appear insincere, insurance supervisors must protect consumers from "greenwashing" claims that obscure insurers actual approach to climate change. (3) Recognizing that these risks are interconnected, IAIS should provide best practices on maintaining access to affordable insurance, with a focus on equity. Instead of managing climate risks, insurers have been quietly transferring the costs to policyholders. Even as the costs from climate-related disasters grow, insurers have protected their profits by raising homeowner insurance premiums and deductibles, cutting out coverage for climate-related hazards, delaying, denying and underpaying post-disaster claims, and in some of the most vulnerable communities, simply withdrawing. It is unconscionable for insurers to contribute heavily to climate harms by supporting fossil fuel production wildly in excess of climate targets and then raise prices and abandon policyholders as a result of climate harms that the insurers have helped cause. Due to a history of redlining and underinvestment, climate risks like flooding and wildfires disproportionately impact marginalized and low-income communities. As insurers withdraw, they will transform formerly redlined communities that previously could not access the financial system into "bluelined" communities that now cannot access insurance and, by extension, home ownership. Patterns of delay, denial, and underpayment will also be particularly challenging to vulnerable communities that already lack the credit access to fund repairs or the funds to pay for both a

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			primary residence and a temporary one while they wait for their claim to be approved and paid. Multiple studies have shown that communities of color face additional hurdles and longer waits on claims payments, and insurers responses to climate change will likely reinforce those trends. In some regions, insurance withdrawals could reach tipping points that trigger devastating harm to local, regional, or even national economies. For example, in the U.S., rising insurance costs and falling availability could lead to a foreclosure crisis, which could in turn threaten the tax base needed to fund basic mitigation and increase risks for community and regional banks. In New York City, officials have already warned about the risk of a foreclosure crisis in the community of Canarsie. In 2020, a report from an advisory committee to the U.S. Commodity Futures Trading Commission warned that "sub-systemic" shocks like this one could create a "systemic crisis in slow motion." Just as insurers must evaluate climate risks in every part of their business, supervisors must evaluate every part of insurance markets and their connection to the broader financial system. Rather than viewing a growing gap in insurance access as an isolated issue, IAIS should recognize that risk supervision and access to insurance are closely intertwined. We appreciate that IAIS has recently established a natural catastrophe protection gap workstream, and we encourage the Climate Risk Steering Group to coordinate with this new workstream on the unique climate-related factors increasing the protection gap. We also urge the Climate Risk Steering Group to explicitly address best practices on access to insurance, with a focus on equity, into materials on climate risk supervision. To prevent insurers from simply transferring risk throughout the economy, IAIS should help supervisors take proactive steps to protect policyholders. IAIS can start by integrating these concerns into materials on climate risk supervision. IAIS can look to guidance from New York State, which acknowledges the potential for climate risk management to harm vulnerable communities and encourages insurers to contribute to just transition and climate adaptation efforts, and not to abandon communities who will become even more vulnerable to climate harms if insurers stop covering them. Specifically, IAIS should recommend that supervisors

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			require insurers to disclose the impacts of particular risk management strategies on access to insurance, particularly for vulnerable communities, in both their scenario analyses and their transition plans. IAIS should also address the unique climate-related impacts on market conduct and provide best practices for proactively protecting policyholders. Insurers that have failed to prepare for climate risks may be tempted to maintain their solvency or protect their profits by cutting coverage or disputing whether damage is covered. Insurers may also seek to delay, deny, or underpay claims. In California, insurers introduced illegal coverage limitations on smoke damage to avoid paying for increasing wildfire claims. In Florida, insurers illicitly rewrote adjusters' descriptions of hurricane damage to cut payments by more than 80%. Protecting policyholders and ensuring fair access will require more proactive action from supervisors. IAIS should also highlight that climate change is dramatically increasing the category of potentially vulnerable insurance consumers for whom consumer education will be an ineffective solution for a rapidly changing environment. IAIS should highlight that the concurrent and increasingly intense effects of climate disasters will require more resources for reviewing policy language and potential insurer misconduct, and supervisors should act proactively to ensure they have sufficient tools and resources to meet the scale of the problem. Conclusion Existing work from IAIS on climate risk represents an important step towards the development of global best practices on climate-related risk, but IAIS should see it as one step in a broader, ongoing effort. To meet the scale and complexity of the crisis, IAIS should use this consultation process to strengthen its existing work in line with a precautionary approach and expand its scope to help supervisors protect policyholders and promote fair and stable insurance markets. We look forward to engaging with IAIS as part of the ongoing consultation. If you have

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			questions, please contact Carly Fabian at cfabian@citizen.org. Sincerely, Public Citizen
75	GFIA	Global	As already recommended in its response to the 2021 Application Paper, GFIA suggests focusing on the fostering of a broader exchange of experiences between supervisors, for example through the drafting of “dos and don’ts”. A good example here are the natcat dos and don’ts in GFIA’s March 2023 report, “Global protection gaps and recommendations for bridging them”. The sharing of good and bad practices between supervisors and insurers will help shape their approaches to managing the transition to a lower carbon economy. This would be particularly relevant for jurisdictions that are at an early stage in climate-related regulation. While the Net-Zero Data Public Utility is currently developing a global and open data platform related to climate change, climate-related risk assessment and climate scenario analysis are areas in which insurers are working on how to best use the data provided by companies to perform their own climate-risk assessments. Moreover, as the IAIS develops supporting material on ORSA and climate scenario analysis,

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			GFIA would like it to consider providing information such as best practices on various climate-related risk assessment and climate scenario analysis so that insurers can adopt the most appropriate method for their scale and business models and fully use their resources effectively. As ORSA is undertaking-specific, it should be left to the undertaking how to address this topic. Therefore, no mandatory provisions should be made by the IAIS. Any guidance should be principles-based, with a recognition of proportionality and materiality. GFIA also encourages insurance supervisors to engage in dialogue and cooperation with other financial sector supervisors to ensure a consistent approach to climate risk and strengthen financial stability, taking into account the specific characteristics of the insurance sector. While insurers have a key role to play on climate-related risks, GFIA would like to stress the importance of raising the awareness of society and all stakeholders, as a collective effort will be needed for effective action.
76	The Life Insurance Association of Japan	Japan	• Climate risk is a relatively new category of risk for all standard setting bodies as well as for insurers, so information-sharing and close exchange of views between various stakeholders and supervisors are necessary as to understand climate risk in more detail and to further address the issue of climate risk. We would appreciate if the IAIS could develop additional supporting material in a manner that recognizes the importance of sharing information based on a two-way communication channel, and encourages to do so, rather than requiring insurers to share information to supervisors in a one-way manner. • While the Net-Zero Data Public Utility(NZDPU) is currently developing a global and open data platform related to climate change, climate-related risk assessment and climate scenario analysis are areas in which insurers are working on figuring out how best to proceed, as there is not any standard for analytical methods being established yet. As the IAIS develops supporting material on ORSA and climate scenario analysis, we would like the IAIS to consider providing information such as best practices on various climate-related risk assessment and climate scenario analysis so that insurers can adopt the most appropriate method that accounts for the scale and business models of theirs and fully utilize their

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			resources effectively. • Various financial sector initiatives related to climate change exist that broadly encourage society's transition to net-zero, such as the UN-convened Net Zero Asset Owner Alliance (NZAOA). Moreover, the development of international sustainability disclosure standard built upon the recommendations of the Task Force on Climate-related Financial Disclosures(TCFD) recommendations which is led by The International Sustainability Standards Board (ISSB). Taking into account these international developments, as many insurers already participate in initiatives that promote net-zero exist, the IAIS should respect the proactive initiatives of individual insurers, as well as consider to ensure consistency with other international disclosure standards such as the TCFD recommendations and ISSB standard when revising the ICP or developing new supporting material. • In addition, coordination with supervisors other than insurance supervisors is essential when the IAIS decides on regulatory and supervisory policy. It would be appreciated if the IAIS could respect the principle of proportionality when considering future climate-related work and communicate with other financial sectors to avoid adopting different regulatory and supervisory approaches as to keep them consistent with different financial sectors.
77	Finance Watch	EU	The 2021 Application Paper and the consultation paper cover a number important areas and suggest useful updates to both the guidance and potentially the ICPs. Further to the points made in response to question 3, particular attention should be given to how ICPs 9 and 16 should be adjusted to explicitly cover transition planning by insurers. Please refer to the response to question 5 for more points on how transition planning should be taken into account. One important issue is missing from the analysis in the 2021 Application Paper and the consultation paper. Neither paper considers re-assessing ICP 17 and providing guidance on capital requirements. The 2021 Application Paper recognises that climate-related risks are a material source of financial risk and can have an impact on financial stability, however it highlights the difficulty of quantifying climate change and the limited availability of data. In fact it is unlikely that data will ever be sufficient to properly capture some climate-related risks,

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			including transition risk and physical risk. Historical data cannot be used to assess transition risk as no transition has yet taken place and the risk expands while this remains the case. Here there is a clear opportunity to use climate-related risks as an explicit example in ICP 17.7.5 and 17.7.6, as an example of a risk that is difficult to quantify. Climate-related risks should be included in the first sentence of ICP 17.7.5 with the list of less readily quantifiable risks. An explanation could be further included to state that whilst climate risk will most likely manifest themselves via market, liquidity and natural catastrophe risks, the timing and scale of materialisation are unlikely to be measured with any degree of precision. Moreover, the materialisation strongly depends on the mitigation actions taken today, including by the insurers themselves. There is a strong case for taking a precautionary approach to applying capital requirements for climate-related risks and ensure that whilst these risks result as manageable with a one-year solvency view, they could materialise in the medium or longer term in unexpected and unpredictable ways. An addition to the last sentence of ICP 17.7.6 is important in this regard to ensure that insurers not only address material risk in their ORSA, but also through a precautionary approach to capital requirements. Another key area to look at is how climate-related risks are covered by macroprudential supervision under ICP 24. The scope of data and analysis under 24.1 and 24.2 should be adjusted to ensure that it takes a forward-looking perspective, beyond historical trends and the current risk environment.
78	The Geneva Association	International	• Although mitigation appears in paragraph 1 (line 5) and paragraph 4 (line 5) of this guidance, there is no reference to adaptation. The most direct impact on insurance business is likely to be physical risks, which are closely related to the latter, and adaptation should be included alongside mitigation. The study of adaptation to climate change risks involves different circumstances and challenges in different countries and regions. We therefore request that this be taken into account in the issues and themes to be considered in future consultations. • The NZDPU is presently in the process of creating a worldwide, open data platform dedicated to climate change. However, insurers are still navigating how best to approach areas like climate-related risk assessment and climate scenario analysis, given the lack of

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			established analytical standards. As the IAIS is working on supporting material for ORSA and climate scenario analysis, we suggest that they contemplate offering information such as best practices for different climate-related risk assessments and climate scenario analyses. This would enable insurers to select the most suitable method that aligns with their scale and business models, thus ensuring the effective utilization of their resources.
79	Reclaim Finance	Europe	Providing the comments made in the previous questions, a number of changes should be made to improve usability: - Transition plans appears to be an essential tools in the monitoring and management of CRR. ICPs 9 and 16 should therefore be adjusted to explicitly cover transition planning ; - It is unlikely that data will ever be sufficient to fully capture CRR and historical data can only very partially be useful. ICP 17 should be adjusted to reflect the fact that : a) CRR is a risk that is difficult to quantify and impossible to fully capture ; b) the extent of CRR largely depends on the mitigation actions taken ; c) CRR are characterized by a radical uncertainty. To overcome these obstacles, ICP 17 should consider capital requirements changes to activities that could lock-in significant volumes of emissions. Similarly, some changes should be made to ICP 24 to reflect the specificities of CRR on the macroprudential side.
80	The Shift Project	France	In its famous 2015 speech, a few months before the COP15 in Paris, Mark Carney (Carney M. –Breaking the Tragedy of the Horizon – climate change and financial stability - September 29th, 2015) warned the insurance industry about the challenges to come : "(…) Lloyd's is the bedrock of the UK insurance industry. (…) The first excess of loss reinsurance was created here. Modern catastrophe cover was born with your decision to stand by policyholders after the San Francisco earthquake. (…) Inflation-adjusted insurance losses from these events have increased from an annual average of around $10bn in the 1980s to around $50bn over the past decade. (…)" The Bank of England Governor – and then chairman of the FSB- added :"(…) Thankfully these cases are rare. But the recognition of the potential impact of such risks has prompted a publicly-backed scheme in the UK – Flood Re – to ensure access to affordable flood insurance for half a million homes now considered to be at the highest risk of devastating flooding. This example underlines a wider point. While the insurance industry is well placed to adapt to a changing climate in the short-term, their response could pose wider issues for society, including whether to nationalise risk. (…)"

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			Redesigning the industry The IAIS sees the change happening, even if it only sees it in the long term. In its last annual report (GIMAR) (IAIS - Global Insurance Market Report (2021) - Special Topic Edition : The impact of climate change on the financial stability of the insurance sector - November 2022.), IAIS warned about uninsurability : "(…) Many jurisdictions expect climate-related risks to impact the insurability of NatCat risk, especially in the longer term. For instance, at least half of the supervisors in the Europe and Africa region expect medium to high impact in the longer term. However, especially for the longer term, a number of jurisdictions indicate it is not possible to make an estimate of the impact at this stage. (…)" In its roadmap (IAIS - 2023-24 Roadmap – 11/01/2023), IAIS announced that "(…) Work will also commence in 2023 to consider the role that supervisors could play in multi-stakeholder approaches to addressing natural catastrophe (NatCat) and disaster risk protection gaps.(…) The IAIS will produce a report by end-2023, in collaboration with other international organisations, on the role of supervisors in addressing NatCat and disaster risk protection gaps, including multi-stakeholder approaches (such as public-private partnerships).(…)" Behind the overused formula "public-private partnership", the question of "risk nationalization" raised by M. Carney is now on the table. The insurance industry must rise to the challenge of climate change. The 2022 reinsurance market crisis provides a good opportunity to shift gears : more and more public-private partnerships will be needed to address the rising risks of climate change. Diversification is essential to the reinsurance business model which is based on the widest possible diversification of risks, lines of business and geographies. Regarding diversification of geographies, unfortunately, climate change is now a global phenomenon. As climate events will become more frequent in the next decades, one might ask : is climate risk an insurable risk ? IAIS should prepare the public & private partners, the industry and governments, to this transition from a low frequency to a high frequency risk. How the law of

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			large number will fit to climate events which are no longer independent from each others ? In 2021-2022, Europe has understood that adaptation was no longer an option, with extraordinary climate events in Belgium (2021), Germany (2021), and France (2022). French insurers annual SFCR reports (Solvency and Financial Condition Report) for year 2022 are telling. ECB & EIOPA have recently challenged the role of public finance and EU finance in the insurance market (EIOPA & ECB - Policy options to reduce the climate insurance protection gap - April 2023). These European regulatory institutions propose to redesign climate risk insurance. The IAIS should monitor this very issue at a global scale. It should present a detailed benchmark of existing public/private partnerships ; it should have an interdisciplinary research team (economics ; economic history ; history ; social sciences ; public policy ; agronomy ; climatology …) on the history of reinsurance and natural catastrophe policy by member states ; it should analyze and monitor the risk of worldwide fragmentation in the reinsurance market, between North America and Europe. The question of concentration of risk at regional and national level, should be reconsidered. Mutualization at the continental scale could even become ineffective ? Collaboration should be a “mantra” in front of climate change. Regulators should learn this inspiring word to the industry ; it should even force the industry to cooperate : private-private partnerships. “Coopetion”. Systemic and holistic issues IAIS should investigate further on the challenges of the systemic impacts of climate change, and the mastering of these systemic risks by supervisors and (re)insurers. Given what happened in 2022 with its consequences on the P&C insurance markets, the Reinsurance Advisory Board response in 2020 to EIOPA request for comments on Solvency 2 evolution (RAB – Response to EC consultation on Solvency II review – 21/10/2020) was

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			remarkable : "(…) Reinsurance is a business-to-business activity, with limited policyholder protection implications, and there is no evidence or history of reinsurance contributing to systemic risk or financial instability. (…). For traditional reinsurance, systemic risk is yet to be demonstrated. Its exposure to bank run-like liquidity stress lacks evidence. Climate change does not either create systemic risk for the insurance sector insofar as the related risks will fully materialize over the longer term, thus allowing (re)insurers to manage their exposure to transition risk and to adjust the pricing of their policies to the changing cost of risk in a timely manner. (…) Times have changed. Climate has changed too. The review of risk management directives Solvency II in 2019 was badly targeted (EIOPA - 2020 Review of Solvency II – Keeping the regime Fit for Purpose – 2020). The "persistence of low interest rates" was among the three key features addressed in this review ; and climate change was nearly absent of the framework. After the 2022 reinsurance crisis, Solvency II should be thoroughly revisited. It was designed in a pre-climate change world. ESG risk simulation modelling ; risk correlation matrix, market-consistent valuation, are examples of concepts that should be reevaluated in a +2°C world. Links between risks could become a key issue for supervisors. Many supervisors (as ACPR in France) monitor credit and insurance. As insurability of credit will become critical in the next decades, the need for cooperation between supervisors should be emphasized, and best practices shared at the IAIS level. In January 2023, France Assureurs executive director (Le Vallois F. - Tous concernés par la montée des risques – Bilan 2022 de l'assurance - News Assurances Pro – 18/01/2023 ; our translation) warned on the interdependence and synchronicity of climate risks : « (…) Insurance cant do everything. Insurers therefore hold part of the solutions to the problems of our time. However, it would be illusory to think that insurance can do everything on its own. The scale and development of the crises we are experiencing call for multiple and

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			coordinated responses from all players: insurers, reinsurers, insurance brokers, companies, citizens and public authorities. It is together and in solidarity that we will be able to work effectively in 2023 to meet the challenges posed by the interdependence and synchronicity of these risks and thus enable everyone to continue to be well insured and society to move forward in confidence. (…)" The European Commission Staff Working Document (EC - Closing the climate protection gap - Scoping policy and data gaps – May 2021) highlighted this rising uncertainty, this systemic complexity : "(…) Climate risks are notoriously complex as they involve interacting, nonlinear and fundamentally unpredictable environmental, social, economic and geopolitical dynamics that may be irreversibly transformed by the growing concentration of greenhouse gases in the atmosphere. In this context of deep uncertainty, extrapolating historical trends to predict impacts is of little use and the financial community has already moved-on to scenario-based analysis. Moreover, no single model or scenario can provide a full picture of the potential macroeconomic, sectoral and firm-level impacts caused by climate change. (…)" Data on climate risks : availability, sharing, and quality Data limitations are a key issue for risk assessment. Challenges of risk management of so-called "secondary perils", which include amazing events in Europe in 2021 (flood) and 2022 (heat ; hailstorms …) were highlighted by experts. Climate risks specialists (Climatewise - Modelling it all: secondary perils in a warming world, - 29 June 2022), consider the issues of : - data availability - data sharing - data quality All these issues are in the scope of IAIS regulators. The IAIS 2023-2024 Roadmap proposes to "(…) Continue to refine the data collection on climate-related risk in the annual GME. (…)". Is it enough ? The EIOPA Executive Director (Fausto P. - Sustainable insurance to protect society in the long term – Eurofi Magazine - April 2023) expressed his willingness : « (…) Besides

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			considering Public-Private-Partnerships, public actors can also engage in improving the collection and sharing of climate-related loss data and raising awareness about climate change, thereby encouraging insurers and policyholders to adapt to climate change. (…) » The Geneva Association, in a “techno-optimist” report (Golnaraghi M. & als– Managing Physical Climate Risk: Leveraging Innovations in Catastrophe Risk Modelling - Geneva Association – November 2018), states that : “(…) There is an urgent need to support deepening the pool of talent to address the technical challenges. Common data standards and model protocols are essential to engage academia, centres of excellence and government scientists. More specifically, data standards relating to exposure data input and model result outputs are key for accessing the efficiency gains from greater digitalization in the placing of insurance and reinsurance contracts. The global insurance industry is encouraged to actively support initiatives in this area. Model vendors can support interoperability by publishing proprietary data schema and maintaining data mapping support for open standards. (…) ». (Note that, to our knowledge, there are few words about performance, accuracy or efficiency of climate catastrophe modelling in this report.) We hope regulators and governments will be able to impulse such a collaborative move the market has been unable to do.
81	WWF	Switzerland	WWF recommends to consider the applicability of the topics addressed in the previous question. Additionally, the following issues and themes are also key to be included in the climate risk guidance: - ICP 17 (Capital requirements): Ensure inclusion of climate and nature risk in the ICPs related to risk management and capital adequacy. - ICP 19 (Conduct of business): mention the supervision of conduct risk for insurance products sold by insurers includes provisions related to addressing greenwashing risks.

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			- ICP 20 (Disclosure): Encouragement to disclose the share of insurers'total portfolio that is aligned with existing classification systems for sustainable or unsustainable activities (taxonomies). - ICP 24 (Macroprudential supervision): Assess inclusion of nature and climate risk in the macro prudential analysis and macro prudential tools. This may include the conduct of supervisor's scenario analysis and stress testing, exposure limit on the most environmentally harmful sectors , and obligatory insurance mandates relevant to climate risks. - Policies & Processes: Integrate climate and nature risk in policies and processes and increase the focus on data management and data quality issues to support the management of climate and nature risk . - Scenario analysis & stress testing (Section 5.2.1) : o Guidance on how to choose the scenarios and review of the available climate scenarios (e.g, NGFS, IPCC, IEA). o Time horizon of the assessment o Level of granularity (high level assessment or counterpart level exposures) o It will be good to make mention of the climate risk assessment providers, such as the list that was compiled by the UNEP FI (Climate risk Landscape, transition and physical risks providers).
82	Institute for Energy Economics and Financial Analysis	Asia Pacific	The Application Paper should add that any deterioration in investment portfolio performance and capital adequacy/solvency would severely impact the insurer's own credit rating. By regulation, insurance companies are subject to a minimum credit rating. It is therefore important that insurers factor climate risk into its investment strategies to ensure a stable income generation, robust liquidity and prudent risk management—all of which impact the credit rating assessment. The Application Paper could also include research that help raise the awareness of the credit rating process which have yet to integrate climate-related risks.

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			https://ieefa.org/resources/can-credit-rating-assessments-and-sustainability-coexist https://ieefa.org/resources/more-credit-downgrades-imminent-under-climate-change-credit-model-overhaul-yet-be-seen Live examples of and research on divestments from fossil fuels could also be added to the Investment chapter of the May 2021 Application Paper. https://ieefa.org/resources/two-economies-collide-competition-conflict-and-financial-case-fossil-fuel-divestment
83	Association of Bermuda Insurers and Reinsurers	Bermuda	• The insurance industry can encourage insureds to improve their mitigation and improve their own resilience to climate related events through premium rebates and enhanced protection, but in some jurisdictions, regulators will need to assist this process by providing increasing flexibility on ratemaking, premium rebates, and policy terms. • As regulators consider enhancements to their supervisory regimes, we encourage regulators to coordinate and cooperate in their stress test frameworks and, also, to rely on existing mechanisms for risk and stress testing reporting – e.g., Pillar II and Pillar III reporting, rather than adding additional layers of reporting. • If regulators recognize the value of the Task Force on Climate-Related Financial Disclosures (TCFD) and United Nations Principles for Responsible Investment (UNPRI) reporting, or other reports perhaps such as ClimateWise or UN Principles of Sustainable Insurance, it would be very beneficial for organizations to be allowed to provide these in lieu or alongside their existing regulatory filings, instead of having to provide different disclosures to regulatory and non-regulatory agencies. • ABIR believe that supervisors should allow for companies to apply a proportionate approach commensurate with its risk profile, when determining the level of understanding of climate risks required for Board members, when determining the extent of documentation required to be provided from an ORSA perspective and in determining requirements for the submission of stress and scenario testing if a determination has been made by management that climate risks are immaterial.

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84	ShareAction	Belgium	We welcome the 2021 Application Paper and consultation paper which suggest useful updates to both the guidance and potentially the ICPs. ICPs 9 and 16 could be further adjusted to explicitly cover transition planning by insurers. Please see our response to question 5 on how transition planning should be taken into account. One key element that is missing from the 2021 Application Paper and the consultation paper is the idea to reassess ICP 17 and provide guidance on capital requirements. The 2021 Application Paper rightly recognises that climate-related risks are a material source of financial risk that can have an impact on financial stability, and highlights the difficulty of quantifying climate change, with limited data available. As mentioned above, existing (historical) data will not be sufficient to properly capture all climate-related risks, including transition and physical risk. Historical data cannot be used to assess transition risk as no transition (except for very early steps) has yet taken place and the risk continues to expand while this remains the case. Climate-related risks could be used as key examples in ICP 17.7.5 and 17.7.6 of risks that are difficult to quantify. An explanation could be further included to state that whilst climate risk will also likely manifest themselves via market, liquidity and natural catastrophe risks, the timing and scale of materialisation are unlikely to be measured with any degree of precision. Moreover, the materialisation strongly depends on the mitigation actions taken today, including by the insurers themselves. This makes a strong case for taking a precautionary approach to capital requirements for climate-related risks. An addition to the last sentence of ICP 17.7.6 is important to ensure that insurers not only address material risk in their ORSA, but also adopt a precautionary approach to capital requirements. Finally, it is important to consider how climate-related risks are covered by macroprudential

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			supervision under ICP 24. The scope of data and analysis under 24.1 and 24.2 should be adjusted to ensure that it takes a precautionary approach and forward-looking perspective.
85	Finance Watches - University of Camerino	Italy	Yes, include as part of your consultations many representatives of committees - especially those born after the disaster - as possible that representatives from both sides (insurance companies and consumers) in order that the approach to the issues proposed is comprehensive of all the shades that a certain matter can have. These committees are crucial in giving and highlighting practical problems that otherwise will be never resolved. Secondly, it is of the utmost importance to include also committees representing the most vulnerable side of the population: disabled, immigrants, and women in order that also these categories are not left behind and especially understand what the insurance company is offering.
86	ClientEarth	United Kingdom	No response.
87	National Association of Mutual Insurance Companies	United States	At this juncture, NAMIC has no suggestions for any additional suggestions on issues or themes to explore in forthcoming consultations relating to the usability of IAIS climate risk related Applications Papers. Today insurers do consider material risks, including material climate risks, as they evaluate and re-evaluate risk as part of their regular business. To the extent the IAIS may consider changes to improve the usability of its climate risk related papers, insurers should have the flexibility to exercise judgement as to how to best achieve climate-related goals. Again, if the IAIS does elect to add to its existing work, among the considerations for such efforts is consistency with fundamental standards including being flexible and principles-based, risk-based, insurance fundamentals focused, materiality directed, respectful of data challenges, and iterative.
88	Ceres	United States	Ceres makes two suggestions in regards to forthcoming consultations: (1) Application Paper redrafting exercises aimed at better incorporating climate risk related actions for insurance supervisors must incorporate information on the use of climate risk scenario analysis in risk supervision, and (2) attention should be paid to impacts on inclusive insurance, where market

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			appropriate. 1. Scenario analysis: A recently published paper by the University of California Law School, Center for Law, Energy and the Environment and commissioned by the California Department of Insurance, Looking Forward, A Guide to Climate Risk Scenario Design for California's Insurance Regulator (1), presented a detailed analysis on regulatory and supervisory steps which could be taken to strengthen the utility of scenario analysis by insurance companies. The paper is detailed, and includes proposed road maps for either top-down or bottom-up analyses. We also note that the U.S. NAIC's Climate and Resiliency (EX) Task Force 2023 goals include evaluation and development of climate risk-related disclosure, stress testing, and scenario modeling. 2. Inclusive insurance: Application Papers where appropriate should include discussion on implications of climate-related risks on underserved communities, as discussed in regards to the U.S. market in a recent paper commissioned by Ceres on inclusive insurance (2), which offers recommendations including regulatory reforms and market innovations. Although the report concerned itself with the U.S. market, key regulatory reform recommendations are applicable globally, including the development of enabling regulations for innovative inclusive insurance models, the use of regulatory sandboxes to test inclusive disaster insurance schemes, reform of rules and reviews by supervisors to claims adjudication practices and other related market-facing reforms, and the establishment of clearly delineated and fair baseline coverage standards. (1) https://www.law.berkeley.edu/wp-content/uploads/2023/04/Looking-Forward-April-2023.pdf (2) https://www.ceres.org/resources/reports/inclusive-insurance-roadmap
89	Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	Insurance of natural assets to provide resilience against climate risks Transparency of investments of insurance in order to manage climate physical risks

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Q5: Should the IAIS' work and upcoming consultations on climate risk also cover considerations related to transition planning by insurers?			
90	Superintendency of Banks of Guatemala	Republic of Guatemala	Yes, it is a very important topic that should be considered, so supervisors can have enough information and through their role as supervisors can help insurers.
91	Natural Resources Defense Council	United States	Yes. Climate-related transition plans are essential for insurers to manage the risks posed by climate change. They can help insurers to identify and assess their exposure to climate risks, develop strategies to mitigate these risks, and communicate their progress to stakeholders. In addition, transition planning can provide some protection against sudden climate-related market shocks to fossil fuel prices or spikes in extreme weather casualty claims. Insurance supervisors should require insurers to develop and implement climate transition plans that are aligned with the latest climate science and best practices. The plans should be comprehensive and cover all material areas of the insurers business, including insurance, investments, and operations. These plans should consider the following factors: (i) alignment with the latest climate science and best practices, (ii) comprehensiveness, (iii) implementation strategy, and finally (iv) communication strategy. Supervisors need to monitor the implementation of these transition plans at regular intervals and ensure adherence by monitoring compliance and taking appropriate action against insurers that do not comply with their climate transition plans.
92	American Property Casualty Insurance Association (APCIA)	United States	The primary role of insurers is to be part of a risk management solution for others to reduce and transfer risk. If there are risks to an insurer's balance sheet from transition, then it is appropriate for supervisors to ask how insurers are managing these risks. However, it isn't clear that standalone transition plans are necessary or add value for all insurers, as such discussions can take place in other regulatory filings like the ORSA. Furthermore, beyond short-term time horizons, transition plans become very speculative and may have limited value.

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93	Verisk	United States	Yes, as noted in the preamble, climate risks are interconnected and consideration of transition risk should be included in developing a holistic risk management framework for insurers.
94	Ekō	EU	Yes absolutely. The suggested modification to ICPs 9 and 16 is to incorporate guidance for insurers on transition planning. In particular, ICP 9 should contain clear provisions regarding the supervision of insurers transition plans, with a connection to ICP 16. On the other hand, ICP 16 should provide clarity to supervisors on the assessment of transition risk, which can be achieved by scrutinizing insurers transition plans and incorporating explanations in the Own Risk and Solvency Assessment (ORSA). Additionally, it is important to note that the time horizons for ORSA analysis pertaining to transition planning will need to be longer than those for business strategy.
95	General Insurance Association of Japan	Japan	While we recognize that transition planning is an important element in ensuring a smooth transition to a decarbonized society, it may not be necessary for the IAIS to work on transition planning for the following reasons: - Given the roles of insurers in maintaining and developing fair, safe and stable insurance markets that benefit and protect policyholders and in contributing to global financial stability, transition planning is a topic that should be treated carefully. - A certain level of guidelines for transition planning have already been developed by private sector-led initiatives and frameworks such as TCFD and GFANZ, and insurers are in the process of responding to them. As the background to our concerns, we want to point out the following, which the IAIS should fully take into account: - The development of transition plans needs to reflect country- and region-specific pathways to decarbonization as well as differences in the business characteristics of individual insurers. We are concerned that, if the IAIS were to work on transition planning and describe a particular regions thinking or approach as an example, it would be considered best practice, which would make it difficult for other approaches to be allowed. - We recognize that there are differences among countries/regions as well as insurers in understanding the definition of transition planning in the insurance sector, just as there is no established definition of transition finance in the context of investment and financing. In view of this, we are concerned about the possibility of the development of guidance that recommends transition plans only emphasising poor underwriting restrictions without

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			sufficient consideration. - As noted above, because work is already progressing through private-sector-led initiatives and frameworks, the IAISs activities should be aimed at supporting (contributing to, promoting, etc.) these initiatives. It is also important that the IAISs considerations and measures are aligned with private sector initiatives, and that they are high-level and principles-based.
96	International Actuarial Association	International	The IAA believes that transition planning should be covered in the IAIS' work and consultations as there are different considerations that come to bear for insurers to deal with in transition planning than the longer term management of climate risk. The IAA believes that transition risk should be given at least equal weight with physical risk in regulatory thinking as transition issues are far more important and near term to most insurers (e.g., reducing investment risk in emissions intensive activities, investment on transition financing, underwriting strategies on potentially stranded assets, employment shifts as decarbonization occurs, insuring electric vehicles, etc.). The IAIS should be emphasizing the need for proper transition planning by insurance enterprises. Many people who work on "climate risk" immediately jump to physical risk from extreme weather as the key issue (and it is critical, particularly for affordability and protection gaps) but from an insurer (and regulatory) risk management standpoint it often turns out that the transition and litigation risks are the more pressing.
97	Ecojustice	Canada	The transition planning of insurers is a critical issue that needs to be addressed and should be done as soon as possible. Supervisors must provide standards for insurers' transition planning. Transition plans should be required for all insurers with concrete deadlines of when those plans must be publicly available. Supervisors of insurance companies should take on the role of reviewing and either approving or requesting amendments to the transition plans of insurance companies. To be credible and lessen climate-related risk, transition plans must set short-, medium- and long-term targets that align the insurer's activities with limiting warming to 1.5°C. These targets must encompass all emissions (scopes 1-3), all GHG and be expressed as absolute emissions reductions. Transition plans must also have a plan to implement policies and

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			procedures to deliver on those targets. Commitment to immediate action must be shown. The plans must also have an accountability mechanism, wherein insurers report to supervisors annually on the progress against the targets. ICP 9 - Supervisory Review and Reporting and ICP 16 - Risk Management for Solvency Purposes should be amended to provide guidance on transition planning by insurers. ICP 9 should explicitly address the supervision of insurers transition plans and make a link to ICP 16. ICP 16 should clarify that supervisors should assess transition risk plans, including by analyzing insurers transition plans through explanations in the Own Risk and Solvency Assessment (ORSA). It should explain that time horizons for ORSA analysis will need to be longer than for business strategy for transition planning. Further information on how to create the standards and supervisory role for transition planning applicable to transition planning can be found in Part 1 of the Roadmap to a Sustainable Financial System in Canada. This roadmap report is by Ecojustice, Environmental Defence and SHIFT Action for Pension Wealth and Planet Health and is available online: https://ecojustice.ca/wp-content/uploads/2023/03/EcoJustice_2023_Roadmap_B1_Jan_05.pdf.
98	Public Citizen	USA	see above for full comment
99	GFIA	Global	GFIA recognises that transition planning is important for a smooth transition. The actual transition to a low-carbon economy is primarily the result of the policy decisions, actions or inactions of other sectors of the economy and government. If the IAIS were to launch work on this issue, it should consider initiatives such as the Task Force on Climate Related Financial Disclosures and the Glasgow Financial Alliance for Net Zero that have already provided guidelines for transition planning and to which insurers are already responding. It may also consider work undertaken in other jurisdictions, such as the EU, to identify good practices. Any IAIS initiative on the scope of the supervisor’s mandate should be sure to provide a sound framework that is principles-based and provides guidance rather than mandates.

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			Effective transition planning by insurers requires an understanding of the plans and actions of companies in other economic sectors. Any transition planning beyond that already undertaken under the above-mentioned private-sector initiatives should not be required until similar disclosure regimes are applied to all economic sectors.
100	The Life Insurance Association of Japan	Japan	• With regard to considerations for transition planning, guidance has already been developed based on initiatives such as the TCFD and the Glasgow Financial Alliance for Net Zero(GFANZ). Based on these types of guidance, we understand that many insurers are working on their own transition planning. We would like to ask the IAIS to avoid superfluous regulation, as well as to ensure consistency of insurance regulatory material with these types of guidance.
101	Finance Watch	EU	Given that regulatory requirements for insurers to have transition plans are being discussed in jurisdictions like the EU and that claims of mitigating transition risk through plans are being made by insurers, including them in the IAIS' upcoming work is needed. On top of this many of the worlds largest and leading insurers have committed to create and disclose transition plans in the Net Zero Insurance Alliance. This work on transition plans and the commitments in this area from parts of the industry are welcome developments, but would benefit from a consistent global approach to have real value. There is an key opportunity for insurance supervisors to capitalise on the transition plans that many insurers will compile and disclose. An important part of the exercise is an assessment of an insurers exposure to sectors and industries impacted by the transition to meet climate targets. Supervisors should monitor this to understand an insurers levels of transition risk exposure. By monitoring progress made towards achieving the targets set out in insurer's transition targets and implementing their plans, supervisors can assess their ability to manage their transition risks, effective implementation and impactfulness of the declared measures and, if deemed necessary, take appropriate supervisory action. This can be done through additions to ICP 9 in the annex for 9.5 and 9.6 and in ICP 16. The

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			2021 Application Paper indicates that climate-related risks should be considered as evolving risks under 9.1.11 and that they would fall under 9.4 as being an area that should move from ad-hoc information requests to more frequently reported on. A structured process around the supervision of transition planning can help to provide a significant part of the information supervisors need. This can combine disclosure of progress made towards achieving transition plans with explanations in the ORSA on the insurers management of transition risk through their own transition plan and through assessment of the plans of at-risk of stranding exposures. To help clarify these points, the scope of the ICP 9 annex should be extended to cover ICP 9.1 and 9.4, with the inclusion of a new section 'F' on supervision of insurers transition plans to ensure consistency of supervisory approaches on this emerging area of risk and regulation for insurers. This new section should also refer back to ICP 16.10, where additions are also needed to clarify how climate-related risk and transition planning are dealt with in the ORSA. The key aim of the section should clarify that supervisors can assess transition risk by analysing insurers transition plans, linked to the continuity analysis in the ORSA. Here a first addition to 16.14.1 should be considered to include 'climate change' after 'innovations in the industry'. An addition should also be made to 16.14.6, to add a sentence at the end using climate-related risks as an example. The sentence should explain that certain risks, such as climate-related risks, require even longer time horizons for continuity analysis. It should explain that time horizons for this analysis can be based on transition planning.
102	The Geneva Association	International	We don't think it is necessary for the IAIS to develop guidance on transition plans in relation to insurance at this time. Transition plans are not a prudential tool but are firm-specific strategic instruments. Currently there are several private sector initiatives (e.g. TCFD and GFANZ) ongoing to support firms in developing a best practice. These initiatives are developing transition planning frameworks, and transition planning involves considerations that are not unique to insurance. Future IAIS work and upcoming consultations should therefore not cover considerations related to transition planning by insurers.

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103	Reclaim Finance	Europe	IAIS should cover considerations related to transition planning. Transition plans appears to be an essential tool in managing CRR. They are also things that many large insurers already committed to adopt globally. However, the impact of transition plans will ultimately depend on their quality, thus requiring increased oversight. Transition plans should be included in various ICPs, including ICP 9 and 16.
104	The Shift Project	France	The present contribution is focused on physical risks. In 2022, there was no transition but an historical disruption for (re)insurers. Year zero. The beginning of a totally new scenario for the (re)insurance industry and its supervisors.
105	WWF	Switzerland	WWF is in the opinion that transition plans and long-termism is key to mitigate climate risk and to follow up on decarbonisation commitments. We propose to describe supervisory expectations towards the following three dimensions (as plans alone are not sufficient) a. Define transition plans b. Identify and specify measures to realize the transition plans c. Report against progress Standardisation, interoperability, and comparability of transition plans will be key to ensure their efficiency and usability by financial supervisors and other stakeholders. Financial supervisors will also need more guidances from the standard setting bodies on how to assess the strategy deployed and the credibility of those transition plans. Connected to transition planning, the insurance sector should adopt a double materiality perspective and focus on both risk & opportunities, and impacts. As negative environmental impacts will translate into financial risk, supervisors need to include impact mitigation as part of their transition plan expectations. The IAIS could also induce more sustainable development by defining expectations towards financial sector's product innovation capacity and initiatives. (to structure expectations towards transition planning, please see this UK publication on Transition Taskforce as inspiration).
106	Institute for Energy	Asia Pacific	Upcoming consultations on climate risk should cover considerations related to transition planning by insurers. IEEFA notes that there is diverse interpretation in the meaning of

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	Economics and Financial Analysis		"transition", and most institutions are challenged by what a credible transition should look like. It would be helpful for IAIS to provide a transition pathway for insurers to achieve a 1.5C scenario, from both the investment and underwriting perspectives. Accordingly, ICP 9 (supervisory review and reporting) should require insurers to provide transition plans as part of its reporting and an annual reporting back on progress against those plans. This would also support supervisors and insurers risk management assessment. The transition requirement should cover investments, in addition to the underwriting and risk management practices.
107	Association of Bermuda Insurers and Reinsurers	Bermuda	• ABIR continues to support the transition to net zero and therefore would support work by the IAIS in this area that sought to establish principles to be considered by (re)insurers along their journey. For any work considered by the IAIS we urge the recognition of existing efforts by other organizations (i.e., TCFD).
108	IIF	United States	Comments on Question 5 – Transition Planning. As noted in our overarching comments, the management of material climate-related transition risks is generally embedded in insurers' ERM frameworks and reflected in the ORSA. To the extent that insurers develop discrete transition plans, these plans can serve a number of functions, but they should not be treated as a prudential tool or included in the supervisory framework. Based on our discussions with members across different parts of the financial industry, many firms view transition planning as a fundamentally internal strategic exercises that relates to issues (e.g. the path of (financed) GHG emissions) that reflect business decisions in response to the political and economic dynamics in the markets in which a firm operates. Firms often use transition plans in conjunction with their net zero commitments and to inform disclosures to stakeholders about how those commitments would be met. Some firms emphasize the relevance of transition plans as inputs to scenario analysis. Guidance for transition plan development is being advanced by market-based initiatives and, in some jurisdictions, by legislative and non-prudential regulatory initiatives (e.g. by regulatory authorities charged with developing public disclosure standards). Insurance supervisors should not add to the complexity of the efforts underway by providing requirements that do

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			not relate to their prudential supervisory mandates and may not reflect how transition plans are used by insurers. More generally, transition plans should be owned, developed and implemented by the financial firms that are responsible for their implementation and market-led efforts should be allowed to develop first before regulatory requirements are considered or proposed.
109	ShareAction	Belgium	The topic of transition planning by insurers is an important one that should be covered by the work of the IAIS – indeed, this very topic is being discuss in several jurisdictions (i.e. in the EU where the Solvency II review is being negotiated), and transition plans are part the Net Zero Insurance Alliance's commitments. To foster a level playing field and ensure the sector moves in the right direction when it comes to sustainability, all insurers should be required by law to develop and implement transition plans, and to disclose the plans as well as progress made. The transition plan should comply with the objective of achieving climate neutrality and be in line with the goals of the Paris Agreement. It should cover sustainability risks and impacts. The objectives of a transition plan should be forward-looking in nature, supported by credible milestones, including but not limited to time-bound targets (based on scientific evidence wherever relevant), and considered in strategic decisions – e.g. decisions regarding business model, strategy, investment and financial planning – taken by boards and management. Moreover, the transition plans should include clear actions to achieve the set objectives and foresee related financial and investment plans. It is critical that insurance companies should allocate sufficient resources to the implementation of these plans, to set credible yet achievable objectives. The transition plan should be implemented by the insurer across all parts of its organisation

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			and internal control functions. In particular, insurers should be required to embed their transition plans in their governance systems. This will foster accountability for the design and implementation of the plans. It will also allow supervisors to hold the board and senior management of insurance companies accountable for transition planning. Indeed, supervisory guidance and monitoring of transition plans is needed to ensure standardisation, consistent implementation and adequate compliance, and to avoid greenwashing. Should supervisory monitoring show that insurers do not follow through with their plans or fail to adequately disclose information, appropriate sanctions or other actions by supervisors could be taken. The monitoring and supervision of transition planning by insurance supervisors will also help to ensure that supervisors have access to the information they need.
110	Finance Watches - University of Camerino	Italy	Yes and include specific provisions for people living in rural areas and the elderly that might be interested of being part of a just and fair transition.

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111	ClientEarth	United Kingdom	Transition planning is increasingly being recognised as an essential tool for mitigating climate risk. Investors are calling for corporate transition plans which include the adoption of emissions targets aligned with global climate goals and a credible plan to achieve those targets, as the most effective method to protect businesses from the risks of the transition to a lower carbon world (see for example the Net-Zero Company Benchmark by ClimateAction 100+, and the Investor Expectations of Corporate Transition Plans: From A to Zero by the Institutional Investors Group on Climate Change). Within the insurance sector, transition planning should cover emissions reductions across insurers' investment and underwriting portfolios and operations. The IAIS should introduce standards for transition planning by insurers within the ICPs, for three reasons: (1) to mitigate the climate risks faced by individual insurers; (2) to mitigate the systemic risks climate change poses to the insurance sector and the wider economy; and (3) to ensure that transition plan regulation for insurers is introduced by supervisors in a manner that is effective and globally consistent. Risks to individual insurers Transition plan regulation and supervision is an essential prudential tool to mitigate the climate transition risks faced by individual insurers. The 2021 Application Paper summarises the climate changes that insurance companies are exposed to. In particular, the necessary transition to a lower carbon world poses risks to insurers' asset portfolios. Investments in carbon-intensive assets are at risk of being re-priced, for example due to regulation or policies affecting carbon-intensive activities (such as the production or use fossil fuels) or due to the commercial effects of the transition and shifting consumer preferences (such as reducing demand for fossil fuels and lowering cost of low-carbon technologies). Such regulation and policy action is likely to increase as countries set increasingly ambitious emissions reduction commitments under the Paris Agreement and implement domestic policies to achieve them. Insurers which do not adopt transition plans to reduce the emissions of their investment portfolios in line with the goals of the Paris Agreement will therefore inevitably face material risks, as new law, regulation and policies are introduced by countries across the world to align

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			the economy with global climate targets. Systemic risks The adoption of transition planning across the economy is vital to avoid the severe systemic risks caused by climate change and support an orderly transition to net-zero. All sectors, including the insurance sector, need to align with global climate pathways in order to avoid extreme warming and disorderly transition, and the severe financial risks they would cause. As noted in the consultation paper, climate change can affect the insurability of assets. This is a significant risk for the whole insurance sector, as extreme warming could lead to certain types of risk (in particular, natural catastrophe cover) becoming uninsurable, either due to premiums becoming unaffordable or due to insurers being unable to accurately price unpredictable and rapidly changing risks. For example, the CRO Forum considers that 3°C warming “creates real insurability challenges and could therefore challenge the sector” (see The Heat Is On, 2019). Warming in excess of the Paris Goals would also pose significant macro-economic risks to insurers’ asset portfolios which cannot be effectively managed through portfolio construction and asset allocation. Such macro-economic impacts will be irreversible and far-reaching in breadth and magnitude, causing a substantial reduction in global GDP compared to a Paris-aligned scenario. For example, analysis by Swiss Re models that global GDP could be 10% lower if the goals of the Paris Agreement are not met (see The Economic of Climate Change: No Action is Not An Option, 2021). Climate change poses global risks to financial stability, as noted in the consultation paper. Insurance supervision has a role to play in mitigating such macroprudential climate risks affecting the financial system, as recognised by the IAIS in its Commitment to Amplify Response to Climate Change (October 2021). The only way to fully mitigate these systemic risks to the insurance sector and the broader economy is to avoid extreme warming through an orderly transition. Supervisors should therefore ensure that the insurance sector does not contribute to extreme warming or disorderly transition by requiring insurers to align their investment and underwriting activities

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			with global climate targets. IAIS role in developing transition plan regulation Governments and supervisors are already introducing transition plan regulation. For example, in the EU, the Corporate Sustainability Reporting Directive requires in-scope companies (including insurers) to disclose transition plans compatible with limiting warming to 1.5C (see Article 19a(2)(iii)). In addition, in 2021 the UK Financial Conduct Authority introduced rules for listed companies and asset owners (amongst certain other financial institutions) to make climate-related disclosures in line with the Task Force on Climate-Related Disclosures' recommendations, including in relation to transition planning (see FCA Listing Rules 9.8.6, 14.3.27-14.3.32 and ESG Sourcebook 2.2.1-2.2.2). It is likely that more jurisdictions will similarly introduce regulation for transition planning by companies (including insurers) in order to meet their nationally determined contributions under the Paris Agreement and national emissions targets. It is vital that the IAIS adopts principles and standards in the ICPs for transition planning, to help guide the developing regulation. ICP standards could help ensure high standards and consistency in transition plan supervision, which would support the IAIS' mission to promote effective and globally consistent supervision of the insurance industry and contribute to global financial stability, as well as the IAIS' commitment to supporting an orderly transition to net-zero.
112	National Association of Mutual Insurance Companies	United States	Respectfully, the IAIS' work and upcoming consultations on climate risk need not cover considerations related to complex matters of transition planning. Importantly, as noted in Question 4, insurance does not occur in a vacuum. The primary role of insurers is to be part of a risk management solution for others. Some insurers may also work to be helpful in reducing and transferring clients' transition risks. And if in this process there are material risks

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			to an insurer from that transition, that insurer can assess and manage risks (as well as discuss them with regulators) through its existing processes, tools, and filings. Also, it is crucial to avoid presuming that a long time horizon (as opposed to a typical shorter business planning time frame) is relevant and viable for property-casualty insurers. Essentially the exercise threatens to be speculative; the further out in time, the less certain the situation/results. To the extent the IAIS may offer general principles, insurers should have the flexibility to exercise judgement as to how to best achieve climate-related goals. Again, if the IAIS does elect to add to its existing work, among the considerations for such efforts is consistency with fundamental standards including being flexible and principles-based, risk-based, insurance fundamentals focused, materiality directed, respectful of data challenges, and iterative.
113	Ceres	United States	Transition planning by insurers should be covered in appropriate revisions under this climate risk consultation series. Transition risk should be considered not only with regard to the planning insurers will do, but also with regard to impacts of incomplete or stop-and-start macroeconomic measures, which may lead to economic volatility. In the midst of a worldwide and necessarily swift transition to a net-zero carbon economy to reduce the magnitude of future losses, there are also risks and opportunities separate from the market and physical risk of climate change. All financial institutions are vulnerable to the effects of a transition to a net-zero carbon economy, and the insurance sector may be doubly so. Insurers are the largest investors in assets, facing financial shocks due to the transition. Simultaneously, insurers hold, price, and – particularly in the case of reinsurers – predicate long-term bets in underwritten liability risks on projections of market change.
114	Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	For sure!
Q6: Do you see anything missing from the current IAIS workplan on climate risk, as outlined in the IAIS 2023-2024 Roadmap			
115	Superintendency of Banks of Guatemala	Republic of Guatemala	No.

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116	Natural Resources Defense Council	United States	No
117	American Property Casualty Insurance Association (APCIA)	United States	We do not see any areas missing from the IAIS workplan on climate risk, except the absence of emphasis on the importance of risk mitigation and the roles of non-insurer players, such as governments. In this connection, we provide and ask for your review of the GFIA paper, "Global protection gaps and recommendations for bridging them" (March 2023), and especially the recommendations. In developing future materials, IAIS guidance should recognize the fundamental importance of proportionality and materiality as determined by the reporting entity, confidentiality of competitively sensitive information, and the relevance of different business models and jurisdictional requirements. We encourage IAIS to continue to coordinate with other standard setting organizations to ensure consistency where possible and avoid duplicative or conflicting standards across jurisdictions. We urge IAIS to give serious consideration to the recommendations in the GFIA paper.
118	Verisk	United States	Following related climate-related risk and disclosure frameworks (e.g., TCFD); additional worked examples appropriate for different insurance businesses could be beneficial for not only insurers but also brokers and other advisors who may help insurers in developing risk management metrics and tools.
119	Ekō	EU	Climate-related risks should be covered by macroprudential supervision under ICP 24. The ICP should be amended to ensure a forward-looking perspective, beyond historical trends and the current risk environment.
120	General Insurance Association of Japan	Japan	As part of climate-related efforts, we are aware that the Protection Gap Task Force is advancing discussions on reducing NatCat protection gaps to produce a report. In order to reduce the gaps, it would be useful to discuss and include in the report not only efforts to improve insurance coverage, such as enhancement of insurance awareness, availability and insurability, but also efforts to reduce losses, such as disaster prevention and mitigation.

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121	International Actuarial Association	International	The IAA believes that the Roadmap could be expanded in two key areas in HLG3: ● Climate-related risk: whilst the Roadmap has actions related to climate-related risk, there is no mention of the work being undertaken by the ISSB which is considering climate-related risk as part of its wider sustainability work. In addition, the TNFD has recently published its final beta framework for nature-related risk management and disclosure. The IAA believes there would be merit in the IAIS bearing this work in mind in its review of the ICPs and related guidance given the inter-connection between climate-related risk and sustainability more generally. In a similar way, the IAA has started work on a new International Standard of Actuarial Practice (ISAP 8) for actuaries providing actuarial services in connection with IFRS S2- Climate Related Disclosures, which is taking the approach of taking into account the wider sustainability disclosures which are being developed. ● Insurance protection gaps: the focus currently is on NatCat and disaster risk protection. Whilst the IAA does not currently know the details of the scope of this work, the IAA believes there would be merit in further work being undertaken on the role of supervisors in participating in initiatives to minimise protection gaps more generally.
122	Ecojustice	Canada	a) Capital Requirements As traditional capital requirements incorrectly perceive high-emitting assets as lower risk they often attract a high credit rating and short-term profitability. This favours climate-polluting assets, like fossil fuel infrastructure, and misconstrues the high risk over the medium- and long-term. Supervisors must amend and reinform their risk perception of high-emitting assets based on climate science and 1.5°C demand scenarios. In turn this would increase the risk profile and the resulting capital requirements for fossil fuels. Conversely, traditional capital adequacy requirements disincentivize greener investments for similar reasons. Although many green technologies, like solar, are mature, they may still be less understood by insurance companies. This means they are evaluated as higher risk simply due to their relative novelty, the disproportionate advertising budget as compared to fossil fuel companies and as a result may be underfunded.

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			Under ICP 17 – Capital Adequacy, climate-related risks should be used as an explicit example of risks that are difficult to quantify. There is a strong case for taking a precautionary approach to applying capital requirements for climate-related risks and ensure that whilst these risks will result as manageable with a one-year solvency view, they could materialize in the medium or longer term in unexpected and unpredictable ways. b) Macroprudential Supervision Further, climate-related risks should be covered by macroprudential supervision under ICP 24. The ICP should be amended to ensure a forward-looking perspective, beyond historical trends and the current risk environment.
123	Public Citizen	USA	see above for full comment
124	GFIA	Global	Any IAIS initiative should be principles-based and be aligned with the specific characteristics of the insurance sector. At this point, GFIA does not see the need for additional climate work, except if it is focused on the role of other players, such as governments, to act to reduce the underlying risk.
125	Finance Watch	EU	The IAIS roadmap sets out 5 key events that directly address climate risk, with two consultations, the Global Seminar, the Annual Conference and the GIMAR. This focus on climate risk is important and all opportunities for stakeholder input around consultations in line with the usual IAIS procedures are welcomed. In particular, we support the work to revise certain ICPs in order to incorporate climate-related risk considerations. The IAIS could consider welcoming some external stakeholders to a part of one of its Climate Risk Steering Group meetings to present stakeholder views directly to IAIS members.
126	Reclaim Finance	Europe	The IAIS focus on CRR is essential. In particular, certain ICPs should urgently be revised to incorporate CRR considerations. As mentioned in other responses to the consultation, the IAIS should especially address the need to better integrate transition plans to its frameworks and to consider specific capital requirements for activities that could derail the transition and therefore significantly contribute to CRR.

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			In its processes, the IAIS should strive to better include the voice of the civil society.
127	The Shift Project	France	The IAIS 2023-2024 Roadmap states that : "(…) We will also continue to respond to emerging and accelerating risks, challenges and opportunities facing the insurance sector. These include climate-related risks; cyber risk; operational resilience; digital innovation; diversity, equity and inclusion (DEI); financial inclusion and issues around conduct and culture. These cross-cutting strategic themes represent issues that affect all regions, and benefit from the global perspective that the IAIS can offer. (…)" As stated above, we are not sure that characterizing "climate-related risks" as an "emerging and accelerating" risk with other risks is a good way to highlight how disruptive climate change is to our civilization. Having 16 times "cyber" and 18 times "climate" in this roadmap just highlight how far the insurance industry might appear to be from the current unfolding climate catastrophe (in IAIS - Strategic plan 2020-2024 - June 2019 : 10 times "cyber" ; 6 times "climate"). The world could live without internet, "meta", crypto and artificial intelligence. Climate change is here and now ; and it will get worse with tremendous impacts, whatever we do, in the decades to come, as IPCC Working Group I and II explained once again in their last reports. If IAIS 2021 annual report (GIMAR) mentioned climate (un)insurability as stated above, there was not that much on climate change in previous editions. Regarding the risks of geographical fragmentation of (re)insurance markets, the role of IAIS should be strengthened at diplomatic level. Regulation, cooperation and monitoring of the markets and the effects of mutualization at global level is and will be much more important for P&C insurance than for life insurance (with its legal and fiscal national specificities). Political issues are not in the scope of IAIS, but solidarity, mutualization, are key features of insurance. As the European Commission Staff Working Document (EC - Closing the climate protection gap - Scoping policy and data gaps – May 2021), solidarity will be under stress : "(…) As a result of climate change, policies dealing with natural disasters increasingly have to

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			strike the right balance between individual responsibility and solidarity. Climate-related events of destructive force are no longer of a strictly exceptional nature, the occurrence of extreme weather events is foreseeable at intervals that are narrowing and with ever more precise location information, in particular for riverine floods. Slow onset events such as drought, sea level rise and coastal flooding are on a stubborn and identifiable trajectory for decades to come. In this context, when climate-related hazards turn into disasters, drawing the line between human failure and an Act of God, carelessness and bad luck, or between lack of responsibility and what calls for unqualified solidarity, is a delicate balancing act. (…)" To shed light on the questions posed by the IAIS, lets conclude with some global and prescient comments on the current climate crisis, such as those in Pope Francis 2015 encyclical (Pope Francis – Laudato Si – May 2015) : "(…) 26. Many of those who possess more resources and economic or political power seem mostly to be concerned with masking the problems or concealing their symptoms, simply making efforts to reduce some of the negative impacts of climate change. However, many of these symptoms indicate that such effects will continue to worsen if we continue with current models of production and consumption. (…) 59. At the same time we can note the rise of a false or superficial ecology which bolsters complacency and a cheerful recklessness. As often occurs in periods of deep crisis which require bold decisions, we are tempted to think that what is happening is not entirely clear. Superficially, apart from a few obvious signs of pollution and deterioration, things do not look that serious, and the planet could continue as it is for some time. Such evasiveness serves as a licence to carrying on with our present lifestyles and models of production and consumption. This is the way human beings contrive to feed their self-destructive vices: trying not to see them, trying not to acknowledge them, delaying the important decisions and pretending that nothing will happen. (…) 61. (…) Still, we can see signs that things are now reaching a breaking point, due to the rapid pace of change and degradation; these are evident in large-scale natural disasters as well as social and even financial crises, for the world's problems cannot be analyzed or explained in

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			isolation. There are regions now at high risk and, aside from all doomsday predictions, the present world system is certainly unsustainable from a number of points of view, for we have stopped thinking about the goals of human activity. (…) 161. Doomsday predictions can no longer be met with irony or disdain. We may well be leaving to coming generations debris, desolation and filth. The pace of consumption, waste and environmental change has so stretched the planet's capacity that our contemporary lifestyle, unsustainable as it is, can only precipitate catastrophes, such as those which even now periodically occur in different areas of the world. The effects of the present imbalance can only be reduced by our decisive action, here and now. We need to reflect on our accountability before those who will have to endure the dire consequences. (…)" Michel LEPETIT Vice-président de THE SHIFT PROJECT Chercheur associé au LIED (Université Paris Cité)
128	WWF	Switzerland	WWF thinks that the following topics should be included in IAIS workplan: - Interconnectedness: WWF proposes an integrated approach towards covering climate and nature (e.g. deforestation) - Broader environmental risk including nature: WWF proposes for IAIS to cover broader environmental risk including nature related risks (biodiversity loss, deforestation, land degradation, water, etc) and impacts in the roadmap. - Collaboration and holistic approach: Encourage more sharing of good supervisory practices and a holistic approach covering all financial sectors, therefore requiring further coordination with others standard setters. Strengthening engagement in the international sustainability forums such as the NGFS, COP, etc to share best-practice and harmonization of agendas. - Initiatives to address E&S data availability: actively supports initiatives to address E&S data availability and quality issues, including through the promotion of open-source solutions, collaboration with data providers and relevant agencies to make relevant data available for

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			the industry to assess their climate and nature related risks. - Capacity building on methodology and tools to assess climate and nature related risks: A number of methodology and tools are now available to assess climate and nature related risks. It will be good for IAIS to conduct a deep dive capacity buidling with the members on these tools. WWF could potentially be one of the partners as we have also recently launched some relevant tools such as the water and biodiversity risk filter. - Claims: WWF proposes to cover in more depth the effect of nature loss and degradation on insurance products and claims
129	Institute for Energy Economics and Financial Analysis	Asia Pacific	No comment.

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130	IIF	United States	The IIF and its global insurance members are pleased to respond to the IAIS's public consultation on climate risk supervisory guidance – part one (consultation paper). Climate-related transition and physical risks pose significant challenges to the global economy, of which the global insurance market is a key component. Insurers have long recognized the importance of climate-related transition and physical risks as drivers of underwriting, market, and credit risks that affect both sides of their balance sheets, as underwriters and as asset owners, managers, and investors. The IIF has been leading and supporting efforts within the broader financial services industry to advance sound risk management practices for climate-related risks. Overarching Comments. Supervisory approaches should be practical, proportionate, and sequential, driven by data and risk analyses. At present, it is generally acknowledged that there is insufficient evidence and data to demonstrate a near-term material threat to the financial stability of the financial system as a result of climate-related risks. This is consistent with views of the insurance sector in particular. In the September 2021 Global Insurance Market Report, the IAIS found that the insurance sector as a whole appears to be able to absorb climate-related investment losses. As such, we believe that the appropriate response by prudential supervisors and industry participants is to focus on ensuring a good assessment, management and mitigation of climate-related risks at the firm level within the framework of the Insurance Core Principles (ICPs), and to undertake additional analysis to better understand the dynamic and longer-term impact of climate-related risks on the insurance sector as a whole. However, it is important for the IAIS and insurance supervisors to place their focus on the supervision of prudential risks only, in line with their mandate, rather than pursuing non-prudential objectives in relation to climate or environmental goals. Any new IAIS guidance to supervisors based on analysis of climate-related financial risks to the global insurance sector should be developed in a deliberate and iterative building block

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			manner. This reflects the comment we made on the Draft Application Paper on the Supervision of Climate-related Risks in the Insurance Sector in 2021 (referred to as the "2021 response") – that prudential supervisory approaches should be practical, proportionate, and sequential, driven by data and informed by relevant expert advice and judgement. Moreover, any IAIS initiatives should be risk-based, science-based, and reflect and leverage market-led approaches. In its guidance, the IAIS should also recognize the significant challenges in quantifying climate-related risks, including substantial conceptual and measurement uncertainties including about the evolution of climate change and related factors (including policy, technology and consumer preferences). Further, the IAIS should acknowledge the risks of relying on potentially inaccurate assumptions and estimates, which may increase, rather than decrease, climate-related risks to the sector, including by incentivizing herding behavior or by negatively impacting incentives for new investment and product development. Given the significant work that remains to be conducted by both the industry and supervisors to address data gaps and the uncertainties surrounding climate change pathways and trajectories, we believe that it would be premature to revise the individual insurer monitoring assessment methodology or indicators, or to specify stress testing scenarios with respect to climate-related financial risks at this time. In general, supervisory exercises may distract management attention and action from developing more sophisticated modeling techniques and risk management tools that better reflect companies' individual risk profiles, product mixes, and markets. Insurers need to devote their resources to further developing tools and models to manage their material climate-related risks and to inform their business strategies and decision-making. We reiterate the IIF's comments on climate scenario analysis as expressed in our 2021 response, which will be further elaborated in our upcoming 2023 report on this topic: that supervisory climate-related stress tests or scenario analyses should be parsimonious, exploratory in nature, and aligned with the supervisory mandate. To the extent that climate-related risk drivers impact the management of financial risks, such as investment or underwriting risks at a particular company, a microprudential supervisory

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			approach to those prudential risks could be supported by the Insurance Core Principles (ICPs), which apply to the supervision of insurance risks more broadly. The management of risk in general, as well as the management of climate-related risk drivers in particular, is in the first instance the responsibility of senior management with appropriate board oversight. Insurers have developed a wide range of tools to manage all material risks, including important drivers such as climate-related financial risks, to their companies through existing risk categories. Insurers are best placed to understand and mitigate the potential impacts of those risks to their businesses. Supervisors should take an outcomes-focused approach to insurers' ERM. In their supervisory approaches to any risk, supervisors should be encouraged to focus on the desired prudential outcomes, rather than on the path an insurer takes to reach that outcome, as the optimal path for a particular insurer may differ from its peers. As is well recognized, the insurance industry is characterized by a wide range of business models, business lines and products, and markets with different customer bases and demand profiles. As part of their enterprise risk management (ERM) frameworks, insurers and other financial firms need to manage the material impacts of climate-related transition and physical risks on their financial risks, recognizing that the materiality of these risks will depend upon a variety of factors, including the insurer's business model, its product mix, the markets in which it operates, and the political and economic environment in which it conducts its major operations. These differences will inform the decisions that an insurer or insurance group makes to achieve a particular outcome. In addition, the impact of climate-related drivers on an insurer's financial risks varies considerably across jurisdictions and regions and these differences will also inform the path to a particular outcome. Importantly, and as further elaborated in response to Question 5, to the extent that insurers develop discrete transition plans, these plans can serve a number of functions, but they should not be treated as a prudential tool or included in the supervisory framework. Insurance authorities should be focused on prudential outcomes, rather than climate outcomes.

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			Continued need for stakeholder engagement. We encourage the IAIS to continue its engagement with key stakeholders in the insurance industry as it develops final guidance on this topic. For example, the publication of an Application Paper later in 2023 on climate scenario analysis could benefit from stakeholder discussions as insurers in general, and many IIF members in particular, have engaged in significant efforts to advance their internal understanding of the impacts of climate-related risks on their business operations and have engaged in increasingly advanced climate scenario analysis exercises. Clarity of definitions of climate risk as one of many drivers of financial risk. We encourage the IAIS to clearly differentiate and clarify the use of the terms 'climate change,' 'climate risk,' and 'climate-related (transition and physical) risks' in a manner that is consistent with the use of those terms by the International Sustainability Standards Board (ISSB), which is developing a global baseline of sustainability disclosures. The IAIS's guidance should clearly recognize the role of climate-related transition and physical risks as (one of many) drivers of the financial risks (e.g. underwriting, market and credit risks) that insurers already manage in their day-to-day operations and reflect in their business and strategic planning. Climate change– i.e. long-term shifts in weather patterns and temperatures, which may arise from natural causes but, more recently, have increasingly arisen from anthropogenic causes, such as increases in greenhouse gas (GHG) emissions – is a phenomenon that the insurance industry historically has managed over time. Comments on Section 1 – Importance of climate change risk to insurance supervision. We agree with the strong acknowledgment of the global threat of climate change as expressed in Paragraph 3 of the consultation paper and the need for robust climate-related risk management embedded in ERM, as expressed in Paragraph 4. However, Paragraph 4 appears to jump to a conclusion that climate-related risks will have an impact on financial stability. As noted above, at present, we do not believe that the evidence and data demonstrate anear-term material threat to the financial stability of the global insurance industry. Accordingly, we would reword the first sentence of this Paragraph as follows: Climate-related risks are a driver of financial risks, having an impact on the resilience of individual financial institutions, including insurers, if not properly managed at the enterprise

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			level and appropriately mitigated. This proposed rewording would rightly place the focus on the need to address these risks through robust ERM strategies. Paragraph 4 would also benefit from an acknowledgement that, at present, there are significant challenges to the quantification of climate-related risks and that qualitative information is needed to compensate for gaps in data. As we have found in the course of conducting a survey of IIF insurance members, which is enclosed along with this response, insurers have experienced challenges in obtaining consistent data across their asset portfolios, including consistent emissions data from counterparties and investees. There is a lack of consistent and comparable reporting from both counterparties and third-party data providers. A considerable degree of expert judgement is needed in order to make a meaningful assessment of the climate-related risks to which an insurer is subject. Given data shortcomings and the evolving nature of climate-related risk management, an overemphasis on quantitative analysis could result in a false sense of precision and security in the results. These data availability issues are compounded by the broader lack of certainty as to the future path of government and regulatory climate policies and differences in policies across jurisdictions. Second-order effects of climate change, such as socio-economic impacts, are also subject to substantial political and regulatory uncertainty. We understand that the IAIS plans to publish a report at the end of 2023 on the role of supervisors in addressing natural catastrophe protection gaps. We hope this report will consider market-led approaches to addressing climate-related protection gaps, since punitive or prescriptive regulatory approaches may have serious unintended socio-economic implications that are not yet well understood by prudential regulators and supervisors. Comments on Question 1 – the ICP Introduction. The IAIS should retain the original title of the ICP Introduction, which appropriately reflects the concept of risk-based supervision that underlies the ICPs (see Paragraph 10 of the ICPs Introduction and Assessment Methodology). The focus of the ICP Introduction is on the risk management and governance frameworks of insurers, as noted in Paragraph 14. The issue of the interconnectedness of

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			risks is well addressed in other ICPs, including ICP 16, which addresses ERM, and this issue does not need to be addressed specifically in Paragraph 12. Accordingly, we would reword Paragraph 12 as follows: Climate-related transition and physical risks are drivers of, and may be interconnected with, traditional financial risks. Insurers should recognize and incorporate into the management of their traditional financial risks the material transition and physical risks to which they are subject. Moreover, strong governance practices should ensure appropriate board and senior management oversight of climate-related risk management. The reference to 'traditional as well as emerging risks' in proposed new Paragraph 11 to the ICP Introduction is imprecise. We propose that the second sentence of proposed new Paragraph 11 read as follows: The ICPs are applicable to the full range of material risks to which insurers are subject and the IAIS endeavors to update the ICPs to reflect new and emerging drivers of those risks. Comments on Question 5 – Transition Planning. As noted in our overarching comments, the management of material climate-related transition risks is generally embedded in insurers' ERM frameworks and reflected in the ORSA. To the extent that insurers develop discrete transition plans, these plans can serve a number of functions, but they should not be treated as a prudential tool or included in the supervisory framework. Based on our discussions with members across different parts of the financial industry, many firms view transition planning as a fundamentally internal strategic exercises that relates to issues (e.g. the path of (financed) GHG emissions) that reflect business decisions in response to the political and economic dynamics in the markets in which a firm operates. Firms often use transition plans in conjunction with their net zero commitments and to inform disclosures to stakeholders about how those commitments would be met. Some firms emphasize the relevance of transition plans as inputs to scenario analysis. Guidance for transition plan development is being advanced by market-based initiatives and, in some jurisdictions, by legislative and non-prudential regulatory initiatives (e.g. by regulatory authorities charged with developing public disclosure standards). Insurance supervisors

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			should not add to the complexity of the efforts underway by providing requirements that do not relate to their prudential supervisory mandates and may not reflect how transition plans are used by insurers. More generally, transition plans should be owned, developed and implemented by the financial firms that are responsible for their implementation and market-led efforts should be allowed to develop first before regulatory requirements are considered or proposed. We appreciate the opportunity to comment on this consultation paper and look forward to continued industry/supervisor dialogue on climate-related risks in the insurance sector. We would be pleased to present to the IAIS and its members our views on these topics in greater detail.

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131	ShareAction	Belgium	The IAIS roadmap's focus on climate risk is much welcomed, and we also welcome opportunities for stakeholders' input. In particular, we welcome the work to revise certain ICPs in order to better incorporate climate-related risk considerations. The IAIS could consider inviting representatives of civil society – which too often are not invited to take part in such discussions – to attend its climate risk committee meetings, so that civil society views can be presented directly to IAIS members. In addition, in light of our responses to questions above, we would like to reiterate that the IAIS should update its guidance and develop further guidelines on transition plan regulation and supervision. --- ShareAction is a research and campaigning organisation pushing the global investment system to take responsibility for its impacts on people and planet, and to use its power to contribute to a greener, fairer and healthier society. We want a future where all finance powers social progress. For 15 years we have been using our expertise, research, campaigning, policy advocacy and public mobilisation tools to influence financial industry standards as well as financial regulation and supervision, to push for a financial system that serves our planet and its people. Please do get in touch if you have any questions.
132	Finance Watches - University of Camerino	Italy	Be more inclusive as explicited above.
133	ClientEarth	United Kingdom	The workplan notes that the IAIS plans to update certain ICP guidance and develop further supporting material in relation to climate-related risk, and also to consult on good supervisory practices in relation to climate change. In line with our response to questions 3 and 5, we consider that these activities should address transition planning. In particular, the

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			development of standards and best practices for transition plan regulation and supervision should be a key project for the IAIS in 2023.
134	National Association of Mutual Insurance Companies	United States	At this juncture, there do not appear to be important items missing from the IAIS workplan on climate risk. NAMIC does not see the need for additional criteria at this moment in time. To reiterate, if the IAIS does elect to add to its climate risk workplan, among the considerations for such efforts is consistency with fundamental standards including being flexible and principles-based, risk-based, insurance fundamentals focused, materiality directed, respectful of data challenges, and iterative. Thank you for the opportunity to engage with the IAIS on the important matter of climate-related risks and to comment on this consultation. NAMIC appreciates the benefit of shared understanding of policy matters between supervisors/regulators and industry and NAMIC looks forward to the continuing dialogue as the IAIS communicates additional related consultations over the coming months.

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135	Ceres	United States	Ceres appreciates the opportunity to offer comments to the IAIS on their public consultation on climate risk supervisory guidance. Ceres (1) is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. The Ceres Accelerator for Sustainable Capital Markets (2) works to transform the practice and policies that govern capital markets in order to reduce the worst financial impacts of the climate crisis. It spurs action on climate change as a systemic financial risk, driving the large-scale behavior and systems change needed to achieve a net-zero emissions economy. Ceres also includes the Investor Network (3) on Climate Risk and Sustainability, which consists of over 220 institutional investors managing a combined $60 trillion in assets, who advance leading investment practices, corporate engagement strategies, and policy and regulatory solutions to address sustainability risks and opportunities. These investors have indicated mandatory corporate climate disclosure is a top priority for them. For many years, Ceres has worked in the U.S. with state insurance commissioners, the NAIC, insurers, investors, and other regulators on how climate change affects insurers and policyholders and how insurers can proactively take actions to reduce climate change risks. Our research reports on these issues include Addressing Climate as a Systemic Risk (4) (which provides 10 recommendations for state and federal insurance regulators), Scaling U.S. Insurers Clean Energy Infrastructure Investments (5), Insurer Climate Risk Disclosure Survey Report & Scorecard (6), and Assets or Liabilities? Fossil Fuel Investments of Leading U.S. Insurers (7). In 2021, Ceres hosted a webinar, How Insurers are Rising to the Challenge of Climate Risk Disclosure (8), featuring two state insurance commissioners and two insurance companies, centered on discussing key strategies for establishing or improving climate risk disclosure practices and the current landscape of TCFD reporting by insurers. Most recently, soon after NAIC announced its requirement for insurance companies to report their climate-related risks in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD), Ceres

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			produced a series of trainings, The ABCs of TCFD Reports for Insurance Companies (9), from July - October 2022. Hosted in conjunction with NAIC and featuring remarks from several state insurance regulatory leaders, the ten hours of training aimed to support insurers responding to the updated requirement of completing a TCFD-aligned report for the first time. As outlined, the current IAIS work plan on climate risk thoroughly addresses matters relating to climate risk. Ceres is particularly pleased to read the April 28, 2023 IAIS Statement on natural catastrophe protection gaps (10), which commits the IAIS to amplify awareness of effective and innovative efforts to address these gaps that have been undertaken by insurance supervisors, the private sector, and others. In the face of increasing frequency and severity of climate-driven catastrophes, the insurance industry can play a unique role in shoring up economic resiliency, such as providing expertise and assistance in recovery and reconstruction and economic certitude during post-catastrophe recovery. Matters relating to natural catastrophe protection gaps are directly related to climate-related risks, and the role of supervisors in addressing these gaps is key. With regard to ICP 20, Public Disclosure, planned for public consultation later this year as part of the climate-related projects, we urge the IAIS to consider including publication of climate scenario analysis results as part of public disclosures. Reliable, publicly available information on the plans and potential severity of climate risk changes are key to fostering healthy markets. We note that the IAIS is working with the Network for Greening the Financial System (NGFS) and the Financial Stability Board (FSB) to develop a new Application Paper on supervisory considerations and scenario analysis, building on previous work. Ceres believes recent actions in the U.S. by the NAIC to move toward mandating insurer climate risk disclosure using the TCFD recommendations are a key step forward and should be considered as a model for supervisors worldwide. Finally, we note that although the IAIS work does not typically speak to supervisory practices relating to institutional size, it may be appropriate to include observations and practices in the Application Papers as part of possible climate risk-related review or in the development of a new Application Paper regarding scenario analysis. All financial institutions face climate-

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			related financial risks in their investments, but the simultaneous and amplifying risks on the liability side are unique to insurers – making it doubly important that any supervisory measures apply to all insurers regardless of size. (1) https://www.ceres.org/homepage (2) https://www.ceres.org/accelerator (3) https://www.ceres.org/networks/ceres-investor-network (4) https://www.ceres.org/resources/reports/addressing-climate-systemic-risk (5) https://www.ceres.org/resources/reports/scaling-us-insurers-clean-energy-infrastructure-investments (6) https://www.ceres.org/resources/reports/insurer-climate-risk-disclosure-survey-report-scorecard (7) https://www.ceres.org/resources/reports/assets-or-liabilities-fossil-fuel-investments-leading-us-insurers (8) https://www.youtube.com/watch?v=jh64zV_IGcY (9) https://www.ceres.org/events/webinar-series-abcs-tcfd-reports-insurance-companies (10) https://www.iaisweb.org/uploads/2023/04/IAIS-statement-on-natural-catastrophe-protection-gap-2023.pdf
136	Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	The distinction between the two very different activities of insurers, which are risk subscription and investments, is needed. And it is necessary to address the crucial role that insurers have on the mitigation of climate-related risks, with products such as insurance over natural assets, e. g. mangroves (https://axaxl.com/press-releases/insurance-solutions-can-help-to-restore-mangroves-as-natural-coastal-defences) and coral reefs (https://www.swissre.com/our-business/public-sector-solutions/thought-leadership/new-type-of-insurance-to-protect-coral-reefs-economies.html), both providing resilience against coastal extreme weather events. Regarding invesments, much more transparency is required, once insurers are listed companies and they should disclose the locations of invested companies and their value-chain (essential to address climate physical risks).