Consultation comments received on climate risk consultation package 3

19 March 2024 to 19 June 2024

Organisation	Jurisdiction	Comment
General comments on the proposed changes to reflect climate risk in ICP 15 (Investments) guidance material		
Groundsure	Environmental Consultancy	Would flagging up potential climate related risks in property transactions, be beneficial in safeguarding lender portfolios and also understand potential issues with insurance? We can help with identifying these risks with our ClimateIndex product - https://www.groundsure.com.au/
The Geneva Association	International	The IAIS proposes new guidance for investments, including guidance for climate scenario analysis. However, it appears that this guidance has not incorporated previous industry feedback on the utility of scenario analysis, potentially due to insufficient time. In general, we believe that climate scenario analysis has fundamental limitations that deter its inclusion in formal supervision – as set out in the GA's response to the previous consultation on the application paper on climate scenario analysis.
American Property Casualty Insurance Association	United States	APCIA is concerned that the proposed changes focus too much on climate risk in the spectrum of investment risks that insurers and supervisors must consider. While climate presents risk to insurers, it is only one of many risks, and undue focus on it could cause a loss of focus on other significant risks (such as credit and interest rate risk) to the extent relevant and material. The attention paid to climate risk should be proportionate to the potential severity of its financial impact on insurers.
Ekō	Global	- We welcome the double materiality perspective, as well as the long term horizon perspective - We welcome the integration of climate-related risks into investment strategies, risk assessments, and supervisory requirements. Specifically, investees' transition plans should be a source of forward-looking information for risk assessment - It should be added that investments that do not align with the Paris commitments should be maintained at cautious levels.

Institute of International Finance	USA	The Institute of International Finance (IIF) and its insurance members are pleased to comment on the IAIS's Climate Risk Consultation Package 3 – Proposed Changes to ICP Guidance to reflect climate risk (Climate Package 3). The IIF has been leading and supporting efforts within the broader financial services industry to advance sound risk management practices for climate-related financial risks and we support the efforts of financial services standard setters to address these important concerns. Indeed, the interests and goals of supervisors and the insurance sector in managing climate-related risks are well aligned and the insurance industry continues to develop expertise in the management of these risks. Addressing these novel and complex risks requires a collaborative approach that includes supervisors and standard setters, insurers and climate experts. The IIF and its insurance members support greater coordination and collaboration across the wide range of insurance stakeholders and the IIF stands ready to help facilitate these efforts. The IIF has responded to several climate-related consultations from the IAIS, including a response to the IAIS Draft Application Paper on climate risk scenario analysis in the insurance sector, and many of the points raised in those responses are relevant to a discussion of Climate Package 3. The need for an iterative approach to the development of new guidance and supporting material on climate-related financial risks. We encourage the IAIS to take an iterative approach to the development of ICP guidance and supporting material that takes into consideration stakeholder comments on prior consultations before advancing new consultations. The development of supervisory guidance and supporting material related to climate-related financial risks requires careful consideration of the views of a wide range of stakeholders and experts in order to produce appropriate and proportionate guidance that avoids a number of potential unintended consequences. An iterative approach to the development of new guidance and supporting material can facilitate dialogue among IAIS members and stakeholders and reflect in subsequent consultations stakeholder views on prior proposals. The need for supervisory coordination. Relatedly, we encourage the IAIS to recommend to its members the enhanced coordination of the plethora of guidance, data calls, and supervisory exercises designed to address climate-related financial risks. Inadequate coordination and communication among supervisors lead to multiple, duplicative and even conflicting guidance and requests for information and data that create serious resources issues for both supervisors and the industry and detract from industry efforts to address climate-related financial risks. The importance of a clear linkage to supervisory mandates. Consistent with our comments on other sustainability-related topics, we encourage the IAIS and its members to consider carefully how their sustainability efforts tie to their supervisory mandates. We encourage a focus on climate-related financial risks that reflects the key role of the insurance supervisory community – that of requiring sound risk management and adequate levels of financial resources in order to provide for a safe and solvent insurance industry and for the protection of policyholders.

		Climate Package 3 has a strong emphasis on insurers' investment practices and reflects a double materiality concept. The second prong of double materiality, i.e., the impact of an insurer's activities on the climate, does not advance the supervisory mandate of sound risk management and policyholder protection (see our specific comments under ICP 15 below). The supervisory focus should be on financial materiality and financial risk management and this focus should be reflected throughout the ICPs, ComFrame and the supporting material. Insurers must structure their investment portfolios to meet a number of important goals. It is the responsibility of the senior management of an insurer to decide how the assets of the company should be invested in order to advance sound asset/liability management that positions the insurer to meet policyholder claims and other obligations. Consistent with their prudential mandates, supervisors have an important role to play in the event that they have concerns about excessive risk taking or other inappropriate practices. Absent those concerns, the responsibility for appropriate investment practices (which will vary from insurer to insurer) lies with company management. In general, given the importance of the insurance sector as a long-term institutional investor, supervisors should avoid using micro-prudential instruments to either encourage or discourage the integration of sustainability criteria in investment decisions. Capital requirements should remain risk-based; the introduction of non-risk-based factors could give rise to destabilizing impacts on the financial sector and real economy, including through potential herding behavior. The importance of recognizing climate risk as one of many drivers of financial risks. The IAIS's stated view is that climate risk is not a standalone risk category but, rather, one source of financial risk. This is appropriate, as market price fluctuations incorporate all available information and reflect all of the different sources of risk (including transition risks) that could impact economic activities. However, Climate Package 3 does promote the concept of climate risk as a separate risk taxonomy in various instances, rather than properly recognizing that climate risk is one of several drivers of traditional financial risks. See, for example, Paragraph 32 of the Proposed supporting material to reflect climate risk, with respect to which we have proposed rewording in our Specific Comments. As noted above, the ICPs and ComFrame encompass all material risks to which an insurer may be subject, including financially material climate-related risks. This suggests that there may a need for a more limited scope of additional guidance and supporting material related specifically to climate-related drivers of fjnancial risks. Throughout the ICPs, ComFrame and supporting materials, reference should be made to financially material climate-related risks. Relatedly, climate-related risk drivers of financial risk should not be elevated over other risk drivers that impact an insurance enterprise unless a materiality determination provides evidence that climate-related drivers are in fact more dominant risk drivers to the organization than others. Elevating climate-related risk drivers over other more dominant risk drivers can distort supervisory judgment and firms' risk assessments and related business decisions, in conflict with the very objectives of prudential supervision. In making sound, risk-based business decisions, company management needs

		to consider climate-related financial risks in the broader context of the full range of risks that are material to the company. As well, the board has a fiduciary duty to ensure that strategic plans and key business decisions reflect the consideration of all material risks. This is a particularly important distinction to make in the context of the ICPs, which are the backbone of the global framework for insurance supervision and against which IAIS member jurisdictions are assessed. The important concept of materiality needs to be reflected throughout the ICPs, ComFrame and supporting materials. For example, ICP 16.1 appropriately incorporates a materiality standard that should be included as well in the guidance and supporting material under that ICP. The supporting materials related to the ICPs should provide further advice, information, recommendations or examples of good practice, as opposed to prescriptive requirements. As we have noted previously with respect to Draft Application Papers, the IAIS should go back to first principles and refrain from providing in guidance and supporting materials prescriptive requirements that do not reflect the important principles of proportionality and materiality. We remain concerned that the supporting materials related to the ICPs may be interpreted by supervisors as prescriptive requirements from the IAIS and, by extension, that failure to implement those requirements could give rise to negative assessments. For example, the supporting material related to ICP 15 in Paragraph 6 refers to divestment and other investment strategies, such as exclusions, positive and negative screening, integration of ESG factors, suitability-themed investments and impact investment. Whether these strategies are relevant and appropriate for a particular insurer depends on its business model and strategies. If supervisors interpret Paragraph 6 as establishing an expectation that a supervisor should or must require all insurers to adopt those strategies, it could result in the application of inappropriate standards to a particular insurer or group of insurers.

Ceres	United States	It is a pleasure to submit comments on behalf of Ceres and the Ceres Accelerator for Sustainable Capital Markets. Ceres is a nonprofit advocacy organization with over 30 years of experience working to accelerate the transition to a cleaner, more just, and sustainable world. Our Investor Network currently includes over 220 institutional investors that collectively manage over $44 trillion in assets. Ceres is a founding partner of the Net Zero Asset Managers Initiative and the Paris Aligned Investor Initiative, which supports investors in aligning their investments and portfolios with the goal of a net zero emissions economy by 2050 or sooner. Our Company Network includes 50 major corporations representing industries and sectors across the economy with whom we work on an in-depth basis on climate strategy and disclosure, among other issues. Our Policy Network includes some of the most well-known brands in the U.S. with whom we work on a range of state and federal policy issues. The Accelerator aims to transform the practices and policies that govern capital markets by engaging federal and state regulators, financial institutions, investors, and corporate boards to act on climate change as a systemic financial risk. The comments provided herein represent only the opinions of Ceres, and do not necessarily infer endorsement by each member of our Investor, Company, or Policy networks. Ceres welcomes the proposed changes to the ICP 15 guidance material to better reflect climate risk considerations in insurers' investment activities. Integrating climate risk into the regulatory investment requirements for solvency purposes is essential for promoting a resilient insurance sector and financial system. The new guidance rightly emphasizes the potential financial impacts insurers face from climate change through credit risk, market risk, reputational risk and strategic risk to their investment portfolios. It appropriately urges insurers to assess these risks and take steps to mitigate them, such as through engagement with investee companies and adjusting investment strategies. The recommendations for insurers to look beyond historical data and external credit ratings to employ forward-looking scenario analysis are also well-advised given the unprecedented nature of climate risks. Ceres particularly supports the inclusion of guidance on insurers' investment activities, and specifically the need to consider not just the outside-in financial risks that climate change poses to investment values, but also the inside-out impacts that insurers' own investment decisions and portfolios have on exacerbating climate change itself. This is an important evolution in supervisory expectations in line with the growing focus on sustainability risks and impacts across the financial sector. We also applaud the emphasis on asset-liability management and the need to consider how climate risks may affect the matching of investment cash flows with insurance liabilities, especially for long-duration obligations. Scrutinizing investment guarantees and options through a climate lens is also a prudent addition.

International Actuarial Association (IAA)	International	Overall, the documents focus more on the down (negative) side of the risk stemming from climate change and omit entirely the up (positive) side of such risks, i.e. the potential opportunities stemming from climate change. In some of the ICPs this is understandable, however, in some others, such as ICP 7 (Corporate Governance), ICP 8 (Risk Management and Internal Controls), ICP 14 (Valuation) and ICP 16 (Enterprise Risk Management for Solvency Purposes, especially in relation to the ORSA process) considering the opportunities realistically (and, similarly to the down side of the risk, along appropriate scenarios) would be an important role of insurers and hence their supervisors. For example, when the Supporting material paper talks about the valuation of assets, it writes "On the asset side, climate risk has the potential to diminish the value of investments through both transition and physical risk." However, for certain assets an upside risk of increasing the value of the asset exists and for valuation purposes such change should also be considered. Also, insurers should consider (and supervisors should assess) potential future actions in motivating their clients, and the companies in which they are invested, to take adaptive measures against the expected or potential impacts of climate change. Finally, it could be that talking about 'climate change' with no further elaboration might lead to a rather restricted interpretation of the impacts of climate change. Perhaps using a phrase such as 'risks related to climate change' would more clearly include all such risks (like physical, transition, legal, reputational risks). For example, it is important to highlight the role of transition (and other) risk and not just physical risks.
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 third consultation on climate risk in the insurance sector. -The LIAJ understands that the IAIS focuses on climate risk throughout the guidance (e.g. changes to ICP guidance 15.2.3 and 15.3.1) in the context of emphasizing climate risk in its strategic plan. Having said that, given that insurers already recognize and manage various risks including climate-related risks in its investment activities, the LIAJ believes that in some cases over-emphasizing climate risk in ICP guidance may not be appropriate. Instead, it may be more suitable to be included for example, in the Application Paper on the supervision of climate-related risks.

Insurance Europe	Europe	Insurance Europe welcomes the opportunity to respond to the IAIS, 'Public consultation on climate risk supervisory guidance – ICP guidance and supporting material.' While the paper states that the potential effects of climate change should be considered through traditional risk categories, it puts a lot of emphasis on climate related risks, as if it is a specific, separate risk category. As it is not possible to highlight specific content on this tool, please note that all the wording in [bracket] in the text below is considered as very prescriptive.
FWD Group	Hong Kong	We understand the proposed changes are in alignment with the new climate-related disclosure requirements by Hong Kong Stock Exchange as well as the IFRS S2. In a recent climate risk management survey by Hong Kong Insurance Authority, it was noted that many insurance company respondents have not yet implemented climate risk management or only in early stages of implementation. Therefore, we consider the proposed changes relatively ambitious and suggest a more balanced approach is needed taking factors such as insurers' readiness, capability, and competing resource needs into consideration.
Natural Resources Defense Council	United States	Insurers should consider and manage both physical and transition climate risks in their strategic asset allocation in order to proactively shield assets from devaluation (and protect their investment portfolio). Climate disclosures and transition plans from issuers of potential investments are paramount to understanding the climate-related risks carried by the investments. For example, climate disclosures and transition plans offer insurers valuable insights into an investee's approach to climate change. By analyzing this information, insurers can make more informed decisions about their portfolios, potentially avoiding high-risk investments and ensuring insurers are investing their assets responsibly. Please see our response to item 27 for details on climate disclosures and transition plans.

Global Federation of Insurance Associations (GFIA)	Global	GFIA welcomes the opportunity to engage with the IAIS on the topic of the supervision of climate risks in the insurance sector. The global industry is inherently aware of the financial risks posed by climate change as it goes to the heart of insurers' activities. In its response to the IAIS consultation on the supervision of climate risks, GFIA would like to raise concerns regarding the proposed changes to the ICP guidance and the supervisory material, especially on the excessive focus on climate risk in corporate governance, remuneration, risk management against the spectrum of investment risks that insurers and supervisors must consider. While many of the proposed changes made are merely amendments to the climate-related comments in the current ICP guidance, GFIA is concerned that the emphasis on climate-related changes may place disproportionate focus on climate risks, potentially overshadowing other critical investment, operational, and underwriting risks that can prove to be more dominant solvency concerns. This focus could potentially overshadow more material/dominant risks drivers that insurers face. Looking at climate change in isolation ignores other important factors that can have a larger impact over such a long-time horizon, such as economic development including increased asset values in exposed areas, socio-economic factors such as urbanisation or population growth. Members of GFIA are aware that climate risk is a financial risk that needs to be properly assessed and managed. However, the attention paid to climate risk should be proportionate to its potential severity. While the IAIS states that the potential effects of climate change should be considered through traditional risk categories, it puts a lot of emphasis on climate-related risks, as if it is a specific separate risk category. With regard to external credit ratings, GFIA agrees that continued consideration should be given as to whether to adjust them for internal management purposes. On the other hand, the method of reflecting climate-related risks in credit risk ratings comes with difficulty, and in practice it is very challenging for insurers, which have limited information to analyse, "the extent to which various external risks (such as climate change) have been factored into the ratings". Therefore, GFIA believes that rating agencies should disclose the results of their analysis. In addition, it is appropriate to use such results to adjust investment decisions rather than to adjust the ratings.

EDHECinfra & Private Assets	Singapore	Since the main effects of climate change will come in the coming decades, insurers should consider forward-looking climate metrics based on financial materiality and the expected loss in asset value considering several climate scenarios, making explicit the types of climate risks that insurers should consider, the time horizons that their analysis should cover, the type of climate-related data, and the use of quantitative analyses and metrics as much as possible. Details of how this could be integrated are in the comments in the section below. EDHECinfra & Private Assets developed a methodology to quantify climate risks in infrastructure asset valuation (see https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4779788). After introducing the climate scenarios framework, the paper presents the model and findings. The study shows that by 2050 if no actions are taken to mitigate Climate Change, the potential losses due to climate risks will be about ten times higher than they would be if climate policies had been implemented. Moreover, the authors show that even a delayed implementation of such policies is a far better option than not implementing them at all Indeed, the potential losses associated with a late transition are projected to be, by 2050, more than six times smaller than the potential losses of not transitioning at all.

Finance Watch	European Union	Finance Watch commends the IAIS for incorporating climate risk considerations into the ICP 15 guidance material and for recognizing the importance of the double materiality perspective, as well as the long term horizon perspective on climate risk management. These changes represent a significant step forward in ensuring that insurers are equipped to manage the evolving risks associated with climate change. The integration of climate-related risks into investment strategies, risk assessments, and supervisory requirements is essential for a holistic approach to addressing climate-related risks and ensuring the resilience of the insurance sector. Finance Watch believes, nonetheless, that the sustainability perspective could be embedded more precisely in other segments of ICP 15 as well. Firstly, we recommend adding under 15.1.3 a provision that highlights the risks stemming from transition trends and adjustments in the context of relevant international and national climate commitments and objectives. Adding such a provision would underscore the importance of aligning investment strategies with broader climate goals as an approach to managing transition-related risks. Secondly, Finance Watch suggests clarifying in the guidance that the overall investment strategy should promote the long-term durability of the investment portfolio. This especially holds true for the risk of asset stranding in fossil fuel investments. Considering the fact that fossil fuel investments contributing to emissions beyond the available carbon budget are, in a Paris-aligned future, worthless and a risk to the portfolio (credit, market and liquidity in particular), we suggest making the following addition to 15.4: 15.4.7: Investments which are not compatible with the carbon budget of the planet and are contrary to the Paris commitments, should be kept to prudent levels, as they are likely to lose most of their value or otherwise contribute to the growing physical risk of climate change, which will lead to major losses for all financial actors. We refer to our report on Finance in a hot house world for a deeper view: https://www.finance-watch.org/policy-portal/sustainable-finance/report-finance-in-a-hot-house-world/

Public Citizen	United States	We strongly support language recognizing that insurers should acknowledge not only the impact of climate change on their investments but also the impact of their investments on climate change. This is a critical framing that should be preserved. The proposed edits to the guidance should explicitly reflect the need for supervisors to take a precautionary approach to investments in fossil assets. Such an approach is clearly warranted by the significant climate-related financial risks facing not only insurers, but also consumers and lenders, as well as the lack of data necessary to manage these risks—including the lack of data needed for climate scenario analyses (1). While the proposal reflects such an approach in the following language,"the supervisor requires the insurer to invest only in assets where it can properly assess and manage the risks," it should further indicate that supervisors should encourage a winding down of existing financing of fossil assets and should recognize the current limits of scenario analysis. Insurer financing and investment in fossil fuels through investment portfolios heightens chronic and acute weather events and associated physical impacts to infrastructure, water supplies, and other assets. Insurers are likely to be impacted in several ways. First, they are likely to see investments devalued as credit, operational, liquidity, and market risks increase. Second, physical damage to covered assets will continue to create losses for the insurer, including losses that can exceed insurer capacity to pay claims or the ability of consumers to pay higher premiums. Third, insurance companies could face significant impacts from a climate-driven financial crisis. The US Financial Stability Oversight Council's 2022 and 2023 Annual Reports have indicated that climate change is increasingly threatening the financial system. Financial system failure could profoundly impact the safety and soundness of insurance companies. Finally, as the demand for a shift to renewables grows, the possibility that investments in fossil assets become stranded assets also grows. A recent US Senate Budget Committee investigation confirmed that insurer underwriting of and investing in new and expanded fossil fuel projects is "incompatible with our climate goals and economic stability" and "brings us closer to the worst runaway climate scenarios, which threaten lives, livelihoods, and the federal budget." Recent witnesses for Senate Budget Committee hearings shared how significant these impacts might be: "sea level rise and wetter, more intense storms could eventually make more than $1 trillion in coastal real estate uninsurable, and therefore unmortgageable, leading to a coastal property values crash; that more frequent and intense wildfires could result in a similar death spiral for western property in the wildland-urban interface; that climate-related losses are making it harder for the insurance industry to price risk, already resulting in insolvencies among regional insurers; and that, as demand for oil and gas declines, hundreds of billions of dollars in fossil fuel assets may be stranded."(2) (1) Finance Watch, "IAIS work on climate scenario analysis needs a reality check" (2024) https://www.finance-watch.org/policy-portal/sustainable-finance/iais-work-on-climate-scenario-analysis-needs-a-reality-check-consultation-response/

		(2) United States Senate Committee on the Budget, “Budget Committee Launches Investigation into Major Insurance Companies’ Climate Risk Evaluation, Fossil Fuel Support,” (June 2023)

E3G	USA	The IAIS's proposed changes are supported, with suggested additional modifications noted below. We support having the IAIS principles explicitly acknowledge that insurers' own investments can negatively impact climate change. We also support the language reflecting that transition plans can take these risks into account, and could include engaging with investees, and/or changes in investment strategies. We recommend that the IAIS actually go a step further, and mandate that insurers adopt and implement Paris-aligned transition plans. Such plans should also take into account environmental justice concerns. Amendments should be made throughout the ICPs to cross reference the use of transition plans, and, as appropriate, with respect to ORSAs. E.g., text where there is a requirement for specification of investment activities, reference should be made "...specifies the nature, role and extent of the insurer's investment activities including how they are consistent with the insurer's climate transition plans." There is a growing international consensus towards mandating transition plans for the real economy, as well as the financial sector. This includes the forthcoming implementation of the European Corporate Sustainability Due Diligence Directive and Solvency II requirements, as well as other countries' commitment towards requiring transition plans (e.g., United Kingdom). See speech, Dr. Sabine Mauderer, NGFS Chair here. Support for use of transition plans is the current subject of study by the G7 and G20, the FSB, IOSCO, BCBS. Transition plans for insurers must include reductions in financed and insured carbon emissions, and they must be meaningful. A credible client engagement strategy requires the ability to say no, as well as oblige supervisors to require insurers to produce and follow realistic transition plans to deal with clients that do not make progress on emissions' reductions. (One example regarding engagement was noted in the U.S. Treasury's Principles for Net Zero Financing and Investment…" Financial institutions should further decide the terms or timeframe under which they would consider changes in their engagement approach. These changes could include deepening or lessening engagement based on client or portfolio company activity or disengaging from a given client or portfolio company that does not sufficiently manage the risks and opportunities associated with the transition." See here. Supervisors must also continually monitor insurers' adherence to their stated commitments. Lack of progress on stated commitments should trigger supervisor's concerns about whether management is capable of understanding and addressing the climate related risks, as well as its own commitments and operationalizing transition plans effectively. The text regarding scenario analysis should be amended to include the following: "The unique non-linearity and

		irreversibility of climate related financial risks can, among other things, compound the transmission through traditional risk channels in unexpected ways." This was most recently highlighted in a recent U.S. Senate Budget Committee investigation, that reflected the current U.S. insurance protection gaps, and systemic implications, including "sea level rise and wetter, more intense storms could eventually make more than $1 trillion in coastal real estate uninsurable, and therefore unmortgageable, leading to a coastal property values crash; that more frequent and intense wildfires could result in a similar death spiral for western property in the wildland-urban interface; that climate-related losses are making it harder for the insurance industry to price risk, already resulting in insolvencies among regional insurers; and that, as demand for oil and gas declines, hundreds of billions of dollars in fossil fuel assets may be stranded."

MSCI ESG Research LLC	United States of America	MSCI supports the changes proposed to ICP 15 Guidance to reflect climate risk.
American Academy of Actuaries	United States of America	The Prudential Regulation Committee of the American Academy of Actuaries encourages the IAIS to consider modifying the guidance material to ensure that investment risk considerations are two-sided. In other words, for an inadequate focus on climate risk, it is possible for investment decisions to be excessively focused on climate risk or geared toward a potential "green" transition, leading to risk concentrations or lost investment opportunities. Both under and over exposure to "green" investments are risks.
Comments on proposed changes to ICP guidance 15.2.3		
Groundsure	Environmental Consultancy	n/a
National Association of Insurance Commissioners (NAIC)	National Association of Insurance Commissioners (NAIC)	We question the practical applicability of rating adjustments and suggest this would be more appropriate as a "may" given there are various ways to consider this concern, such as on a qualitative basis on the assessment of the risk of the portfolio as a whole. Suggest: The insurer may also consider the extent to which various external risks (such as climate change) have been factored into the ratings and over what time horizon, and make adjustment to the ratings where appropriate.
General Insurance Association of Japan	Japan	We agree that continued consideration should be given as to whether to adjust external credit ratings for internal management purposes. On the other hand, the method of reflecting climate-related risks in credit risk ratings comes with difficulty, and in practice, it is very challenging for insurers, which have limited information, to analyze "the extent to which various external risks (such as climate change) have been factored into the ratings". Therefore, we believe that rating agencies should disclose the results of their analysis. In addition, it is appropriate to use such results to adjust investment decisions rather than to adjust ratings.

The Geneva Association	International	• Throughout the consultation package on the changes to the ICP guidance, the IAIS singles out and elevates climate risk above other risk drivers. Nat Cat lines of business are impacted by various loss drivers which are captured in re/insurance models and underwriting processes – climate change, while important, is one among many risk drivers. Looking at climate change in isolation ignores other important factors (e.g. economic development including increased asset values in exposed areas and where and how assets are built, as well as socio-economic factors such as urbanization or population growth) that can have a larger impact over such a long time horizon. • We also suggest deleting the last part "make adjustments to the ratings where necessary". If every firm adjusts ratings, this limits comparability.
American Property Casualty Insurance Association	United States	Credit rating providers should already be taking into consideration transition risk in the development of their ratings to the extent it is relevant and measurable. Insurers, as well as others who use credit ratings, cannot arbitrarily "adjust" ratings, particularly when insurers and others do not know what consideration has already been given to transition risk in the ratings. In addition, the example of climate change in the proposed language presupposes that climate risk is more significant than other material investment risks. The use of climate change as an example also assumes that external risks can be attributable to climate change, which is not possible to ascertain in most circumstances (for example, severe weather events may or may not be attributable to climate change).
Ekō	Global	It should also be added that climate-related factors can currently not be correctly reflected in credit ratings.
Institute of International Finance	USA	ICP 15.2: The inclusion of a double materiality concept in the guidance under ICP 15.2 (15.2.6) is inconsistent with the key focus of supervisors on material financial risks. We encourage the IAIS to better emphasize in its guidance to supervisors the primary role of supervisors in promoting the financial soundness of the insurance industry for the protection of policyholders, including through supervisory practices and guidance to the industry that helps insurers better manage climate-related financial risk drivers.

Ceres	United States	Ceres supports the proposed amendments to section 15.2.3 regarding the use of external credit ratings in assessing the credit risk of investments. We agree that while credit ratings can be a useful input, insurers should be aware of their limitations and conduct their own due diligence. The explicit mention of climate change as an external risk factor that may not be fully captured in current credit ratings is important. Given the unprecedented and long-term nature of climate risks, historical data and current rating methodologies may not adequately reflect potential future impacts on creditworthiness. Urging insurers to consider this and make necessary adjustments to external ratings is well-advised. We also support the supervisor establishing clear requirements and expectations around the appropriate use of external credit ratings by insurers. Requiring insurers to conduct an independent internal credit analysis, beyond solely relying on external ratings, is a good practice to promote. This can help insurers build a more concentrated understanding of the idiosyncratic credit risks in their investment portfolios. In this context, to further enhance section 15.2.3, Ceres suggests: 1. Specifying that insurers should engage with credit rating agencies to understand how climate risks are being integrated into their rating methodologies, models, and time horizons considered. Insurers should also conduct their own plausibility checks of external ratings from a climate perspective. 2. Encouraging insurers to develop an internal climate credit risk assessment framework to consistently evaluate the exposure of their investments to transition and physical risks. This could include sector-specific actions, emissions profiles, adaptation plans, and so forth. 3. Clarifying the supervisor's expectations around the documentation, validation, and updating of the insurers' independent credit analysis processes and models, as well as the expertise required I this function. 4. Highlighting the need for insurers to also consider how climate risks may impact other facets of credit risk beyond probability of default, such as loss given default, exposure at default, and correlations between counterparties. By adopting these recommendations, the IAIS can reinforce the importance of insurers conducting their own thorough due diligence on the climate-related credit risks in their investment portfolios. This will equip supervisors with a stronger basis to evaluate insurers' practices in managing these risks.

The Life Insurance Association of Japan	Japan	-The LIAJ considers that the proposed changes in this section are intended to recommend insurers to assess investment risks proactively, rather than accept external ratings without any consideration. This can be achieved through other various measures as well, such as by comparing multiple external ratings, breaking down and assessing factors and time horizons that form the basis of the ratings, or insurers performing a reassessment internally while referring to the external ratings. The proposed wording of “make adjustment to the ratings where necessary” may unintentionally mislead readers to think that this is requiring insurers to directly engage with external rating agencies to adjust the ratings (where necessary) rather than showcasing it as a sole example of various ways to attain proactive assessment on investment risks. As the current statement in this section already points out the limits of using external credit ratings, the LIAJ believes this to be adequate in recommending proactive assessment on investment risks for insurers and the proposed change is not necessary. Should IAIS continue to make a revision, there may be more clarity that adjustment to the ratings is an example out of many, if other methods to be considered is stated as well.

Natural Resources Defense Council	United States	We support the proposed change to ICP 15.2.3 in light of concerns as to how climate risks are currently assessed by credit rating agencies. The three major agencies (Moody's, Fitch and S&P) have begun to acknowledge climate change as a financial risk factor, and may consider factors like extreme weather events, rising sea levels, and policy changes around carbon emissions. At the same time, the credit rating process is not transparent either with respect to climate risk or in general, making it difficult to determine the effect of climate considerations on ratings. One 2020 study concluded that the major agencies' ratings decisions only rarely incorporate climate change as a material factor. (Bolstad, Frank et al., Flying blind: What do investors really know about climate change risks in the U.S. equity and municipal debt markets?, Working Paper #67, Hutchins Center on Fiscal & Monetary Policy at Brookings (Sept. 2020), 19-20, https://www.brookings.edu/articles/flying-blind-what-do-investors-really-know-about-climate-change-risks-in-the-u-s-equity-and-municipal-debt-markets/.) Moreover, credit ratings generally assess creditworthiness over shorter time horizons than those that are relevant for the implications of long-term climate risks and investments. (Network for Greening the Financial System, Credit Ratings and Climate Change (May 2022), 2, https://www.ngfs.net/sites/default/files/medias/documents/credit_ratings_and_climate_change_-_challenges_for_central_bank_operations.pdf.) Thus, while credit rating agencies are moving in the direction of incorporating material climate risk into their ratings, until they demonstrate greater progress in this respect insurers should make their own determinations as to issuer climate risk and relevant time horizons, and should adjust their credit risk assessments accordingly. In particular, insurers should be cautious about climate risk when evaluating investments in municipal debt. Climate change imposes greater strains on state and local government budgets, while on the revenue side, the costs of physical damage from climate disasters can undermine the municipal tax base, making it harder for municipalities to service their bond payments. Nonetheless, a recent study suggests that climate data are not being factored adequately or consistently into credit metrics in the municipal bond market. (Smull, Kodra, et al., Climate, race, and the cost of capital in the municipal bond market, PLoS ONE 18(8): e0288979. https://doi.org/10.1371/ journal.pone.0288979) Insurers thus should take special care in their use of municipal credit ratings, especially in areas prone to greater climate risk.

Global Federation of Insurance Associations (GFIA)	Global	15.2.3 refers to insurers adjusting external credit risk ratings. Insurers can't change the ratings of a third party. They can consider the impact of the included and excluded risk factors in their own use of the credit risk ratings and analysis thereof. GFIA also notes that credit rating providers should already be factoring transition risk into their ratings to the extent it is relevant. Insurers can't "adjust" ratings, therefore the new guidance should say, "adjustments to its use of the ratings where necessary."

EDHECinfra & Private Assets	Singapore	Credit ratings, while reflective of financial risk over a relatively short-term horizon, i.e., the typical duration of a business cycle, may obscure the nuanced risk profiles pertinent to long-term investments. For instance, financiers in real estate or infrastructure (like insurers) often engage in commitments extending beyond 20 years, where risks are not fully captured by traditional credit ratings. Consequently, we advocate not only for the adjustment of credit ratings (which are still going to cover only a single business cycle) but also for the integration of climate risk ratings with credit assessments to provide a comprehensive view of the financial implications of climate risks over the long term for such projects, e.g., through 2050. EDHECinfra & Private Assets is currently developing climate risk ratings that can be used to assist infrastructure investors in measuring financial risks. These ratings include measurements of regulatory policy risk (based on carbon emissions), reputational risk (based on Scope 3 emissions and social attention to climate change), these two components of transition risk, and physical risk (based on damages from climate-related hazards). These effects have been measured and documented by EDHECinfra & Private Assets. On the financial effects of transition risk and physical risk (see https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4779790), the authors, by leveraging the NGFS scenarios, quantify the costs associated with delayed or uncoordinated transition and evaluate the potential portfolio value loss resulting from physical risks in the absence of climate action. The analysis reveals the importance of transition risk for the infrastructure sectors. A disorderly scenario could result in a substantial loss of value to infrastructure investments of nearly USD600 billion. That sum equals approximately 30% of the total invested value in infraMetric's 9,000 infrastructure assets. Moreover, the negative effects of transition risk will be felt across all sectors, including low-carbon ones such as Renewables and Social Infrastructure. Further analysis of Physical Risk (see https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4784951) shows that Climate Change generates physical risks that are not limited to a distant future. In the event of runaway climate change, some infrastructure investors could lose more than 50% of the value of their portfolio to physical climate risk before 2050. Moreover, compared to a low-carbon scenario, the average investor will lose twice as much to extreme weather, mainly in OECD countries.

Finance Watch	European Union	Finance Watch welcomes the additional remarks on considering the extent to which external risks, such as climate change, are impacting credit ratings. Credit ratings mostly have a short-term focus, typically evaluating credit risk on a one-year time horizon and are based on methodologies calibrated using historical data (in the EU, this methodological requirement is regulatory given). This narrow time horizon poses a significant challenge in accurately capturing the long-term, non-linear, and unpredictable nature of climate risk, as Finance Watch has already referred to in past consultation responses (https://www.finance-watch.org/policy-portal/sustainable-finance/response-to-consultation-on-the-esg-ratings-market-in-the-eu/) and as confirmed by the ECB (https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op303~eaa6fe6583.en.pdf). Consequently, there is no evidence that climate-related factors are adequately reflected in credit ratings and, therefore, there is a substantial risk of underestimation if reliance is made on these ratings. Given the rapidly evolving nature of climate risk and its potential to impact financial stability over extended periods, it is important for insurers to conduct their own comprehensive due diligence, including assessing the integration of climate risk into credit ratings and making necessary adjustments to reflect a more accurate long-term risk profile.
Public Citizen	United States	We strongly support language that calls for insurers to consider climate risks in ratings. Consideration of climate-related financial risk is largely absent in traditional credit ratings. Insurers should both avoid being overly reliant on credit ratings in assessing climate-related financial risk and ensure that their own credit analysis better captures these risks.
E3G	USA	“The insurer should also consider the extent to which, and how, various external risks (such as climate change) have been factored into the credit ratings. This includes factoring in what time horizons the rating reflect, as well as model limitations (also such as with climate change). Adjustments to the ratings should be made accordingly, and where necessary throughout its risk management mechanisms and ORSA." This section does not sufficiently recognize the climate related financial risks posed by reliance/use of external credit ratings, given current data and modelling limitations. The text should better signal that ‘adjustments’ to the ratings is the start of the process, and that the impacts of any adjustments need to be carried forth through ORSAs, etc. See proposed amendments.

MSCI ESG Research LLC	United States of America	Credit ratings can assist the insurer in determining the credit risks associated with the insurers' investments. Therefore, we acknowledge credit rating agencies incorporating the climate risks in credit ratings to keep the insurer better informed about the risks and time horizons. In addition to the credit ratings, an important tool that could assist insurers are ESG ratings, which could help evaluate an insurers' long-term resilience to material non-financial risks, including climate change risks. MSCI has adopted a proportionate approach in its ESG ratings and assigns ratings on a AAA to CCC scale based on a company's resilience to long-term, industry material environmental, social and governance (ESG) risks. MSCI for example use a rules-based methodology to identify industry leaders and laggards according to companies' ESG risk exposures and how well they manage those risks relative to peers. In assessing ESG and climate risk, MSCI has found that the use of quantitative rather than qualitative data in assessing ESG and climate risk is important to compare and contrast companies' ESG and climate risk profiles. In our ESG Rating model (ESG Industry Materiality Map - MSCI) for the insurance sector, the Climate Change Vulnerability Key Issue is very important for property & casualty insurers. We consider insurance companies to be particularly exposed to the physical risks of climate change, as the profitability of insurance companies is closely linked to insured losses from high-intensity weather patterns, increased frequency or intensity and higher degrees of unpredictability of natural disasters and climate extremes. Further, we consider climate change factors may affect the resilience of insurance company's investment portfolios. The convergence of ESG factors (climate change, social attitudes, institutional governance, technological innovation) could significantly impact the pricing of financial assets and the risk and return of investments and potentially lead to a large-scale re-allocation of capital over the next decades. The integration of sound ESG principles and climate change risk assessments into investment decision-making plays an increasingly important role in attempts to mitigate ESG risks. The adoption of such practices may well be instrumental to the long-term resilience of insurance companies' investment portfolios.
Comments on new ICP guidance 15.2.6		
Groundsure	Environmental Consultancy	n/a

National Association of Insurance Commissioners (NAIC)	National Association of Insurance Commissioners (NAIC)	First sentence, suggest replacing the word “effects” with “materiality” as it would be a more appropriate word choice given the context: “insurers should consider the potential materiality of climate change”
General Insurance Association of Japan	Japan	It is not appropriate to specifically add a description focusing only on climate-related risks, and the description is considered too detailed. Therefore, the additional description should be deleted here, but included in the supporting material.

The Geneva Association	International	• Double materiality: The proposed language implicitly promotes the “double materiality concept”. This approach, while reflective of a growing interest in sustainability, has not been uniformly adopted in all jurisdictions. • Financial material risks: From a supervisory perspective, the focus should clearly rest on financially material risks and impacts to firms. Hence, we suggest that the IAIS take this approach. The proposed language on “reputational risk” sits awkwardly with the prudential focus on financially material risks, and we propose to remove it. • Engaging with investees and asset divestment: The guidance suggests that insurers should engage with investees and divest from certain assets. Divestment alone, as has been clearly demonstrated, is not a solution. Divestments from one firm have led to investments in the same assets by other firms. The guidance as currently drafted may overextend the role of insurance supervisors into areas that are traditionally not within the scope of their responsibilities. Insurance plays a crucial role in the transition. By providing insurance protection to manage risks associated with emerging climate technologies, it can attract the institutional investors needed to scale them up (e.g., carbon capture, hydrogen). This is highlighted in the Geneva Association Climate Tech project. • Climate change covered under traditional risk categories: The first sentence of the new guidance acknowledges that climate change risks are already captured within existing traditional risk categories (e.g. credit risk, market risk and strategic risk), which we fully support. However, the proposed changes then often single out climate risk as a risk driver, treating it more as a separate risk category, which is not helpful. The purpose of the sentence beginning “taking these risks into account, insurers could decide to take appropriate steps…” is not clear and, when taken in context with the previous sentence, seems to suggest that there is an expectation for insurers to undertake "temperature alignment" of their business activities, or similar approaches. The IAIS should clarify this expectation or remove the sentence.

American Property Casualty Insurance Association	United States	The proposed changes to ICP 15 presuppose that climate risk is more significant than other material investment risks. Undue focus on climate risk could cause a loss of focus on other significant risks (such as credit and interest rate risk) to the extent relevant and material. We suggest the deletion of all the wording after the first sentence of the draft guidance. The rest of the suggested changes imply that insurance supervisors should act as societal policymakers, and that is neither their role nor within their authority. Insurers should also remain focused on assessing investment risks and opportunities as they deem appropriate based on the composition of their investment portfolios, as the primary purpose for investment regulation is policyholder protection. Finally, this language suggests the concept of double materiality, which is a public policy consideration and requires significant judgement, particularly with regard to impact materiality, that goes beyond the jurisdiction of insurance solvency supervisors to impose.
Ekō	Global	We welcome the incorporation of double materiality into the ICPs and the acknowledgment of impact considerations as crucial for transition risk and financial stability.
Institute of International Finance	USA	Consistent with our comments above, in Section 15.2.6, we do not support the IAIS's implication that supervisors should expect insurers to divest assets or change their investment strategies or investee engagement practices, as these actions are the purview of the board and senior management based on the company's strategic plan and business model. We propose the deletion of this Section.

Ceres	United States	Ceres welcomes the new section 15.2.6 as an important recognition that insurers should consider not just the impact of climate change on their investments (the 'inward perspective"), but also the impact of their investments on climate change (the "outward perspective"). Insurers' stakeholders, including policyholders, are increasingly considering the climate-related impact of investments on their decision-making. Negative perceptions of an insurer's investment portfolio from a climate perspective could lead to reputational risks, reduced competitive position, and weaker financial strength. Therefore, in addition to assessing the inward climate risk exposure of individual investments, insurers should also develop an aggregated view of the impact and sustainability of their investment portfolio as a whole. This could inform strategic decisions to engage with investee companies to drive climate action or shift capital to greener solutions, in line with the insurers' investment beliefs, capabilities, and stakeholder preferences. Ceres' report "The Changing Climate for the Insurance Industry," published in August 2023, analyzes the investment portfolios of over 400 insurers and can be found here: https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1692. Importantly, insurers' investment decisions and strategies with respect to climate risks should be based on prudent risk management practices, fiduciary duties, and the best interests of policyholders- not on mandatory divestment requirements. Ceres believes that climate risk assessment, disclosure, and engagement should be the primary tools to promote sustainable investment practices, with divestment an option based on case-by-case analysis. Supervisors can also encourage or even mandate insurers to establish and disclose their climate transition plan. A climate net zero transition plan for insurance companies should be comprehensive and detailed, addressing both the underwriting and investment aspects of their business. It can provide a clear roadmap for insurance companies to effectively manage their climate-related risks and contribute to the global effort to achieve net zero emissions.

The Life Insurance Association of Japan	Japan	-This section refers to the impact that investment decisions could pose on climate change which may potentially assume the double-materiality concept. As the adopted concept for materiality differs by jurisdictions, this reference should be considered carefully. -Also, even though the statement “insurers could decide to take appropriate steps, such as engage with investees, divest of certain assets or change their investment strategy” is written as an example, it could be interpreted as a proposal for insurance supervisors to recommend insurers of divestment or change to their investment strategy. Considering that insurance supervisors’ mandate is to maintain financial stability and to protect policyholders, situations where insurance supervisors recommend insurers to take certain investment activities or to change investment strategy should generally be limited to cases where financial stability or policyholder protection could be impaired. If insurance supervisors go above and beyond their mandate and guides insurers to take specific actions, while it may be unintentional, could distort the sound market and result in impairing financial stability and/or policyholder protection. Given this, the LIAJ believes it would be reasonable to remove these exemplifications.
Insurance Europe	Europe	• The following is added “ Investment decisions, especially at a large scale, [could] in turn also negatively impact climate change, potentially leading to financial impacts on insurers’ investments through the aforementioned traditional risk categories. Taking these risks into account, insurers [could decide to take appropriate steps], such as engage with investees, divest of certain assets or change their investment strategy. This [could] also help insurers address potential reputational risks following from negative views of policyholders and market participants on their investment activities.” • This wording seems to be very prescriptive.

Natural Resources Defense Council	United States	We support the direction to insurers in the new ICP 15.2.6 guidance to "consider the potential effects of climate change in their investments through traditional risk categories . . . and assess how such risks may affect their investments." Emerging physical and transition risks from climate change present market, credit, operational, and liquidity risks for the insurance sector. Among other things, impairments and market declines in the value of investments facing physical and transition risk are a major concern facing insurers. In 2023, in the United States alone, damages from climate-driven billion-dollar extreme weather events reached $92.9 billion, and estimated insured property losses totaled $78.8 billion. Such losses may manifest as devaluations in corporate debt, municipal debt, and/or real estate-related investments such as REITs. Climate-related financial risks can manifest in the form of a wide range of traditional risks to insurers: • Market risk. Climate-related events can have a significant effect on the prices of insurers' debt and equity investments. Transition risk also can manifest as market risk; for instance, a shift towards electric vehicles may decrease the value of a company that specializes in the manufacture of components of internal combustion engines. At present, the prices of assets exposed to physical climate risks or transition risks may be inflated due to market opacity, underestimation of the relevant risks, or the potentially correlated nature of risks. A significant climate event (or the government response to such an event) can trigger a sudden re-valuation of assets or asset classes. A re-valuation can also be triggered by businesses' efforts to mitigate their exposure to such an event; for example, by suddenly exiting short-term assets that are exposed to climate-related financial risk. (See, e.g., Graham Steele, Confronting the Climate "Lehman Moment": The Case for Macroprudential Regulation, Cornell Journal of Law and Public Policy 30:109, 124-25 (2020).) • Credit risk. Counterparties whose business or balance sheet is centered on climate-exposed assets, or practices subject to transition risk – including, most notably, reinsurers on which insurers may rely heavily – may be particularly vulnerable to the market risks described above, leading to defaults; insurers must take account of these counterparty risks. • Liquidity risk. Climate disasters may lead to price volatility, which in turn may result in margin calls by clearinghouses and greater pressure on short-term funding markets. Market participants may pull out of markets due to perceived risk. These may coincide with insurers and reinsurers tapping the markets to fund payouts related to the same disaster, resulting in a liquidity crunch. • Legal risk. Climate-related risk may affect the legal and regulatory environment in which businesses operate. Energy companies, for example, are facing a range of lawsuits seeking to compel adaptive measures, or seeking money damages to redress climate-related harms. • Operational risk, including risks to secure and reliable operating and information systems and to the ability to reconcile data and information in those systems. Regional climate disasters could result in widespread impairment of operational

		infrastructures or systems, or damage to the operations of multiple counterparties, causing cascading failures across other institutions or sectors. Insurance companies can adapt to this new landscape by developing their management of climate-related financial risks within their existing programs and frameworks for assessing and managing risk. (At the same time, the use of traditional backward-looking risk assessments and existing climate-economic models based on historical data and on assumptions that shocks are normally distributed may be inadequate for this purpose; please see additional discussion in our response to item 20.)

Global Federation of Insurance Associations (GFIA)	Global	The proposed language for new guidance 15.2.6 raises some concerns. First, it introduces the “double materiality” concept. Double materiality falls outside the typical remit of insurance supervisors which generally focuses on financial risks to the firm. Also, some jurisdictions have not embraced the concept. It should also be noted that reputational risks vary by jurisdiction. The guidance also suggests engaging with investees and asset divestment, which typically fall outside the remit of insurance supervisors. Finally, as noted in the first sentence, because climate change risk is reflected in traditional risk categories, this proposed new guidance does not make a positive contribution to the ICPs and should not be added. Therefore, GFIA recommends deleting any implicit reference to double materiality throughout the document and for the IAIS to focus on financially material climate-related risks instead. GFIA also raises concerns about the description focusing specifically and only on climate-related risks. The description is considered too detailed. Therefore, the additional description should be deleted here, but included in the supporting material. 15.2.6 notes “Investment decisions, especially at a large scale, could in turn also negatively impact climate change, potentially leading to financial impacts on insurers’ investments through the aforementioned traditional risk categories. Taking these risks into account, insurers could decide to take appropriate steps, such as engage with investees, divest of certain assets, or change their investment strategy. This could also help insurers address potential reputational risks following from negative views of policyholders and market participants on their investment activities.” GFIA would like to emphasise the excessive prescriptiveness of such wording. It is also open to interpretation what can be considered as investment at a large scale.

EDHECinfra & Private Assets	Singapore	Climate change is causing more frequent and intense extreme weather events, such as floods, droughts, heat waves, and storms, which can damage assets and disrupt their operations. These risks materialise as physical damage to physical assets and can lead to direct losses, increased maintenance costs, lower asset values, and reduced revenues and future cashflow. This directly affects loan repayments, market prices, reduces investors' confidence, and affects long-term investment strategies. EDHECinfra & Private Assets has measured and documented these effects. For more details see (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4784951). At the portfolio level, this paper demonstrates that, in the most extreme cases, when an investor finds themselves exposed to the riskiest assets in the same portfolio, losses can mount to 27% in the orderly transition scenario and to 54% in the Hot House scenario. The authors followed a novel approach by building thousands of random portfolios and examining the degree of extreme risk in the two scenarios depending on the number of assets in the portfolio. On the other hand, to mitigate the physical risks generated by Climate Change, governments are now introducing climate policies, including carbon taxes. These measures aim at encourage investors to shift towards greener technologies, which can also upgrade production methods and change consumer preferences (i.e., reputation risk). However, such efforts come at a cost, in particular to companies relying heavily on non- renewable energy sources. For example, new regulations and carbon taxes will weigh heavily on carbon-intensive companies, forcing them to accelerate their transition toward greener technologies. As a consequence, these companies will have to bear significantly increased capital and operating costs. Moreover, the price shock of new carbon taxes creates inflation and higher interest rates, further impacting the future discount rates of companies' dividends, even green companies. For example, research by EDHECinfra & Private Assets demonstrated that the Renewable Power sector would experience a 19% reduction on Net Asset Value by 2050, if governments implement a sudden but late carbon tax. As a result, the whole insurers' portfolio could be impacted. EDHECinfra & Private Assets has measured and documented these effects. For more details see (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4779790) .

Finance Watch	European Union	We welcome the IAIS recognition of the importance of tackling climate-related impacts of insurers' activities to mitigate future risks (i.e. impacts of climate change on insurance business). This holistic approach is crucial for understanding how climate change can impact insurers' investments and overall financial stability. A double materiality perspective fully represents a company's vulnerabilities and contribution to climate-related systemic risk.This approach is vital for breaking the climate-finance doom loop, where financial activities exacerbate climate change, which in turn leads to greater financial risks. From a company-centric perspective, consideration of climate impacts often runs contrary to the objective of (short term) profit-maximisation, which is how delivering value to shareholders is mostly defined. Yet, the longer-term perspective on impacts as proxies for transition risk increasingly becomes relevant in the short-term, as we are approaching the important intermediate milestones of the Paris Agreement and climate-related risks increasingly materialise for insurers. The new ICP Guidance 15.2.6 is a significant step forward in integrating climate risk into investment decision-making processes. This will contribute to the resilience of the insurance sector.
Public Citizen	United States	As noted above, insurance company investments in and underwriting of fossil assets add risks to the financial system which can, in turn, impair insurers' own financial viability. We support this addition but believe supervisors should address this dynamic by overseeing the winding down of financed emissions in insurance company portfolios.
E3G	USA	See above comments re ICP 15.1
MSCI ESG Research LLC	United States of America	Agree

American Academy of Actuaries	United States of America	We suggest that the new ICP guidance 15.2.6 be removed. The new ICP guidance 15.2.6 introduces the "double materiality" concept ("Investment decisions, especially at a large scale, could in turn also negatively impact climate change, potentially leading to financial impacts on insurers' investments…"). We believe that double materiality may be perceived as a policy choice influenced by politics and therefore would be inappropriate for codification as a supervisory standard. In addition, the guidance also has suggestions for engaging with investees and asset divestment, activities which also typically fall outside the purview of insurance supervisors.
Comments on proposed changes to ICP guidance 15.3.1		
Groundsure	Environmental Consultancy	n/a
General Insurance Association of Japan	Japan	Unlike interest rate and foreign exchange risks, which affect balance sheet lending and borrowing in opposite directions, climate-related risks may affect lending and borrowing in the same direction. (Since the manifestation of climate-related risks contributes to lower prices on the asset side and leads to higher insurance payments on the liability side, the impact on assets and liabilities may not offset each other, resulting in losses on both sides.) Since climate related risk management in conjunction with ALM is expected to entail considerable difficulties, we believe that its effectiveness needs to be examined.
The Geneva Association	International	The proposed change to 15.3.1 advises insurers to consider how climate-related risks may "change conditions for asset-liability management." This language appears to be based on a simplistic presumption that investee business models are inflexible and cannot adapt to changing market dynamics. This new language, therefore, does not seem adequate.
American Property Casualty Insurance Association	United States	The proposed changes to ICP 15 presuppose that climate risk is more significant than other material investment risks. Undue focus on climate risk could cause a loss of focus on other significant risks (such as credit and interest rate risk) to the extent relevant and material.

Ceres	United States	Ceres supports the proposed amendments to section 15.3.1, which highlights the importance of considering climate-related risks in insurers' asset-liability management (ALM), especially for long-duration liabilities. As the guidance notes, the potential impacts of climate change on insurers' investment portfolios may materialize over extended time horizons. This could affect the value and expected cash flows of assets used to back long-term liabilities. Transition risks, in particular, could significantly impair individual firms or entire sectors that are misaligned with the low-carbon transition. This could disrupt the matching of asset and liability cash flows if not properly managed. We agree that insurers should take these factors into account when developing their investment strategies and constructing their asset portfolios. This includes assessing the potential impact of climate-related risks on reinvestment risk, as assets mature and need to be replaced over time. Insurers should also consider the correlation between different asset classes, as well as between assets and liabilities, from a climate risk perspective. Another important consideration is the impact of climate risk on investment guarantees and options embedded in insurance policies. As the guidance indicates, insurers should specifically analyze how these embedded features may be affected by climate-related stresses and the resulting implications for ALM.
The Life Insurance Association of Japan	Japan	-The LIAJ understands that the IAIS focuses on climate risk throughout the guidance (e.g. changes to ICP guidance 15.2.3 and 15.3.1) in the context of emphasizing climate risks in its strategic plan. -Having said that, given that insurers already manage various risks including climate-related risks within their ALM activities, the LIAJ believes that particular reference to climate risks in this ICP guidance may not be necessary. Instead, this point could be considered for example, in the Application Paper on the supervision of climate-related risks.
Insurance Europe	Europe	• The following is added: "For example, the insurer should consider how climate related risks may change conditions for asset-liability management, especially, but not only, when the liabilities have a long duration." • The focus is mostly on climate related risks, as if it is a specific separate risk category - while earlier in the ICP guidance it is specified that "Insurers should consider the potential effects of climate change in their investments through traditional risk categories".

Natural Resources Defense Council	United States	We strongly support the addition in ICP 15.3.1 of consideration of the interplay between climate-related risks and asset-liability management. Please see our response to item 30 for details around asset-liability correlation, and our response to item 2 regarding the potential for unrealized climate risks in long-duration municipal bonds. Insurers may want to perform additional due diligence on long-duration debt investments to determine whether climate risk has been accounted for.
Global Federation of Insurance Associations (GFIA)	Global	The proposed change to 15.3.1 advises insurers to consider how climate-related risks may, "change conditions for asset-liability management." It should be highlighted that investee business models have capacity of adaptation and flexibility to changing market dynamics. Therefore, this new language does not seem useful. 15.3.1 notes, "For example, the insurer should consider how climate-related risks may change conditions for asset-liability management, especially, but not only, when the liabilities have a long duration." The focus is mostly on climate-related risks, as if it is a specific separate risk category – while earlier in the ICP guidance it is specified that, "Insurers should consider the potential effects of climate change in their investments through traditional risk categories". In addition, if liabilities already consider climate risks, including as pertains to timing/amount/currency of cash flows, the matching of assets to those climate-assessed liabilities already inherently includes climate considerations. GFIA recommends substituting the beginning of the following sentence [insurers], "should consider how climate-related risks many change …." by, "should consider if and how climate-related risks may change ….". Moreover, GFIA highlights that unlike interest rates and foreign exchange risks, which affect balance sheet lending and borrowing in opposite directions, climate-related risks may affect lending and borrowing in the same direction. Since the manifestation of climate-related risks contributes to lower prices on the asset side and leads to higher insurance payments on the liability side, the impact on assets and liabilities may not offset each other, resulting in losses on both sides.

EDHECinfra & Private Assets	Singapore	We agree. As explained above, the price shock of new carbon taxes creates inflation and higher interest rates, further impacting the future discount rates of companies' dividends, even green companies. For example, research by EDHECinfra & Private Assets demonstrated that the Renewable Power sector would experience a 19% reduction on Net Asset Value (NAV), by 2050. In contrast, in the Conventional Power Generation, including fossil fuel power generation sector, the NAV losses can reach 28% if governments implement a sudden but late carbon tax (aka Delayed Transition climate scenario). For more details, see (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4779790)
Finance Watch	European Union	Having a long-term view on climate-related risks on investments is paramount to proper risk management, especially when managing assets that match long-term policyholder liabilities and regulatory capital requirements. The recognition that climate-related risks can significantly alter conditions for asset-liability management is a welcome addition. As we have noted in previous responses, climate risk is long-term, non-linear, and unpredictable (i.e. radically uncertain) and must be integrated into the insurer's investment strategies to ensure financial stability and resilience. The insurer's investment strategies should ensure that cash flows from investments match liability cash flows in terms of timing, amount, and currency, even under varying conditions. This is essential for maintaining the insurer's ability to meet its obligations to policyholders and creditors. By considering climate-related risks, insurers can better anticipate and mitigate potential mismatches that may arise due to changing environmental conditions.
Public Citizen	United States	The physical effects of climate change can create asset-liability mismatches by pulling liabilities forward, particularly for property and casualty insurers. To meet increased liabilities, insurers may be incentivized to take more risks in asset portfolios through alternative asset classes like private debt. Supervisors should be attuned to insurance company incentives to seek higher returns in investment portfolios due to climate disasters and other macroeconomic factors.
E3G	USA	The proposed text should be adopted. It allows supervisors to require that insurers take into account the possibility of liquidity mismatches over variable time periods. This approach constructively highlights the importance of covering assets with short-, medium- and long-term duration, especially given scientific indications that climate tipping points may be accelerating.

MSCI ESG Research LLC	United States of America	Agree
American Academy of Actuaries	United States of America	The proposed change appears to be based on an unduly simplistic presumption that investee business models are inflexible and cannot adapt to changing market dynamics. Climate-related risks are unlikely to be the foremost (or even a highly impactful) driver for changing conditions for asset-liability management. Therefore, it does not seem appropriate to include climate-related risks in this section and to identify such risks as the specific example for insurers to consider.
Comments on proposed changes to ICP guidance 15.4.1		
Groundsure	Environmental Consultancy	n/a
General Insurance Association of Japan	Japan	The guidance does not emphasize quantification only, but rather mentions the importance of quantitative or qualitative scenario analysis. We agree with this point. On the other hand, while we do not deny the importance of quantitative information, we believe that there may be a risk of overconfidence in quantitative information obtained by a particular model. Plus, given that there are challenges with climate change data accuracy, such information should be treated as one of various information elements.

The Geneva Association	International	• The proposed change to 15.4.1 suggests the use of climate scenario analysis for risk management purposes. Climate scenario analysis has not yet been proven as a sufficiently useful tool for risk management, and therefore explicit mention in the ICP guidance seems premature. We would also ask the IAIS to reflect and digest industry feedback on its recent response to the consultation on climate scenario analysis, with a particular view to the limitations on such forward-looking assessments, before suggesting any changes to its framework. The IAIS should be mindful not to promote overreliance on such forward-looking assessments to inform today's decision making, including for risk and solvency management. Such forward-looking assessments provide limited insights to steer business decisions today: while climate scenarios can help to understand future expected losses and whether an insurer's business model is viable in the long term, they provide limited insights to inform decision making today, for both short-tail and long-tail lines of business. We recommend establishing an industry-led advisory committee to collaborate with the IAIS. This committee would conduct studies to evaluate the possibilities of forward-looking modelling and sensitivity analysis, aiming to develop a clearer understanding of both the constraints and opportunities in using forward-looking climate risk assessment and scenario analysis. • We suggest changing “could be useful in managing such risks” to “could be a useful exercise in assessing the materiality of such risks”, as it is not about managing but more about assessing how material they are to the firm.
American Property Casualty Insurance Association	United States	The proposed changes to ICP 15 presuppose that climate risk is more significant than other material investment risks. Undue focus on climate risk could cause a loss of focus on other significant risks (such as credit and interest rate risk) to the extent relevant and material. We believe the use of climate scenario analysis for investment purposes is far too inexact to be useful in most cases for non-life insurers, which primarily hold shorter-dated assets. The danger of relying on false and misleading precision is high, especially for quantitative results for periods longer than five years.
Ekō	Global	We commend the acknowledgment of the absence of historical data and the necessity to address risks proactively without delay. Would like to add that current economic models used for climate scenario analyses have flaws, which lead to underestimation of risk.

Institute of International Finance	USA	ICP 15.4: We question the reliability of climate scenario analysis (15.4.1) to manage risks in light of the significant lack of data. As noted in our response to the IAIS's Draft Application Paper on climate risk scenario analysis, data and methodological limitations constrain the ability of insurers to use climate scenario analysis (and particularly quantitative techniques) as an effective tool in decision making at the present time. In addition, some of the results of scenario analysis can be commercially sensitive and/or give rise to legal and reputational concerns. Supervisors should be mindful of these considerations when asking for disclosures to investors and other stakeholders and consider the provision of appropriate safe harbors. We would redraft the second sentence of Section 15.4.1 as follows: For certain investments where there are information gaps (for example, a lack of historical or readily available market data related to climate-related financial risks), a qualitative approach to scenario analysis is appropriate in assessing such risks.
Ceres	United States	Ceres supports the proposed amendment to section 15.4.1, which emphasizes the importance of insurers having sufficient information to properly assess and manage the risks associated with their investments, including climate-related risks. We agree that for certain investments, such as those exposed to climate risk, there may be gaps in historical or market data that make traditional risk assessment approaches challenging. In these cases, the use of forward-looking scenario analysis can be a valuable tool to help insurers understand and manage potential risks. Scenario analysis allows insurers to explore a range of plausible future climate states and pathways, and to assess the implications for their investments. By considering factors such as the speed and magnitude of the low-carbon transition, technological shifts, policy changes, and physical climate impacts, insurers can gain insight into the potential vulnerabilities and opportunities in their portfolios. Ceres offers several valuable resources and recommendations on climate scenario analysis considerations, which can be found here: https://www.ceres.org/resources/news/the-federal-reserves-climate-principles-and-scenario-analysis-pilot-leave-room-for-improvement.

International Actuarial Association (IAA)	International	In paragraph 15.4.1 the IAA suggests changing the word "could" to "might" where it currently reads "the use of quantitative or qualitative scenario analysis could be useful in managing such risks." The word "could" implies that it would be useful and the insurer has the option of whether to use such scenario analysis. The word "might" allows for the possibility that the scenario analysis might not be useful (which is probably more accurate).
The Life Insurance Association of Japan	Japan	-While scenario analysis is an important tool to assess climate risks, we should be aware that it is a practice still in the maturing process and its usefulness is yet to be determined, thus reference to the use of scenario analysis should be carefully considered.
Insurance Europe	Europe	• Insurance Europe is supportive of encouraging the usage of climate scenario analysis that includes both quantitative and qualitative information for assessing climate-related risks over different time horizons. The IAIS should however clearly state the limitations of such tools particularly as an instrument to inform concrete decision making and be mindful not to overpromote such tools for something they are not suited for. • The following is added: “For certain investments where there are information gaps (for example, a lack of historical or readily available market data related to climate-related risks), the use of quantitative or qualitative scenario analysis could be useful in [replace 'managing' by 'assessing'] such risks.” • Similar comment as for 15.3.1 - The focus is only on climate related risks as the stated example.

Natural Resources Defense Council	United States	We support the use of scenario analysis to complement current modelling where usable data is scarce. Scenario analysis also can highlight areas where data is lacking. It plays a crucial role in identifying and prioritizing data needs: • Exposure Identification: Scenario analysis helps pinpoint areas and sectors most vulnerable to climate change impacts. This can help focus data collection efforts on the most critical information. • Prioritization: By analyzing different climate scenarios (e.g., rapid warming vs. controlled emissions), analysts can prioritize data needs based on the severity and likelihood of each scenario. • Uncovering Hidden Relationships: The process can reveal unexpected connections between climate impacts and seemingly unrelated data points. This can guide data collection efforts towards previously unconsidered areas. Scenario analysis reveals areas most in need of exploration and thus can help to prioritize data collection needs. Please also see our response to item 20 for discussion of the limitations of historical data.

Global Federation of Insurance Associations (GFIA)	Global	15.4.1 notes, “For certain investments where there are information gaps (for example, a lack of historical or readily available market data related to climate-related risks), the use of quantitative or qualitative scenario analysis could be useful in managing such risks.” As mentioned earlier for the comment on ICP 15.3.1, GFIA raises concerns on the exclusive focus on climate-related risks as the stated example. The proposed change suggests the use of climate scenario analysis for risk management purposes. GFIA would like to emphasise that climate scenario analysis are mostly prospective tools that can be used to better understand the exposure of insurers to climate risks over different time horizons with a view to inform their strategy and test the longer-term viability of their business model. Supervisors must exercise caution about conclusions they may draw or ask firms to draw,) with regard to climate scenario analysis . Therefore, explicit mention in the ICP Guidance seems premature. This change should be removed. Also, GFIA believes the IAIS did not have time to fully consider and reflect industry feedback from its recent consultation to the draft application paper on climate scenario analysis for it to be incorporated into ICP guidance. The guidance does not only emphasise quantification, but the importance of quantitative or qualitative scenario analysis. GFIA agrees with this point. On the other hand, while GFIA does not deny the importance of quantitative information, GFIA believes that there may be a risk of overconfidence in quantitative information obtained by such forward-looking assessment tools. There are challenges with the accuracy of data on climate change. Therefore, such information should be treated as one of a range of different information elements. GFIA suggests adding the term, “…material…” to information gaps. In the event such gaps exist, only material information gaps warrant any – not necessarily scenario analyses – further action.

EDHECinfra & Private Assets	Singapore	We agree that quantitative and qualitative scenarios are useful for managing risks in the case of information gaps. However, note that when dealing with Climate Change, there will always be information gaps due to its long-term effects and market information inefficiency. This indicates that the use of quantitative or qualitative scenario analysis is actually a must for insurers' risk management practices. We recommend insurers use quantitative scenarios based on climate-economic theories such as IAMs (e.g., NGFS, and Oxford Economics). Only in the cases where quantitative scenarios are difficult to assess should insurers consider climate change effects in their qualitative scenario design, using IAMs as a reference. To fill the existing information gap, EDHECinfra & Private Assets developed the following climate metrics to assist investors: 1) Climate impact and transition risk metrics Scopes 1, 2, and 3 emissions across 60+ TICCS industrial categories, covering 500+ infrastructure assets/companies in 23 countries. Carbon intensity metrics and within-sector transition risk rankings for hundreds of market indices, market segments, and individual assets across most infrastructure asset types in the TICCS® classification. 2) Physical Risk Metrics Asset-type specific damage functions are used to estimate damage factors for over 500+ individual assets across all infrastructure asset types and several types of climate hazards. Physical damage-at-risk (99% PDaR), physical value-at-risk (99% VaR), expected loss, and within-sector physical damage rankings for hundreds of market indices, market segments, and individual assets across most infrastructure asset types in the TICCS® classification. 3) Extreme climate Value Using both transition and physical risk exposures in different climate scenarios (NGFS or other), infraMetrics produces scenario-specific asset valuations, transition risk, alignment risk, and physical risk extreme value metrics. For more information, see (https://indices.edhecinfra.com/login#indexData)

Finance Watch	European Union	We appreciate the IAIS's recognition of the challenges posed by information gaps in assessing climate-related risks. Climate risks are fast evolving and multifaceted, and it is essential for insurers to proactively address these risks despite the current limitations in the availability of historical and market data and not to wait for the availability of perfect data. We agree with the suggestion that quantitative or qualitative scenario analysis can be useful in managing such risks. However, it is important to recognize the limitations and exploratory nature of scenario analyses. Climate scenario analyses are still developing and their usefulness for decision making depends heavily on the identification and use of suitable economic models and realistic assumptions. They are not yet a comprehensive tool for risk management, but can provide valuable insights into potential future vulnerabilities and risks. The economic models currently used in the climate scenario analyses feature important flaws, which lead to underestimation of risk (both transition and physical). One of the most notable flaws is the use of quadratic damage function, which is at odds with climate science. The features of climate-related risks not captured by the existing scenarios include tipping points, physical impacts such as sea level rise, societal impacts such as mass migration, and endogenous financial sector dynamics. These limitations have been acknowledged by the NGFS (https://www.ngfs.net/sites/default/files/medias/documents/ngfs_guidance_note_on_the_scenarios.pdf) and most recently by the French supervisor ACPR (https://acpr.banque-france.fr/les-principaux-resultats-de-lexercice-climatique-sur-le-secteur-de-lassurance). Therefore, while Finance Watch welcomes the IAIS' efforts to use scenario analyses as a tool to better understand climate risks for insurers, we caution that scenario analyses should be approached with a realistic assessment of climate change-related economic impacts. This includes considering an adequate time horizon, realistically assessing the physical risks and disruptions and quantifying the potential for stranded fossil fuel assets within investment portfolios. Effective scenario analyses should combine these elements to offer a more accurate and useful tool for assessing climate-related risks. We also refer to our previous response to the public consultation on climate scenario analysis: https://www.finance-watch.org/policy-portal/sustainable-finance/iais-work-on-climate-scenario-analysis-needs-a-reality-check-consultation-response/.

Public Citizen	United States	While certain types of scenario analysis could prove to be useful with further development, current limitations due to both data gaps and misalignment of models with climate science significantly limit the decision-making value of scenario analysis. Supervisors should not assume that the use of scenario analysis alone will be sufficient to ensure proper assessment and management of risks in investment portfolios. We strongly recommend IAIS caveat this language to reflect such current limitations.
E3G	USA	We support the addition of this text, particularly the language that highlights that scenario analysis “could” be useful in managing such risks. Scenario analysis is an important, but not monolithic, approach to managing climate risks. See NGFS here. This is particularly due to the wide, and often significant, nature of current data gaps. The text should be expanded to reflect that in light of these gaps, both insurers and supervisors could be expected to take a precautionary approach to climate risk management.

MSCI ESG Research LLC	United States of America	There are a range of models currently available in the market to assist insurers in their capacity as asset owner with forward-looking scenario analysis. These data and methodologies can also be applied to insurance liabilities for certain lines of business. For example, the MSCI Climate Value-At-Risk (Climate VaR, https://www.msci.com/our-solutions/climate-investing/climate-and-net-zero-solutions/scenario-analysis) model provides forward looking and return-based valuation assessments to measure the potential impact of climate change on company valuations for a range of climate scenarios and over various short-, medium, and long-term time horizons, which can also be used for real estate investments and risk monitoring for a P&C (Property and Casualty) portfolio. The tool provides insights into the potential climate-stressed market valuation of assets due to transition and physical risk impacts. The MSCI Climate VaR model has three main underlying components which can be used separately or in aggregate: 1. Policy risk: This component aggregates future policy costs based on an end of the century time horizon. By overlaying climate policy outlooks and future emission reduction price estimates onto company data, the model provides insights into how current and forthcoming climate policies could affect companies. 2. Technology opportunities: This component is based on company-specific data on the patents each company holds related to low-carbon technologies, providing insights into how companies' strategic investments could affect their future competitive positioning in a low carbon economy. 3. Physical risks: This component estimates the impact and financial risk relating to several extreme weather hazards, such as extreme heat, drought, flood, storm and wildfire risks. An extensive asset location database comprising of over 70,000 entities and 1,000,000 company assets has been overlaid with hazards maps. Based on sector-based vulnerabilities, each location's climate-related revenue loss for twelve extreme weather hazards and 11 scenarios (based on NGFS and IPCC) is computed with the help of damage and business interruption functions. In addition, as of March 2024, MSCI's hazard exposure database offers comprehensive physical risk scoring for the one million asset locations in the database. A wide range of risks are assessed, which are applicable to both corporate and real estate assets. Key metrics include: - Acute hazard exposures per return period (e.g. 100 and 200-years). - Exceedance days for assessing chronic hazards. - Hazard percentile scores per peril, facilitating easy benchmarking. - Regional physical hazard metrics at state, city-level and zip code. MSCI notes that using different models and scenarios leads to results that are not easily comparable. While this gives insurers some flexibility for self-examination, it is important for the market to be able to effectively compare the results of a

		prescribed scenario analysis on various insurers. In order to achieve this objective, the insurance supervisors may consider providing insurers with a minimum set of specific climate scenarios to consider and align with the most up to date internationally accepted scenarios. We furthermore suggest that the IAIS provide examples of acceptable Representative Concentration Pathways (RCPs), Integrated Assessment Models (IAMs) and/or Shared Socioeconomic Pathways (SSPs) that insurers should utilize during scenario analysis. Further, it would be helpful to prescribe the precise time horizons that the scenario analysis should cover. The NGFS has delivered several examples of acceptable climate scenario modeling characteristics. The most recent set of climate scenarios was published on July 11, 2023: "NGFS Climate Scenarios for central banks and supervisors – Phase IV (https://www.ngfs.net/en/ngfs-climate-scenarios-phase-iv-november-2023)". Characteristics of NGFS scenarios were used in the recent special Global Insurance Market Report by the IAIS on climate implications for insurers.

American Academy of Actuaries	United States of America	We believe that climate scenario analysis is not yet proven to be sufficiently useful for risk management (i.e., it should be combined with other tools as well), and therefore emphasis on climate scenario analysis in the ICPs may be premature. Further, the scenario analysis as described in this section seems more limited to identifying or estimating risks where there are information gaps, rather than managing those risks. If included as an example in this guidance, the limitations of climate scenario analysis ought to be noted.
Comments on proposed changes to ICP guidance 15.4.2		
Groundsure	Environmental Consultancy	n/a
National Association of Insurance Commissioners (NAIC)	National Association of Insurance Commissioners (NAIC)	Suggest adding the “prioritizes” to help supervisors better understand the criteria insurers are utilizing to prioritize their risks. The supervisor should assess how the insurer identifies, analyses, prioritizes, monitors, manages, controls, and reports risks arising from its investments. This assessment includes how the insurer considers varying time horizons (short, medium and long-term).
General Insurance Association of Japan	Japan	As for each of the "varying time horizons (short, medium and long-term)", what time span is assumed? If this differs from company to company, the assessment of each insurer may differ.
American Property Casualty Insurance Association	United States	For non-life insurers, it is unnecessary and likely unwise for supervisors to suggest that non-life insurers should consider long-term time horizons given that the policies issued by non-life insurers generally only cover periods of time from 6 months up to one year. The duration of non-life insurers’ investment portfolios reflects the shorter duration of non-life insurance coverage periods.

Institute of International Finance	USA	Insurers should have the flexibility to define appropriate time frames for the assessment of climate-related financial risks, including through climate scenario analysis (15.4.2). The definition of short-, medium- and long-term time frames can vary depending on an insurer's business model and risk profile. However, any reference to time frames for capital and solvency assessments should explicitly reflect a short-term (e.g. one-year) time frame.
Ceres	United States	Ceres applauds the addition of the proposed language which emphasizes the importance of insurers thoroughly understanding and assessing the risks associated with their investments before making investment decisions. Insurers should take a comprehensive approach to evaluating potential investments, considering not only the expected returns but also the full range of risks involved. This includes assessing the maximum possible loss under different scenarios, such as situations where assets like derivatives could become liabilities for the insurer. The proposal points out that insurers should consider risks arising from their investments across varying time horizons, including the short, medium, and long term. This is particularly important for risks like climate change, which are likely to manifest and intensify over extended timeframes, with potentially significant implications for asset values and insurers' financial resilience. It is also critical that supervisors assess the comprehensiveness of insurers' processes for identifying, analyzing, monitoring, managing, controlling, and reporting investment risks. This supervisory review should cover the insurers' overall approach to investment risk management, as well as the specific tools, methodologies, and data sources used.
Natural Resources Defense Council	United States	NO COMMENT

EDHECinfra & Private Assets	Singapore	Agree. In addition, we suggest 15.2.3 to make explicit that the time horizons should cover at least until 2050 to remain aligned with the IPCC net zero CO2 by 2050 recommendation to remain consistent with 1.5C. Suggested time horizons include 2030, 2040, and 2050. For example, EDHECinfra & Private Assets' research identified 4 climate risk metrics Late Alignment risk (i.e., joint impact of transition and physical risks if climate policies are implemented late on Net Asset Value –NAV), No Alignment risk (i.e., impact of physical risks if no actions are taken to mitigate climate change on NAV), Extreme Transition risk (i.e., the transition risks coming from increases in the cost of carbon, which can be very significant in some scenarios on NAV), and Extreme Physical risk (i.e., potential NAV losses due to physical damages in a world where no climate policies are implemented), using the infra300 index. These metrics are periodically updated and can be used by investors to monitor, manage, and report financial climate risks across several climate horizons. Once developed these 4 metrics, EDHECinfra & Private Assets shows that even a delayed implementation of climate policies is a far better option than not implementing them at all. If no actions are taken to mitigate climate risks by 2050, the potential losses due to physical risks will be about 10 times higher than the transition risks incurred with the late implementation of climate policies. Moreover, the total potential losses (physical + transition risks) associated with a late transition are projected to be, by 2050, more than six times smaller than the total potential losses of not transitioning at all. For more details see (see https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4779788)
Finance Watch	European Union	The requirement for insurers to consider varying time horizons—short, medium, and long-term—in their risk assessments is a crucial step forward in comprehensive risk management. Incorporating different time horizons allows for a more nuanced understanding of how risks can evolve over time. This is particularly important for climate-related risks, which are characterised by their non-linear and unpredictable nature. The guidance would additionally benefit from the common definition of a long-term horizon, which should orient itself at the global climate goals and commitments, i.e. the year 2050.

Public Citizen	United States	We recommend language stating that a supervisor's assessment of an insurer's approach to climate risk in its investment activities should include an assessment of the extent to which the insurer assumed a precautionary approach to these activities. We support attention to various time horizons, particularly to longer horizons that are not typically considered by insurers.
E3G	USA	Section 15.5 should be amended to explicitly provide supervisors with the authority to establish quantitative and qualitative requirements to "…the use of assets subject to emerging forward-looking as climate related financial risks, where data gaps limit the ability to conduct risk assessments, including data gaps resulting from the absence of forward looking information…"
MSCI ESG Research LLC	United States of America	Agree. The Global Climate Risk Index (https://www.germanwatch.org/en/19777) has shown that The Caribbean (e.g., Puerto Rico, Bahamas, Haiti), South-East Asia (e.g., Myanmar, Philippines, Thailand) and South Asia (e.g., Bangladesh, Pakistan) suffered some of the worst losses from extreme weather relative to their GDP in the past 20 years. Forward-looking analysis could enable additional insights. MSCI's Climate VaR model is designed to provide scenario-based forward-looking and return-based valuation assessments at the issuer level to measure climate related risks including physical risks from chronic and acute hazards such as drought, flooding and wildfires. Insurers underwriting companies with a higher Climate VaR are more likely to face future disruptions caused by climate change.
General comments on the proposed changes to reflect climate risk in ICP 16 (Enterprise Risk Management for Solvency Purposes) guidance material		
Groundsure	Environmental Consultancy	n/a

The Geneva Association	International	The following comment pertains to ICP guidance 16.1.9: • The proposed change to 16.1.9 adds climate-related risk to “other risks” within the scope of risk identification (i.e. the insurer’s ERM risk taxonomy). This, however, is at odds with the notion that climate-related risk influences existing risk categories. Furthermore, climate risk is already accounted for through the other risks mentioned (insurance risk, market risk, credit risk). This paragraph is a manifestation of our earlier point in which we highlight that the IAIS is elevating climate risks above other, potentially more dominant risk drivers. In addition, the proposed change conflates specific forms of operational risk with emerging risks, which are described in 16.1.11. Therefore, the proposed change to 16.1.11 should be sufficient to capture climate-related risk, and we ask that the proposed change to 16.1.9 be removed. The following comment pertains to ICP guidance 16.2.10: • The proposed change to 16.2.10 suggests scenario analysis as a tool to assess “to what extent the insurer is at risk and whether the insurer is able to absorb possible shocks.” However this suggestion appears to be at odds with the IAIS’s caution about using scenario analysis given “the high degree of tracking error, use of subjective assumptions, numerous variable, varying time horizons, range of possible outcomes associated with each scenario and overall uncertainty of scenarios (paragraph 32d).” Draft Application Paper on climate scenario analysis in the insurance sector (iaisweb.org) This proposed change should be eliminated. • Should the IAIS decide not to remove this addition, we suggest replacing “approach to measure” with “approach to assess” as not everything is quantifiable and the value of qualitative assessments should not be underestimated.
Ekō	Global	- We welcome the emphasis on double materiality for investments - We specifically encourage the inclusion of transition plans as a risk management tool - We encourage the inclusion of double materiality considerations for underwriting decisions as well.

Ceres	United States	Ceres welcomes the proposed changes to ICP 16 to better integrate climate risk considerations into insurers' enterprise risk management (ERM) frameworks. As the physical and transition risks from climate change increasingly threaten the stability and solvency of the insurance sector, it is critical that supervisors set clear expectations for how these risks should be identified, assessed, monitored, and managed. The explicit addition of climate risk to the list of key risk categories that insurers should cover in their risk identification and analysis (16.1.9) sends an important signal about the materiality and potential impact of this risk. It rightly places climate risk alongside traditional insurance risks like market, credit, liquidity, and operational risks that are at the core of insurers' ERM frameworks. We also support the emphasis on assessing emerging and evolving risk drivers related to climate change (16.1.11) and considering the impact of future changes in external conditions (16.12.9). Given the dynamic and uncertain nature of climate risks, insurers will need to take a forward-looking and exploratory approach to understand how these risks could threaten their business models and financial resilience over different time horizons. The proposed changes recognize the challenges in quantifying and modeling climate risks, given their complex, non-linear, and long-term characteristics (16.2.10, 16.2.16). The endorsement of scenario analysis as a key tool to assess climate risks in a forward-looking manner and explore potential balance sheet vulnerabilities is well-placed. We believe scenario analysis should be a core component of insurers' climate risk assessment and stress testing practices. Other welcome additions include the consideration of climate risk in insurers' investment strategies (16.6.6), the assessment of climate risks in the Own Risk and Solvency Assessment (ORSA) process (16.12, 16.13), and the role of supervisors in reviewing insurers' ERM frameworks and requiring strengthening where needed (16.16).

International Actuarial Association (IAA)	International	In Solvency II the term “sustainability risks” is used whereas in this ICP the term “climate-related risks” is used. The IAA prefers “sustainability risks” because of the broader scope. A good definition of emerging risks is often missing, and as emerging risk management becomes more and more important given the increasing speed of development. The IAA suggests that a definition needs to be added in the IAIS Glossary on emerging risks. . The IAA believes that the ICPs need more clarity with regard to this term. In the recent changes to the delegated acts under Solvency II, Article 269 has been amended into ”identifying and assessing emerging risks and sustainability risks”, suggesting that sustainability risks, including climate-related risk can always be separated from emerging risks. The IAA does believe that most sustainability risks have already been transferred to the traditional risk types and some sustainability risks still can have an emerging nature. Article 16.1.9 of this ICP speaks of climate-related risk and other emerging risks suggesting that climate-related risks are always emerging in nature, which is not necessarily the case.
The Life Insurance Association of Japan	Japan	-The LIAJ understands that the IAIS focuses on climate risk throughout the guidance (e.g. changes to ICP guidance 16.2.10) in the context of emphasizing climate risks in its strategic plan. Having said that, given that insurers already recognise and manage various risks including climate-related risks in its ERM for solvency purposes, the LIAJ believes that in some cases over-emphasizing climate risk in ICP guidance may not be appropriate, and instead may be more suitable to be included for example, in the Application Paper on the supervision of climate-related risks. -We would also like to call attention to the statement in this section “scenario analysis may be considered as an approach to measure, in a forward-looking manner, to what extent the insurer is at risk and whether the insurer is able to absorb possible shocks”. We understand that this section is written in the context of insurers absorbing climate-related risks and shocks measured through scenario analysis. On this point, we would like to mention that, at first, insurers are considered to take measures to mitigate climate-related risks and shocks before absorbing them, since it is generally presumed that climate-related risks and shocks measured through scenario analysis emerge over extremely long time horizons such as decades. As so, citing absorption as the sole example of measures against risks and shocks could be misleading, and the LIAJ would suggest removing this portion. Should IAIS continue to make a revision, the LIAJ would suggest replacing the word “absorb” with “manage”.

FWD Group	Hong Kong	Please refer to our comments under “General comments on the proposed changes to reflect climate risk in ICP 15 (Investments) guidance material”. Regarding the proposed changes to ICP16.2 where a supervisor would require an insurer’s ERM framework to quantify risk and risk interdependencies and as necessary, include the performance of stress testing to assess the resilience of its total balance sheet against macroeconomic stresses over short, medium and long term time horizons, we see limited value from a cost-benefit perspective of assessing impact on balance sheet beyond the business planning period based on a trial stress testing. We would propose allowing more qualitative impact assessment beyond the business planning period. Alternatively, it could be helpful to bring certain climate-related shocks forward in order to understand whether there is significant balance sheet impact.

Natural Resources Defense Council	United States	We support the explicit enumeration of climate risk in ICP 16's discussion of required ERM frameworks, including the potential for climate risk to amplify other risks. In particular, we support the addition of language in ICP 16.2.10 on the use of forward-looking climate scenarios to measure potential climate risks. Stress tests and climate scenario analysis act as crucial tools for insurance companies to protect their financial standing and business operations in the face of increasing climate risks. Both are proactive measures that help insurance companies understand and manage risk, protecting their financial stability and allowing them to continue providing essential services to their customers. While both stress tests and climate scenario analysis are future-oriented tools for risk management and information gathering, the range of tools that these terms describe may differ in key respects. Below we describe how we use these terms: • Source of Stress: Stress tests typically focus on short-term economic shocks like market crashes or interest rate hikes. Climate scenario analysis, on the other hand, can consider long-term effects of climate change, including extreme weather events, rising sea levels, and policy shifts towards a low-carbon economy. • Scenario Design: Stress tests often use pre-defined, severe but plausible scenarios. Climate scenario analysis can incorporate a wider range of possibilities, including some that may be less likely but potentially have greater impact. This allows for a more nuanced understanding of potential risks. • Focus: Stress tests primarily assess a company's financial resilience. Climate scenario analysis delves deeper, examining not only financial risk but also operational disruptions and potential changes in insurability of certain assets due to climate impacts. • Outcome: Stress tests aim to determine a company's ability to withstand a specific negative event. Climate scenario analysis generally refers to a process that is more exploratory, helping companies identify potential weaknesses and opportunities arising from climate change. Thus, each of these tools has an important role in helping insurers assess climate risk where historic data is unreliable. By using both stress testing and climate scenario analysis, insurance companies gain a powerful tool for long-term strategic planning. Stress testing exposes vulnerabilities to acute events, while climate scenarios paint a picture of how future weather patterns, environmental changes, and regulatory policy changes might impact the business from a longer-term perspective. This comprehensive approach allows insurers to not only ensure they have the financial reserves to weather

		economic storms, but also to adapt their product offerings, risk pricing, and reinsurance strategies to a changing climate. This proactive approach strengthens their long-term resilience and ensures they remain solvent and when facing economic and environmental uncertainty.

EDHECinfra & Private Assets	Singapore	Agree. This requirement automatically brings the risk assessment of climate change effects on both asset and liability sides. Further, the supervisor may consider listing down the additional risks that do not fall into the traditional risk categories to guide insurers' risk management practice under these proposed changes. For example, 1) physical risk due to the loss by climate events, 2) transition risk due to the potential introduction of carbon taxes, 3) the risk of the entire economy slowing down due to climate change, 4) the risk of increasing insurance claims due to the climate change, etc. EDHECinfra & Private Assets is about to release PRR and ERR climate risk ratings. The approach and underlying risk indices can be used in the ERM framework. A Potential Risk Rating (PRR) to rate companies according to their exposure to physical and transition risks today. This rating focuses on the current risk exposure of the companies. It incorporates measures of policy risk (carbon emissions), reputation risk (scope 3 emissions and social attention to climate change) and physical risk (the most impactful climate-induced physical hazards), as well as resilience and decarbonization measures already implemented. EDHECinfra & Private Assets The rating, to be released in Q420204, shows that about 30% of the investable infrastructure unlisted companies are heavily exposed to transition and physical risks. The distribution of physical damage is fat tailed, meaning that the bottom 30% of the companies will suffer much more than the top 30%. The Effective risk rating (ERR), takes into account the forward-looking financial risks to which companies are exposed. It is based not on the exposure profile of companies to physical and transition risks, but on their potential financial losses that comes as a result of climate risks. It is based on EDHECinfra's extreme climate risk metrics, which measure the potential losses in Net Asset Value due to transition and physical risks at the horizon 2050.

Finance Watch	European Union	Finance Watch commends the IAIS for the proposed changes to reflect climate risk within the ICP 16 guidance material. These updates are a positive step forward in ensuring that insurers are adequately prepared to manage the complex and evolving risks associated with climate change. In particular, Finance Watch welcomes the following proposed additions: integration of forward-looking scenario analysis for complex, long-term, and non-linear climate-related risks, the acknowledgment of longer-term time horizons, even within the maturity profile of investment portfolios, and the emphasis on double materiality (i.e. assessing both the impact of climate-related risks on investments and the impact of investments on the climate). The holistic consideration into the risk management, including the step of solvency assessment, is essential to keep the prudential rules coherent. In the absence of commonly recognised and agreed upon methodologies to assess/measure climate-related risks and many uncertainties associated with risk materialisation, defining appropriate risk management measures to ensure solvency of insurance undertakings is likely to be an iterative learning process. To render the prudential rules and supervision credible and consistent across jurisdictions, it is important that there is a shared view on the most useful tools and fundamental principles to assess the risk. A fundamental principle for identification and assessment of climate-related financial risk should be the recognition of the fact that investments and activities which contribute to accelerating climate change and are incompatible with the carbon budget of the planet and global climate commitments, should be recognised as being a source of risk. Under any climate scenario, such assets are subject to either high risk of stranding (transition risk) or to a very high physical risk of climate-related disruption (physical risk). Regarding the tools to manage climate-related risk, transition plans present themselves as a pragmatic solution for a tool to assess and mitigate transition-related risks over time. The supervisory community has recognised the prudential value of transition planning, as evidenced by the work and publications of the NGFS. In the EU, “prudential” transition plans have been included in the prudential rulebook - the revised Solvency II Directive. We further refer to Finance Watch’s response to the IAIS consultation from May 2023: https://www.finance-watch.org/policy-portal/sustainable-finance/consultation-response-iais-public-consultation-on-climate-risk-supervisory-guidance/ Furthermore, regarding section 16.7 on underwriting, it is important to emphasise that insurers should consider the potential effects of their underwriting portfolios on climate, similar to the considerations for investments. Just as insurers are guided to assess the impact of material climate-related risks on their investments and the broader climate, this principle should extend to their underwriting activities. The proposed changes to section 16.6.6, which addresses the integration of long-term time horizons and the impact of investments on climate, serves as an excellent model for a similar, and equally important, change to section 16.7, for example as an addition to 16.7.4. Such an addition would ensure that insurers keep in mind the potential long-term financial impacts of their underwriting activities on climate change. Although the effects of

		underwriting on climate may not immediately translate into relevant risks on the entity level, they can have significant long-term climate implications that will reflect on insurer's investments and the overall financial and operational stability.

Public Citizen	United States	We strongly support the proposed language highlighting climate-related risks in supervisors' assessment of insurance company enterprise risk management frameworks. Climate change poses threats to insurance company solvency and financial stability writ large. Attention must be paid not only to the risks insurers face due to the climate crisis and the ways they contribute to climate change. In addition to the material on their investments, material should be added to address their underwriting activities. Despite the risks climate change poses to the business models of insurance firms, insurers continue to underwrite projects and activities that make the climate crisis worse. Insure Our Future estimates that the insurance industry collected upward of $20 billion in premiums from fossil fuel companies in 2022 (1). As Public Citizen's research on the underwriting of US coal mines demonstrates, the insurance companies enabling fossil fuel expansion are sometimes the same companies raising rates or withdrawing coverage from homeowners (2). Beyond the impacts on their own solvency, insurance company underwriting of fossil fuel projects introduces risk into the financial system that other institutions and the financial system as a whole is forced to bear. Proposed additions to the guidance and supporting materials should emphasize the impact of underwriting of fossil fuel projects on the climate crisis and risk to the financial system. Just as the proposed addition to section 15 of the guidance acknowledges that "investment decisions, especially at a large scale, could in turn also negatively impact climate change," this guidance should acknowledge that firms' underwriting activities can also negatively impact climate change. Enterprise Risk Management should address all reasonably foreseeable and relevant material risks, but it also should address relevant uncertainties. These uncertainties should be managed in most, if not all, cases with a precautionary approach. In addition to the risk management tools discussed in this section, IAIS should recommend supervisors use transition planning as a tool to ensure the long-term stability and solvency of insurers. IAIS should provide best practices for transition plans that facilitate their use as a forward-looking tool for supervisors to assess the stability of individual insurers and insurance markets. 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. (1) Insure Our Future, "Insurers withdraw cover for climate risks while backing increased fossil fuel production, industry must act to support 1.5°C climate target after 50 years of failure," (2023) https://global.insure-our-future.com/scorecard-2023/ (2) Public Citizen and Insure Our Future, "Covering Coal: The Top Insurers of U.S. Coal Mining," (2023) https://www.citizen.org/article/covering-coal/ We strongly support the proposed language that explicitly includes climate-related risk as a consideration in the enterprise risk management framework. Insurers should consider how climate change can impact traditional risk categories, such as

		market risk, credit risk, and liquidity risk, among others. However, it should also acknowledge that existing tools may be insufficient to measure the full impact of climate related risks through these channels. In section 16.1.9, insurers and supervisors should consider the ways climate-related risks are unique. The proposed additions to the guidance should make explicit mention of the novel features of climate risk including its non-linearity, its permanence, and the reality of climate tipping points– or critical thresholds that, once crossed, can create catastrophic impacts at a planetary scale, and in turn insurers' business models. The novel features and potential magnitude of climate risk require novel risk management practices. Instead of waiting for climate risks to materialize in traditional risk models, supervisors should incorporate precautionary tools including climate-related capital requirements and transition planning to manage the transition away from fossil fuel assets and projects. In section 16.2.10, we support proposed language acknowledging the benefit of climate scenario analysis on assessing firm-level risk. However, early exercises conducted by supervisors are characterized by severe limitations that undercut their value for decision-making. These include insufficient sectoral, temporal, and spatial data to complete the exercise adequately, overly simplistic models, and a misalignment between scenarios and climate science. To improve the decision-usefulness of scenario analysis, we strongly encourage further work to improve the alignment of climate scenario analysis with climate science and a strong focus on granular, bottom-up data collection to inform the models. While improving models and data is crucial to create decision-useful interventions to mitigate climate risk, relying solely on scenario analysis is likely to postpone necessary regulatory actions at a time when urgent action is needed. As models continue to develop, supervisors should use tools to mitigate risks that remain difficult to measure, such as transition planning and limits on fossil fuel underwriting and investment. A precautionary approach necessitates immediate and decisive actions to mitigate the escalating risks of climate change with available data, rather than delaying action due to incomplete information and imperfect models.

E3G	USA	We support the inclusion of climate related risks as into supervisors' assessment of insurance company enterprise risk management frameworks. We also suggest that 16.1.11 be amended to reflect that changes in the magnitude of emerging risks be taken into account, as well as changes to the sources of risks, so as to read as follows: "Particular consideration should be given to whether there are any new emerging risks or changes to sources, and magnitude of existing risks (for example climate related risks or geopolitical trends)." In addition to the risk management tools discussed in this section, IAIS should recommend supervisors use transition planning as a tool to ensure the long-term stability and solvency of insurers. See earlier comments regarding transition plans. IAIS should provide best practices for transition plans that facilitate their use as a forward-looking tool for supervisors to assess the stability of individual insurers and insurance markets. These practices should be grounded in the frameworks provided by the U.K.'s Transition Plan Taskforce. One examples includes 16.12.9, insurer consider implementation of their climate transition plans as part of their ORSA.
MSCI ESG Research LLC	United States of America	Agree.

American Academy of Actuaries	United States of America	The response template does not provide a specific opportunity to respond to the proposed change to 16.1.9, which adds climate-related risk to "other risks" within the scope of risk identification (i.e. the insurer's Enterprise Risk Management (ERM) risk taxonomy). This, however, conflicts with what we believe is a widely understood principle that climate-related risk influences existing risk categories and is not a distinct risk category. The response template does not provide a specific opportunity to respond to the proposed change to 16.2.10, which suggests scenario analysis as a tool to assess "to what extent the insurer is at risk and whether the insurer is able to absorb possible shocks." We believe that climate scenario analysis is, at present, insufficiently mature to serve as a significant tool for risk assessment and risk management purposes and may not be the most appropriate example of scenario analysis to include in this section.
Comments on proposed changes to ICP guidance 16.1.1		
Groundsure	Environmental Consultancy	n/a
American Property Casualty Insurance Association	United States	In paragraph 16.1.9, the insertion of climate risk in the sentence that begins with "Other risks" presupposes that climate risk is more significant than other previously identified risks. Undue focus on climate risk could cause a loss of focus on other significant risks. We suggest including climate risk as an example of "other emerging risks" at the end of the sentence. In paragraph 16.1.11, the proposed changes presuppose that climate risk is more significant than other more material risks. Undue focus on climate risk could cause a loss of focus on other significant risks (such as inflation and interest rate risk).
Ceres	United States	We support the proposed change to section 16.1.1, which explicitly includes climate risk in the list of risks that should be covered in insurers' risk identification and analysis of risk interdependencies. The addition of climate risk is a critical acknowledgement of the growing materiality and growing impact of this risk on the insurance sector. Climate change is already having significant physical and transition impacts on insurers, and these are expected to intensify over time. By specifically calling out climate risk alongside other key risk categories like insurance, market, credit, and operational risks, the IAIS is sending a clear signal that insurers need to treat this is a core risk that requires fully integrated identification, assessment, and management.

International Actuarial Association (IAA)	International	Comments on proposed changes to ICP guidance 16.1.9 The proposed wording implies that all the risks in the last sentence of this section are “emerging risks”. This is not always the case, as legal risks for certain products would not be considered “emerging”, nor would “group risk” in many contexts be considered “emerging”. Recommend deleting the words after “group risk”.
Natural Resources Defense Council	United States	NO COMMENT
EDHECinfra & Private Assets	Singapore	No comments
E3G	USA	Insurers and supervisors should consider the ways climate related risks are unique. This guidance should make explicit mention of the novel features of climate risk including its non-linearity, its permanence, and the reality of climate tipping points– or critical thresholds that, once crossed, can create catastrophic impacts for the planet and in turn insurers’ business models. Supervisors should incorporate forward-looking tools including climate-related transition planning.
Comments on proposed changes to ICP guidance 16.1.3		
Groundsure	Environmental Consultancy	n/a

Ceres	United States	Ceres applauds the emphasis in this section on assessing emerging and evolving external risk factors, with climate risk and geopolitical trends cited as key examples. Given the dynamic and unpredictable nature of climate change, it is crucial that insurers take a forward-looking and proactive approach to identifying and assessing how climate risks could crystalize and threaten their business models over different time horizons. This requires going beyond traditional backward-looking risk analysis based on historical data to explore plausible future scenarios and their implications. We suggest encouraging insurers to adopt a holistic and integrated approach to climate risk identification and assessment, considering the interdependencies and correlations with other risk categories. Climate risk should not be siloed but embedded across the ERM framework. Engaging with internal and external stakeholders, including policyholders, investors, and civil societies, can also help insurers anticipate and respond to emerging climate risk trends and expectations.
International Actuarial Association (IAA)	International	Comments on proposed changes to ICP guidance 16.1.11 The IAA suggests including: In its strategic ERM approach, the insurer should take into account risks that relate to remaining a “going concern" over a longer period of time than the time horizon of their detailed business plan and consider risks (such as climate related risks) that may have a serious impact of its market presence in relation to its strategically covered lines of business.
Natural Resources Defense Council	United States	NO COMMENT
EDHECinfra & Private Assets	Singapore	No comments
Comments on proposed changes to ICP guidance 16.1.6		
Groundsure	Environmental Consultancy	n/a

Ceres	United States	Ceres supports the recognition in this section that climate risk is not just an isolated environmental issue, but one that can have cascading impacts on insurers' financial condition and reputation. The proposed language rightly highlights that climate change can manifest through increased claims due to more frequent and severe natural catastrophes, as well as potential downgrades and asset stranding due to the low-carbon transition. These impacts can lead to serious liquidity issues and threaten insurers' solvency if not properly managed.
International Actuarial Association (IAA)	International	Comments on proposed changes to ICP guidance 16.1.14 The IAA suggests amending the first sentence to: "Sources of risks may include natural or other catastrophes, downgrades from rating agencies or other events that may have an adverse impact on the insurer's financial condition and reputation such as deteriorating conditions due to crystallizing chronic climate risks."
Insurance Europe	Europe	The proposed change to 16.1.9 adds climate-related risk to "other risks" within the scope of risk identification. This, however, is in conflict with the notion that climate-related risk influences existing risk categories.
Natural Resources Defense Council	United States	NO COMMENT
Global Federation of Insurance Associations (GFIA)	Global	The proposed change to 16.1.9 adds climate-related risk to "other risks" within the scope of risk identification (i.e. the insurer's ERM risk taxonomy). This, however, is in conflict with the notion that climate-related risk influences existing risk categories. In addition, the proposed change conflates specific forms of operational risk with emerging risks, which are described in 16.1.11. Therefore, the proposed change to 16.1.11 should be sufficient to capture climate-related risk, and the proposed change to 16.1.9 should be removed. As worded at the end of the sentence, "and other emerging risks" might suggest that legal risk, political risk, reputational risk, strategic risk, and group risk are emerging risks. GFIA would like to highlight that as there may be new aspects emerging from them, these risks are not new. Therefore, the sentence should be reworded. GFIA suggests adding the term, "reasonably foreseeable" to 16.1.11 as this term exists in 16.1 and so should be clearly aligned with the actions contemplated in 16.1.11 to add clarity.

EDHECinfra & Private Assets	Singapore	No comments
Comments on proposed changes to ICP guidance 16.2.2		
Groundsure	Environmental Consultancy	n/a
General Insurance Association of Japan	Japan	（Comments on 16.2.10）While climate-related scenario analysis has great potential to be useful in understanding risks in the insurance sector, it is a relatively new analysis method. Therefore, the methodology and data to be used have not yet been fully established nor developed for insurance supervision purposes, nor used in specific decision making by insurers (e.g., underwriting and investment). In addition, public disclosure of results have not been made. It is necessary to refine the method by exploring exercises among jurisdictional authorities and insurers. What cases are assumed in which "relatively simple calculations may be appropriate"?
American Property Casualty Insurance Association	United States	In paragraph 16.2.10, the proposed changes presuppose that climate risk is more significant than other material risks. Undue focus on climate risk could cause a loss of focus on other significant risks (such as inflation and interest rate risk). We believe the use of scenario analysis for climate-related risks is far too inexact to be useful in most cases for non-life insurers, especially when severe weather events cannot be easily attributable to climate change. The danger of false and misleading precision is high, especially for quantitative results for periods longer than five years.
Ekō	Global	Highlight the need to improve scenario analyses before these can be relied upon for risk management and supervision: Scenario analyses should include realistic assessments of economic impact of climate change, i.e. assessments which rely on climate science. Importantly, losses due to asset stranding should be estimated.

Ceres	United States	We support the proposed addition to this section, which highlights the importance of using scenario analysis to measure complex, long-term, and non-linear risks such as climate change. The insurance sector is increasingly recognizing that traditional risk measurement approaches, which rely heavily on historical data and linear assumptions, may not be sufficient to capture the unique characteristics and potential impacts of climate risk. The physical and transition risks associated with climate change are likely to be highly non-linear, with tipping points and feedback loops that could lead to abrupt and irreversible changes. They are also likely to play out over extended time horizons, beyond the traditional planning and risk management cycles of most insurers. Scenario analysis is emerging as a critical tool for insurers to explore how climate risks could evolve and impact their business models and financial resilience under different plausible futures. By considering a range of potential climate scenarios, such as those related to temperature pathways, policy and technology shifts, and socioeconomic factors, insurers can gain valuable insights into their potential exposures and vulnerabilities. This can inform more integrated and strategic risk management responses.
Natural Resources Defense Council	United States	NO COMMENT

Global Federation of Insurance Associations (GFIA)	Global	The proposed change to 16.2.10 suggests scenario analysis as a tool to assess, “to what extent the insurer is at risk and whether the insurer is able to absorb possible shocks.” For climate risk, supervisors must exercise caution on drawing conclusions on climate scenario analysis for capital management, as they are mostly prospective tools that are future possibilities and not predictions of the future. This has been underlined in the IAIS draft application paper on climate scenario analysis : “The high degree of tracking error, use of subjective assumptions, numerous variables, varying time horizons, range of possible outcomes associated with each scenario and overall uncertainty of scenarios (paragraph 34d).” This proposed change should be eliminated. While climate-related scenario analysis has great potential to be useful in understanding risks in the insurance sector, it is a relatively new analysis method. Therefore, the methodology and data to be used have not yet been fully established and developed toward its introduction into insurance supervision, its use in specific decision making by insurance companies (e.g., underwriting and investment), and public disclosure of its results. Moreover, 16.2.10 refers to using scenario analysis to, “measure, in a forward looking manner to what extend the insurer is at risk and whether the insurer is able to absorb possible shocks.” GFIA believes that the usage of the word "measure" by the IAIS in this section goes too far as it implies a quantification that is not necessarily given. GFIA would suggest replacing it with "assess". Scenario analyses do not measure, but are rather used for evaluation. GFIA suggests the sentence be reworded to, “evaluate, in a forward looking manner to what extent the insurer is potentially at risk and whether the insurer is able to absorb possible shocks without changes in its operations.” GFIA would like the IAIS to refine what cases are assumed in the following wording, "relatively simple calculations may be appropriate".
EDHECinfra & Private Assets	Singapore	No comments

Finance Watch	European Union	We appreciate the recognition of the need for different approaches to measuring risk based on the nature, scale, and complexity of the risk, as well as the availability of reliable data. The integration of forward-looking scenario analysis for complex, long-term, and non-linear risks, such as climate-related risks, is a positive development. However, as mentioned in our response to question 5, scenario analysis should be approached with a realistic assessment of climate change-related economic impacts, including the consideration of adequate time horizons and quantification of the potential for stranded fossil fuel assets within investment portfolios. Effective scenario analyses should combine these elements to offer a more accurate and useful tool for assessing climate-related risks. We again refer to our previous response to the public consultation on climate scenario analysis: https://www.finance-watch.org/policy-portal/sustainable-finance/iais-work-on-climate-scenario-analysis-needs-a-reality-check-consultation-response/.
E3G	USA	16.2. 10We support this proposed change, and the acknowledgement that scenario analysis may be considered in risk assessment. As noted above…further work is needed to improve the alignment of climate scenario analysis with climate science, and, as noted above, relying solely on scenario analysis is likely to postpone necessary regulatory actions. As models continue to develop, supervisors may need to deploy tools to mitigate risks that remain difficult to measure.
Comments on proposed changes to ICP guidance 16.2.16		
Groundsure	Environmental Consultancy	n/a
General Insurance Association of Japan	Japan	We agree that, in the context of climate-related risks, qualitative assessments should also be used when risks cannot be easily quantified.

American Property Casualty Insurance Association	United States	The proposed changes presuppose that climate risk is more significant than other material risks. Undue focus on climate risk could cause a loss of focus on other significant risks (such as inflation and interest rate risk). The proposed language acknowledges that climate risk may not be quantifiable, yet the proposed language in 16.2.10 advocates the use of scenario to measure climate risk. This inconsistency should be corrected by deleting any reference to scenario analysis for measuring climate risk.
Ceres	United States	Ceres supports the proposed changes to section 16.2.16, which emphasize the need for insurers to make qualitative assessments of risk that are not readily quantifiable, such as climate-related and reputational risks, and to consider how these risks may amplify other risks. Climate change poses a unique challenge for risk quantification and modeling in the insurance sector. Many of the physical, transition, and liability risks associated with climate change are difficult to measure using traditional actuarial and statistical techniques, which rely heavily on historical data and assumptions of stability and linearity. Climate risks are characterized by deep uncertainty, tipping points, and potentially catastrophic outcomes that may not be captured by existing models. In addition, here is a report Ceres prepared a few years on the physical risks of the U.S. largest banks. This highlights the Depth and scope of the problem: https://www.ceres.org/resources/reports/consequences-physical-climate-risk-banks In this context, qualitative assessments and expert judgment play a crucial role in helping insurers identify, assess and manage climate-related risks. By considering factors such as the potential for abrupt changes in policy, technology, and consumer behavior, the cascading impacts of physical climate hazards, and the reputational and legal risks of being perceived as contributing or exacerbating climate change, insurers can develop a more strategic view of their risk exposures. The IAIS rightly points out that qualitative assessments of climate risk should be appropriately detailed and integrated into insurers' overall risk management frameworks. This includes analyzing the effectiveness of existing controls and considering the potential for high-impact events that could threaten operational resilience and financial stability. Qualitative assessments should not be seen as a substitute for quantitative analysis, but rather as a complementary approach that can help inform and validate model assumptions and outputs.

Natural Resources Defense Council	United States	NO COMMENT
Global Federation of Insurance Associations (GFIA)	Global	GFIA agrees that in the context of climate-related risks, qualitative assessments should also be used when risks cannot be easily quantified.
EDHECinfra & Private Assets	Singapore	No comments
Public Citizen	United States	We strongly support this addition.
E3G	USA	We support these proposed amendments.
MSCI ESG Research LLC	United States of America	Agree.
Comments on proposed changes to ICP guidance 16.2.19		
Groundsure	Environmental Consultancy	n/a

General Insurance Association of Japan	Japan	As for each of the "varying time horizons (short, medium and long-term)", what time span is assumed? If this differs from company to company, the assessment of each insurer may differ. In addition, it is very difficult to determine the frequency of assessing the impact of changes in climate-related risks. We recognize that this is a matter for each company to determine.
American Property Casualty Insurance Association	United States	Non-life insurers should not be required to perform scenario analysis with regard to climate risk, especially for medium and long-term time horizons given that the policies issued by non-life insurers generally only cover periods of time from 6 months up to one year. Mandatory scenario analysis for these time horizons presents the risk of relying on analysis that imply false and misleading precision.
Institute of International Finance	USA	ICP 16.2: The guidance under this ICP in 16.2.19 refers to the use of scenario analysis to investigate the impact of climate-related risk changes over varying time horizons, including long-term horizons. Consistent with our prior comments on climate risk scenario analysis in the insurance sector, we caution against overly optimistic expectations regarding the reliability of climate scenario analysis over longer time horizons to inform firms' strategies, particularly for shorter-tail lines of business. We encourage the IAIS to consult with industry, climate scientists and modeling experts in order to better understand the current state of the art and limitations of climate scenario analysis, and to understand the limitations and uncertainties that arise in modeling over longer time horizons. As discussed in the IIF's Insurance Climate Scenario Analysis Report , most insurers report that they are only able to confidently model physical and transition risks over relatively short timeframes due to modeling and data challenges, as well as uncertainties regarding the future path of governmental and regulatory climate policies in various jurisdictions. Second-order effects of climate change, such as socio-economic impacts or the future direction of adaptation and mitigation efforts are also subject to substantial uncertainty. These uncertainties, as well as the necessary reliance on estimates and proxies, decrease the precision of climate modeling and call for a careful approach to interpreting the results of scenario analysis exercises that incorporate more qualitative insights.

Ceres	United States	Ceres strongly supports the proposed changes to section 16.2.19, which highlight the important role of stress testing and scenario analysis in helping insurers validate and understand the limitations of their risk models, particularly with respect to climate-related risks. As emphasized in our comments for section 16.2.10, traditional risk modeling approaches that rely on historical data and assumptions of linearity and stability may not be well-suited to capturing the complex, non-linear, and long-term nature of climate risks. Stress testing and scenario analysis provide a complementary set of tools that can help insurers explore the potential impacts of climate change on their business models and risk profiles under different plausible futures. By subjecting their models to a range of stress scenarios, such as those related to physical climate hazards, policy and technology shifts, and changes in consumer behavior, insurers can identify potential weaknesses and blind spots in their risk management frameworks. This can help them refine their models, update their assumptions, and develop more robust and resilient strategies for managing climate-related risks. The IAIS correctly emphasizes that stress testing and scenario analysis can be particularly valuable for investigating the impact of climate-related risks over different time horizons, from the short to the long term. This is critical given the extended timescales over which many climate risks are likely to manifest, and the potential for abrupt and irreversible changes in the future. By considering a range of time horizons, insurers can develop a more complete and strategic view of their risk exposures and take proactive steps to mitigate and manage them. Ceres encourages the IAIS to provide further guidance and support to help insurers develop and implement best practices in this area, and to use the results of these exercises to inform more proactive and strategic approaches to climate risk management.
Insurance Europe	Europe	• The following is added: “or the impact of climate-related risk changes over varying time horizons (short, medium and long-term).” • Seems to put the emphasis on climate related risks by adding a very specific example only in relation to climate risks, as other risks are not mentioned.
Natural Resources Defense Council	United States	We agree that stress testing and scenario analysis can be a useful complement to existing risk management tools for investigating shifting climate risk over a range of time horizons. Please see also our responses to item 7 on the use of stress testing and scenario analysis, and to item 25 on time horizons.

Global Federation of Insurance Associations (GFIA)	Global	In 16.2.19, it notes, “or the impact of climate-related risk changes over varying time horizons (short, medium and long-term).” It seems to put the emphasis on climate-related risks by adding a very specific example only in relation to climate risks, as other risks are not mentioned. In addition, it is very difficult to determine the frequency of assessing the impact of changes in climate-related risks. GFIA recognises that this is a matter for each company to determine. Mandatory scenario analysis for these time horizons may suggest an unrealistic level of precision, especially considering that the guidance documents only recommend stress testing and scenario analysis as examples for studying the impact of climate-related risk changes over variable time horizons (short, medium and long term). With regard to the use of climate scenario analysis to inform decision making for non-life insurers, one difficulty is that the assessment period needs to align with the effective duration of the underlying insurance liabilities to inform concrete business decisions today. But the impact of climate change is for some parts slow, moving while weather-related exposures can be flexibly managed and steered through limited duration of re/insurance contracts, typically one-year contracts for property insurance, as well as active portfolio steering. For the same reasons, such forward-looking analysis is not adequate to inform prudential requirements, e.g., capital requirements, which are also set for a short time horizon. Non-life insurers want and need to provide financial protection within their capacities and strategies for people and businesses against natural hazards that are foreseeably becoming more severe and frequent. This means that property/casualty insurers in particular consider climate change and assess its consequences for their business model. Although much research has been done on the effects of climate change on natural hazards for many years, data on specific changes in hazards are subject to great uncertainty. This means that, scenario analyses largely correspond to a what-if analysis. Consequently, the assessment of impacts should not be viewed as a probable or expected outcome. In addition, changes in other general conditions may occur apart from the changes in the actual natural hazards. Loss prevention through reformed building laws, climate-smart construction, and climate-adapted infrastructure plays a key role in minimising the damage of climate change. It should also not be ignored that property/casualty insurers have many short-term adjustment options, such as with premiums, the scope of coverage and their underwriting strategy.

EDHECinfra & Private Assets	Singapore	We agree that the stress testing and scenario analysis should be under a validation process. However, we strongly suggest the supervisors provide or indicate a standard set of scenarios (such as based on NGFS, Oxford Economics, etc.). There are two benefits - 1) provide a common ground for both the supervisor and industry when comparing and benchmarking their results, and 2) for those insurers without enough development capabilities, they still can use the standard scenarios in their risk management practice. Additionally, it would be good to explicitly define short-, medium-, and long-term in the supporting material document. We suggest the horizon analysis to go at least until 2050, as mentioned above. Moreover, when quantitative data is not available, insurers should rely on qualitative but systematic frameworks which are more appropriate for stress testing and climate scenario analysis. For example, EDHECinfra & Private Assets is currently developing such framework and database (i.e., infraTech2050) to identify current and future strategies for reducing transition risks and building climate resilience for infrastructure assets. Insurers can use this database to better design their climate scenarios when quantitative data is limited. This project includes the following components: Identify the top technological strategies for: Enabling Decarbonisation Building Physical Risk Resilience for Floods: Fluvial, Pluvial, Coastal (Wind) Storms: Hurricanes and Typhoons Temperature: heat and Cold Stress Quantify the costs and benefits of each Decarbonisation and resilience strategy

Finance Watch	European Union	Finance Watch commends the IAIS for adding reference to the importance of varying time horizons when accounting for climate-related risks. Regarding stress testing, we would like to point out that most stress tests currently being conducted are effectively not stress tests but scenario analyses, built around the joint effect of two different types of climate change-related risk: transition and physical risk. There are, however, no known tests that account for a third kind of risk: disruption risk, meaning the disruption of the world economy as we know it due to severe environmental disturbances which will inevitably arrive if climate change is not mitigated and tipping points in the global climate system are reached. Firstly, the underlying economic models used in the scenario analyses significantly underestimate the physical impacts of climate change; secondly, the scenario analyses do not reflect all physical impacts of climate change or complex and interconnected second-round effects. As a result, the so-called stress tests do not allow for conclusions about the ability of financial institutions to withstand climate-related events, as predicted by climate science (i.e. solvency in case of a stress event). Without significant improvements, these exercises will not provide meaningful and decision-useful results and will limit the scope and effectiveness of supervisory actions.
Public Citizen	United States	We are concerned that, as written, the proposed additions to the guidance have the potential to conflate climate scenario analyses and climate stress testing, as they are two distinct risk management tools. We recommend distinguishing between these tools in two distinct paragraphs so as to disambiguate. Unlike stress testing, scenario analysis does not yet allow for true risk quantifications and conclusions about the ability of insurers to withstand future climate-related events. As with all risk management tools, scenario analysis and stress tests should be used proportionate to the uncertainty and limitations of the exercises. Climate scenario analysis and climate stress testing should be used alongside precautionary tools, including transition planning and limits on fossil fuel underwriting and investment to mitigate the impacts of climate risks.
E3G	USA	Scenario analysis and stress tests should be used proportionate to the uncertainty and limitation of the exercise. Climate scenario analysis and climate stress testing should be used alongside other tools, such as transition planning.
MSCI ESG Research LLC	United States of America	Agree.

American Academy of Actuaries	United States of America	Given the nascent state of climate scenario analysis, it is unclear how climate-related stress testing and scenario analysis techniques would complement the use of models for risks that are difficult to model. As climate scenario analysis was recently the focus of another IAIS application paper consultation, it seems more prudent to limit the discussion of the applicability and use cases of climate scenario analysis to that application paper at the present time.
Comments on proposed changes to ICP guidance 16.6.6		
Groundsure	Environmental Consultancy	n/a
National Association of Insurance Commissioners (NAIC)	National Association of Insurance Commissioners (NAIC)	Suggest this would be more appropriate as a “may” given the relevance and/or materiality of these different considerations could vary based on the individual insurer: With respect to climate-related risks, insurers may consider: longer term time horizons (although within the maturity profile of their investment portfolio); the impact of material climate-related risks on their investments, and the impact of their investments on the climate; and their customers’ known preferences in relation to sustainability considerations, where relevant.

General Insurance Association of Japan	Japan	It is not appropriate to specifically add a note focusing only on climate-related risks. In addition, while "may" is used for concentration risk, ALM, and liquidity, it is also incongruous that the added text is overly normative. Therefore, the additional information should be deleted and a revised sentence with less normative wording should be included in the supporting material. Based on this premise, we submit the following comments. The last sentence of Paragraph 16.6.6: The supervisor should only require the insurer to consider climate-related risks in its investment strategy, if climate-related risks are of particular importance to the insurer in question. While "their customers' known preferences in relation to sustainability considerations" is included in the last sentence as a factor to be considered by insurers, customers' preferences vary among markets and there will be jurisdictions where such preferences in relation to sustainability considerations do not exist. Therefore, we suggest not including this part in the supporting material. However, if the sentence is to remain in the supporting material or the guidance material, we suggest revising the last part by, for example, beginning it with "If climate-related risks are material, insurers..." or replacing "should" with "may". It would be desirable to make the description more limited, for example, by adding "where relevant, such as cases when insurers are entrusted with investment management by their customers" because it is difficult to imagine who the "customers" of "customers' known preferences in relation to sustainability considerations" are.

The Geneva Association	International	While we understand the increased focus on climate-change-related risk, there are several aspects of the ICP guidance amendments that we believe require further deliberation to ensure they align effectively with the industry's broader regulatory and operational contexts. Firstly, the emphasis on climate-related risks, as currently proposed, appears to give these risks precedence over other significant risks. While the importance of addressing climate change is undeniable, it is crucial for the regulatory framework to promote an equitable focus across all types of risk that could be material to firms. Secondly, the proposed language implicitly introduces the concept of "double materiality," which assesses both the financial impact on the insurer as well as the impact of the firm's behaviour on the climate. This approach, while reflective of a growing interest in sustainability, has not been uniformly adopted in all jurisdictions and may not be adequate for widespread regulatory implementation. From a supervisory perspective, emphasis should continue to be put predominantly on risks that have direct financial implications for insurers. Shifting to a double materiality focus could shift attention away from other pressing financial risks. Thirdly, the recommendation that insurers should align their investment strategies with customers' "known preferences in relation to sustainability considerations" suggests a direct influence of customer preferences on fundamental investment decisions. This could lead to complexities in balancing customer preferences with the need to manage risk and return. We propose that the language be adjusted to suggest that insurers consider broader long-term political, social and environmental trends as factors that may shape an insurer's investment strategy. This adjustment would allow firms to integrate customer insights more broadly without prescribing direct influence on specific investment decisions. Suggestion to delete "…and the impact of their investments on the climate; and their customers' known preferences in relation to sustainability considerations, were relevant".
American Property Casualty Insurance Association	United States	We suggest deletion of all the wording after "the impact of material climate-related risks on their investments". The rest of the sentence suggests the concept of double materiality, which is a public policy consideration and requires significant judgement that goes beyond the jurisdiction of insurance solvency supervisors. Encouraging insurers to make investment decisions pursuant to their "customers' known preferences" substitutes their customers' judgment for the investment analysis and judgment of insurer management and could be quite harmful to policyholder protection.

Ceres	United States	Ceres applauds the IAIS for incorporating climate risk consideration into the guidance on insurers' investment policies in section 16.6.6. We believe this addition is both timely and necessary, given the growing recognition of the material impacts that climate change can have on an insurers' investment portfolios and the wider financial system. The proposed language rightly highlights several key aspects that insurers should consider when managing climate-related risks in their investments: Long-term time horizons: Climate risks are likely to manifest over extended timescales, beyond the traditional planning and accounting cycles of mist insurers. It is therefore critical that insurers consider the potential impacts of climate change on their investments over the long term, while remaining within the maturity profile of their portfolios. This will require a shift towards more strategic and forward-looking approaches to asset allocation and risk management. Investment impacts on the climate: Insurers should assess not only the potential impacts of climate change on their investments but also the impacts of their investments on the climate. This means considering factors such as the carbon intensity and transition risk exposure of their portfolios, as well as the potential for their investments to contribute to or mitigate climate change. By taking a more systemic view of climate risk, insurers can better align their investment strategies with the goals of the Paris Agreement and the wider sustainable development program. Customer preferences: As policyholders and other stakeholders become increasingly attuned to the risks and opportunities associated with climate change, insurers should take their preferences and expectations into account when developing and implementing their investment strategies. This may involve offering more sustainable and low-carbon investment options, as well as engaging with customers to understand and respond to their evolving needs and values.
International Actuarial Association (IAA)	International	The parenthetical part of the guidance states "(although within the maturity profile of their investment portfolio)". However, when considering the risks, the insurer should not be limited to the insurer's current investment portfolio's maturity profile if the liability profile is longer (i.e. they should consider the reinvestment risk where relevant).

The Life Insurance Association of Japan	Japan	-This section refers to the impact that investment decisions could pose on climate change which may potentially assume the double-materiality concept. As the adopted concept for materiality differs by jurisdictions, this reference should be considered carefully. Given this, the LIAJ does not believe the revision to this section is necessary. Should IAIS continue to make a revision, replacing the phrase “insurers should consider” with “insurers could consider” would be more suitable.
Natural Resources Defense Council	United States	NO COMMENT

Global Federation of Insurance Associations (GFIA)	Global	The proposed new language for 16.6.6 has three issues: - First, it singles out climate-related risk above other risks for special treatment. It is not appropriate to specifically add a note focusing only on climate-related risks. - Second, it implicitly introduces the “double materiality” concept (“the impact of their investments on the climate”). Double materiality falls outside of the typical remit of insurance supervisors which usually focus on financial risks to the firm. Also, some jurisdictions have not embraced the concept. - Third, it indicates that the insurer’s investment strategy should accommodate customers’, “known preferences in relation to sustainability considerations” which would suggest that customers would influence the insurer’s investments. The language should be revised simply to recommend consideration of longer term political or social trends as being among the factors “that may shape the insurer’s investment strategy.” Consequently regarding the wording, while “may” is used for concentration risk, ALM, and liquidity, it is problematic that the added text is overly normative. Therefore, the additional information should be deleted and a revised sentence with less normative wording should be included in the supporting material. Considering, the last sentence of paragraph 16.6.6, the supervisor should only require the insurer to consider climate-related risks in its investment strategy, if climate-related risks are of particular importance to the insurer in question. Reference to, "their customers’ known preferences in relation to sustainability considerations" is included in the last sentence as a factor to be considered by insurers. Customers’ preferences vary among markets and there will be jurisdictions where such preferences in relation to sustainability considerations do not exist. Therefore, GFIA suggests not including this part in the supporting material. However, if the sentence is to remain in the supporting material or the guidance material, GFIA suggests revising the last part by, for example, beginning it with "If climate-related risks are material, insurers..." or replacing "should" with "may". It would be desirable to make the description more limited, for example, by adding "where relevant, such as cases when insurers are entrusted with investment management by their customers” because it is difficult to imagine who the "customers" of "customers' known preferences in relation to sustainability considerations" are.

EDHECinfra & Private Assets	Singapore	Agree. Whereas the direct impact of physical risks are relatively easier to measure (e.g., financial consequences resulting from damages caused by climate-related hazards), indirect impacts generated by the impacts of the investments on the climate (e.g., the reputational risk resulting from the negative perception of the society because of the pollution caused by companies) is more difficult to measure and, therefore, less documented its financial consequences. EDHECinfra & Private Assets is currently developing climate-attention and climate-sentiment-related metrics to measure the effects of negative perception and attention to climate change. By combining the scope 3 emissions of companies with the climate attention from news media, the resulting metric provides a good index to assess the reputational risk that companies face because of their impact on the climate. These metrics can be used by investors to assess the indirect financial effects of customers' known preferences in relation to sustainability considerations. Moreover, EDHECinfra & Private Assets has measured the effects of changing customer perception towards infrastructure investments due to Climate Change. EDHECinfra & Private Assets developed a robust methodology using news articles and social media to monitor public perception towards infrastructure sectors (see https://scientificinfra.com/paper/social-impact-and-risk-analysis-using-twitter/ and https://scientificinfra.com/paper/measuring-the-social-acceptability-of-infrastructure-investments/) .
Finance Watch	European Union	The acknowledgment that insurers should consider longer-term time horizons, even within the maturity profile of their investment portfolios, is an important step forward. Climate-related risks often unfold over extended periods, and a long-term view is necessary to capture the full spectrum of potential risks. By integrating longer time horizons into investment strategies, insurers can better anticipate and manage the evolving risks associated with climate change. We also appreciate the emphasis on assessing both the impact of material climate-related risks on investments and the impact of investments on the climate. This integration of the principle of double materiality is essential for fostering a sustainable financial system and aligning investment activities with global climate goals, as well as for safeguarding the investment portfolios against climate-related risks.
Public Citizen	United States	We support this addition.

MSCI ESG Research LLC	United States of America	Agree.
American Academy of Actuaries	United States of America	We believe that the proposed changes inappropriately single out climate-related risk above other risks for special consideration. They also introduce the “double materiality” concept (“the impact of their investments on the climate”), which we already identified concerns within our response to #3 above. Finally, the language indicates that the insurer’s investment strategy should accommodate customers’ “known preferences in relation to sustainability considerations,” which suggests that customers would directly influence the insurer’s investment strategy. In our opinion, these two aspects (double materiality and customers’ known preferences) do not seem appropriate to include in the ICPs. We appreciate the importance of mitigating climate change risk, but addressing double materiality and customers’ known preferences seems to be beyond the role of insurance supervisors.
Comments on proposed changes to ICP guidance 16.12.1		
Groundsure	Environmental Consultancy	n/a
General Insurance Association of Japan	Japan	（Comments on 16.12.9）There are various external factors to be considered in ORSA, and we believe that they should be considered according to the risk characteristics of the insurer. However, it is too prescriptive (even as an example) to describe, only for climate-related risks, a consideration of the insurer's exposure for different time horizons.
American Property Casualty Insurance Association	United States	In paragraph 16.12.9, the proposed changes presuppose that climate risk is more significant than other material risks. Undue focus on climate risk could cause a loss of focus on other significant risks (such as inflation and interest rate risk) to the extent relevant and material.

Ceres	United States	Ceres commends the IAIS for recognizing the importance of considering climate-related risks over different time horizons in insurers' Own Risk and Solvency Assessments (ORSAs). The proposed language in section 16.12.1 acknowledges that climate risks can emerge over short, medium, and long-term timescales, and that insurers should consider all of these in their ORSAs. By assessing their exposure over multiple time horizons and regularly reassessing the materiality and sources of climate risk, insurers can develop a more comprehensive and strategic view of their risk landscape, identify potential vulnerabilities and opportunities, and make informed decisions about how to allocate capital, adjust their risk appetite, and adapt their business models to the changing climate context.
Natural Resources Defense Council	United States	NO COMMENT
Global Federation of Insurance Associations (GFIA)	Global	16.12.9 Insurers include climate exposure considerations subject to their materiality over the relevant time period in the ORSA. Where an insurer's assessment goes beyond the usual 3-5 years business planning time horizon for the ORSA, a more qualitative and contextual nature of the long-term analysis should be acknowledged as being fit-for-purpose, as well as the inherent uncertainties and potential limitations due to data quality. In addition, there are various external factors to be considered in ORSA, and GFIA believes that they should be considered according to the risk characteristics and materiality to the insurer. However, even as an example, it is too prescriptive to describe, only for climate-related risks, a consideration of the insurer's exposure for different time horizons.
EDHECinfra & Private Assets	Singapore	No comments
Public Citizen	United States	We support this addition.

American Academy of Actuaries	United States of America	The proposed change appears to inappropriately single out climate-related risk above other risks for special consideration within the Own Risk and Solvency Assessment (ORSA), including unduly specifying in the ICPs a time horizon for considering the impacts of a risk driver in what is designed to be an insurer-driven risk assessment. We recommend reconsideration as this addition does not seem beneficial.
Comments on proposed changes to ICP guidance 16.16.9		
Groundsure	Environmental Consultancy	n/a
The Geneva Association	International	The proposed new language for 16.16.9 indicates that supervisory stress testing or scenario analysis can be used to assess risks that include “abrupt policy changes that can increase transition risk.” It seems unclear why these exercises could be used to assess the effects of policy changes relevant to the climate transition but not others. Consequently, this phrasing could be changed to refer simply to “political policy changes.”
Institute of International Finance	USA	ICP 16.16: We reiterate our comments with respect to the own risk and solvency assessment (ORSA) in response to the guidance under this ICP. The ORSA should continue to be a qualitative and quantitative assessment that is owned by the company, tailored to fit its organizational structure and risk management system, actively used by the company in its own risk management, and reflective of the company’s unique risk profile and the materiality of various risks to its business model. The ORSA should primarily cover near- to medium-term material risks, consistent with the three- to five-year strategic planning horizon. The IAIS should be mindful not to single out climate risk as a predominant risk driver, as the materiality of this risk driver may differ across insurers. In addition, caution should be taken not to double count climate-related risk exposures and traditional financial risk exposures.

Ceres	United States	Ceres supports the proposed addition to section 16.16.9, which highlights the potential for abrupt policy changes to increase transition risk and affect multiple insurers simultaneously. This is a critical consideration for supervisors as they develop and require standardized stress tests and scenario analyses to assess the resilience of the insurance sector to climate-related risks. Transition risks, which arise from the shift towards a low-carbon economy, can manifest in various ways, such as changes in policy, regulation, technology, and consumer preferences. Abrupt policy changes can have significant and sudden impacts on the value of insurers' assets and liabilities, as well as their underwriting and investment strategies; for example, a rapid and unexpected introduction of carbon pricing or restrictions on certain high-emitting sectors could lead to stranded assets and increased credit risks for insurers with significant exposures to these sectors. Similarly, a sudden shift in subsidies or incentives for renewable energy could affect the profitability and competitiveness of insurers' investments in the fossil fuel industry. By including abrupt policy changes as a specific type of transition risk that supervisors should consider in their standardized stress tests, the IAIS is helping to ensure that the insurance sector is better prepared for these types of scenarios.
Natural Resources Defense Council	United States	NO COMMENT

Global Federation of Insurance Associations (GFIA)	Global	The proposed new language for 16.16.9 indicates that supervisory stress testing or scenario analysis can be used to assess risks that include, “abrupt policy changes that can increase transition risk.” It seems unclear why these exercises could be used to assess the effects of policy changes relevant to climate transition, but not policy changes other than climate transition. Consequently, this phrasing could be changed to refer simply to, “political policy changes.”
EDHECinfra & Private Assets	Singapore	Agree, as mentioned above, climate risk assessment and management should be done on investments and obligations. In addition, we suggest 15.2.3 to make explicit that the time horizons should cover at least until 2050 to remain aligned with the IPCC net zero CO2 by 2050 recommendation to remain consistent with 1.5C. Suggested time horizons include 2030, 2040, and 2050.
Public Citizen	United States	The inclusion of text on transition risks is particularly relevant in light of the recent results from a similar exercise by insurance supervisors in California, Oregon, and Washington. The analysis of the investments of insurers licensed in these three states found that insurers could face billions of dollars in losses if they stay on the current course of investments that contribute to climate change. See California Department of Insurance, “The Hidden Cost of Delaying Climate Action for West Coast Insurance Markets,” (2024) https://www.insurance.ca.gov/0400-news/0100-press-releases/2024/release006-2024.cfm
E3G	USA	Recent analysis of the investments of insurers licensed in these three states found that insurers could face billions of dollars in losses if they stay on the current course of investments that contribute to climate change. As a result, we support the additional flexibility afforded to supervisors in such circumstances. In addition, we suggest that the reference to policy changes be expanded to reflect the potential for interactions between transition risks and physical risks as follows: (such as pandemics, major catastrophes, abrupt policy changes that can increase transition risk, and/or interactions between physical risks and transition risks).

MSCI ESG Research LLC	United States of America	When performing climate-related stress tests, for example to account for abrupt policy changes that can increase transition risk, scenarios as delineated by the NGFS could provide a structured framework for understanding the diverse and complex pathways that climate change might take (https://www.ngfs.net/en/ngfs-climate-scenarios-phase-iv-november-2023). Specifically, the NGFS offers several disorderly scenarios that are particularly pertinent: i. 1.5°C Disorderly Scenario: This scenario envisions a future where ambitious climate policies are implemented abruptly, resulting in significant economic disruptions. Despite these disruptions, the scenario ultimately achieves the target of limiting global warming to 1.5°C above pre-industrial levels. This pathway underscores the potential for considerable short-term volatility and adjustment costs in various sectors of the economy. ii. 2°C Disorderly Scenario: Similar to the 1.5°C scenario, this pathway also anticipates abrupt and stringent policy measures. However, it focuses on stabilizing global temperatures at 2°C above pre-industrial levels. This scenario highlights the economic and social challenges associated with delayed but vigorous policy actions, including the risks of transitional shocks to industries and markets. iii. 3°C Fragmented Scenario: This scenario reflects a less coordinated global response to climate change, resulting in fragmented and inconsistent policies across different regions. The outcome is a higher level of global warming, reaching approximately 3°C above pre-industrial levels. This pathway illustrates the potential for significant disparities in climate impacts and adaptive capacities among regions, leading to varied economic and environmental consequences. Incorporating these disorderly climate scenarios into insurers' strategic considerations would enable them to better anticipate and mitigate the risks associated with abrupt policy changes and varying levels of global cooperation. This approach ensures a more resilient and adaptable framework for addressing the multifaceted challenges posed by climate change.
General comments on the proposed changes to reflect climate risk in existing supporting material related to ICP 7 (Corporate Governance)		
Groundsure	Environmental Consultancy	n/a

Ceres	United States	Ceres commends the IAIS for proposing enhancements to the supporting material for ICP 7 (Corporate Governance) to better address climate-related risks. The proposed additions recognize the critical role that insurers' boards and senior management play in overseeing and managing these risks, and the need for governance frameworks to evolve and adapt as the understanding of climate risk grows. We strongly support the emphasis on clearly assigning roles and responsibilities related to climate risk across the board, senior management, and control functions. This is essential for ensuring accountability and promoting a proactive, enterprise-wide approach to managing climate risk. The call for insurers to establish dedicated internal structures, such as risk committees, with appropriate expertise to identify and address climate risks is also welcome. Ceres particularly appreciates the recognition that board members and senior management should have adequate competence and experience to understand and oversee the climate-related risks. The proposed guidance on providing training, leveraging external expertise, and integrating climate risk considerations into board renewal and succession planning is pragmatic and should help insurers build the necessary skills and capacity over time. We also strongly support the proposed enhancements related to remuneration. Linking variable remuneration to progress on managing and mitigating climate risks can be a powerful tool for aligning incentives and driving meaningful action. The guidance emphasizes the need for such remuneration arrangements to be proportionate, clearly linked to measurable outcomes, and balanced against other factors. Here is a three-part paper we did with a partner with several examples from different sectors of the capital markets: https://semlerbrossy.com/wp-content/uploads/2022/05/A-Boards-Guide-to-ESG-and-Incentives_-Three-part-Series_Semler-Brossy-and-Ceres_May-2022.pdf. Insurers that embed climate risk considerations into the highest levels of their governance frameworks will be better positioned to navigate the challenges and opportunities of the low-carbon transition, while supporting the resilience of the wider economy and society.

Natural Resources Defense Council	United States	NO COMMENT
EDHECinfra & Private Assets	Singapore	No comments
Public Citizen	United States	We support these additions.
Comments on proposed changes to section 3.3 (The role of the Board)		
Groundsure	Environmental Consultancy	n/a
General Insurance Association of Japan	Japan	While Paragraph 32 deals with the capability of directors and the board of directors, what exactly is envisioned by the word "demonstrate"? It is very difficult to "demonstrate". If a scientific basis is sought, it would be extremely challenging to implement. From the perspective of insurer burden, we would like to confirm that they are not required to take new measures.
The Geneva Association	International	Sections 3.3 (the role of the board) and 3.5 (remuneration) effectively promote a high degree of attentiveness to climate-related risk. The board and management have to be aware of all material risks to the firm – narrow focus on a single risk dynamic could misguide their attention and increase the insurer's overall vulnerability. Consideration should be given to removing these sections or to including language that ensures that climate-related risk is appropriately balanced with other risks and business considerations.

American Property Casualty Insurance Association	United States	The IAIS should take care in this language to avoid promoting consideration of climate risk above all other material risks to which an insurer is subject. Other physical risks, such as inflation and the impact of population migration into storm-prone areas, present risks that are greater than climate. Paragraph 32 should be deleted since it is unclear how a board is supposed to demonstrate the listed items, and it is unnecessarily burdensome since other sections already require appropriate understanding.

Institute of International Finance	USA	Section 3.3: The role of the board: the composition of an insurer's board should reflect a broad range of skills, including individuals with a good understanding of climate-related risks and broader sustainability topics. We encourage the IAIS to emphasize the need for climate and sustainability expertise as one element of the needed diversity of backgrounds and talents on an insurer's board. It is also helpful for the board to have a healthy diversity of views on the subject of climate-related risks and broader sustainability topics in order to reflect the range of views of stakeholders on these issues and to promote a healthy dialogue that can lead to better decision making. More broadly, corporate culture may differ among insurers, reflecting different business models, management styles and jurisdictional requirements and norms; diversity in corporate cultures and in corporate views on sustainability matters should not be perceived negatively by supervisors. With respect to Paragraph 32, when an insurer's board retains external expertise, the relevant board committee should conduct appropriate due diligence, but it cannot be expected to 'demonstrate the competence of the experts' or 'assess that the information and guidance is appropriate'. Rather, the board committee should be expected to review the qualifications and background of proposed experts and make an informed decision as to whether their retention would benefit the firm. We propose the following rewording of Paragraph 32: Accordingly, insurers should demonstrate that the board has adequate information and analysis in order to understand how climate-related risk drivers could impact the business activities and financial condition or performance of the insurer. The board may consider obtaining external advice consistent with the materiality of climate-related financial risks to the company. Section 3.4: Senior management has the responsibility for the management of all material risks, including climate-related-financial risks, and for reflecting those risks in relevant operational and business policies. Senior management should advise the board on how material climate-related financial risks can impact strategic and organizational objectives, and should explain the tools, models and metrics that they and/or external experts employ in monitoring exposures to material climate-related financial risks. The board should be permitted and expected to rely on the advice of senior management with responsibility for material climate-related financial risks. We would restate Paragraph 34 as follows: Senior management should be responsible for implementing policies related to the management of material climate-related financial risks and/or incorporating these risks into relevant operational and business policies. Senior management should

		provide information and advice to the board on how climate-related financial risks may impact strategic and organizational objectives.

Ceres	United States	Ceres welcomes the strengthened language recognizing the critical role of corporate boards in overseeing climate-related risks and opportunities. Effective board oversight and competence on climate issues is essential for insurers to navigate the systemic risks of climate change and the transition to a net-zero economy. Ceres has extensive information on the important role of the board through our Governance resources. Here is one example https://www.ceres.org/resources/reports/running-risk-how-corporate-boards-can-oversee-environmental-social-and-governance Ceres also offers, as a resource, an online course with the Ross School of Management at University of Michigan. https://michiganross.umich.edu/programs/executive-education/building-board-expertise-sustainability?event=9734 We also have many thoughts and recommendations about the best practices for Boards if helpful. We strongly support paragraphs 28-30 which underscore that boards need to incorporate climate considerations into governance processes like risk management, strategy setting, and business planning. Requiring boards to enhance their skillsets on climate through training and board refreshment is a positive step. On paragraph 32, we recommend going further to require boards to demonstrate actual climate competence rather than just having a “level of competence.” Boards should have clearly identified climate experts and be able to articulate how climate expertise informs governance and oversight. External climate experts can complement but should not substitute for internal board climate capability. We also suggest strengthening paragraph 33 to explicitly state that senior management roles like the Chief Risk Officer, Chief Investment Officer and other relevant C-suite members should have relevant climate expertise commensurate with the insurer’s climate exposures across underwriting and investment activities. Lastly, we urge including language that boards should provide disclosure on their oversight of climate risks aligned with the TCFD recommendations. Public disclosure will drive accountability and allow stakeholders to assess the effectiveness of board climate governance. These proposed changes recognize climate change as a critical governance issue that requires board leadership. With some additional strengthening, the language can help ensure insurer boards have the climate competence needed for resilient oversight and long-term value creation.

International Actuarial Association (IAA)	International	It should be noted that expertise within the Board (or, even if delegated, within the insurer management) is likely to be constrained in relation to the scientific bases of climate-related risks and the insurer may need to use external information such as climate scenarios. In relation to such information there are some key considerations and requirements such as the appropriateness, completeness, relevance and reliability of the information used for decision making.
Natural Resources Defense Council	United States	The inclusion of climate-related competence and experience on insurer boards is critical for effective oversight of climate-related financial risk management. We strongly support the proposed additional language in the supporting materials for ICP 7. • Insurer boards should include directors with competence in the nature of climate-related risk and its financial implications. This will better help the board assess long- and short-term business strategies to ensure both business resilience in the face of climate change, and fair and socially responsible treatment of customers (para. 28). • We support the inclusion of climate risk competence at the audit committee and risk committee levels (para. 29). If internal expertise is inadequate, it may be supplemented with external expertise so long as the competence, experience and independence of the external experts can be demonstrated (para. 32). • Training provided to board members and board committee members should be an annual requisite to ensure that the board continues to have an appropriate understanding of the climate-related risks facing the insurer as those risks evolve over time.

Global Federation of Insurance Associations (GFIA)	Global	Sections 3.3 (the role of the board) and 3.5 (remuneration) effectively promote a high degree of attentiveness to climate-related risk. As the capacity of the board and management is not limitless, a narrow focus on a single risk dynamic could increase the insurer's overall vulnerability. Consideration should be given to removing these sections or to include language that ensures that climate-related risk is appropriately balanced with broader sustainability topics and other risks and business considerations. While paragraph 32 deals with the capability of directors and the board of directors, GFIA would suggest the IAIS clarifys its intention with regard to the term "demonstrate". It is very difficult to "demonstrate" and if a scientific basis is sought after, it would be extremely difficult to implement. From the perspective of insurer burden, GFIA would like to confirm that they are not required to take new measures. With regard to the role of the board, IAIS should consider a reference to overall risk exposures, not just climate. Boards should be responsible for overseeing material, identified risks to the insurer. It should be the decision of the board to determine what constitutes "adequate" competence and experience to oversee any given risk, including climate. Therefore, the reference to "…climate-related expertise…" is too prescriptive particularly given 'expertise' is a subjective term.
EDHECinfra & Private Assets	Singapore	No comments

Finance Watch	European Union	Finance Watch welcomes the specification that the board and its committees should have a thorough understanding of the possible risks associated with climate change, as well as its potential impact on the business and vice versa. We also support the guidance that the board should obtain external expertise, as long as it ensures the external experts' independence. Requirements for climate change expertise not only at the board level but also within senior management are also very important. Senior management often plays a critical role in implementing strategies and taking appropriate actions without constant supervision by the board. We are therefore pleased to see this perspective reflected in the additional paragraph 33 of the application guidance. This inclusion aligns with section 3.4, which outlines the duties of senior management. Given that the board hires senior management and entrusts them with significant responsibilities, it is imperative that the board ensures senior management possesses the necessary expertise to effectively manage climate-related risks. We also refer to the recommendations in our latest publication on the insurance sector: https://www.finance-watch.org/policy-portal/sustainable-finance/report-transition-planning-for-insurers-a-supervisory-tool-to-improve-climate-risk-resilience/
Public Citizen	United States	We support this addition.
American Academy of Actuaries	United States of America	Because the capacity of an insurer's board is not limitless, an overly narrow focus on a single risk dynamic (climate change) could increase the insurer's overall vulnerability to broader risk exposures. IAIS guidance should promote a balanced view of risks.
Comments on proposed changes to section 3.5 (Duties related to remuneration)		
Groundsure	Environmental Consultancy	n/a
General Insurance Association of Japan	Japan	Non-financial criteria are more difficult to measure than financial criteria, and there is concern that variable remuneration may be administered in an arbitrary manner. Paragraph 39: Since climate-related risks are considered only one element of remuneration arrangements, we suggest replacing "should" with "can".

The Geneva Association	International	• The revisions to Section 3.5 about remuneration, blur risk management (the risks assumed by the insurer in the normal course of business) and sustainability considerations, which are premised on the insurer's broader social responsibility. Paragraphs 35, 37, the first half of paragraph 38, and paragraph 39 focus on risk management, while paragraph 36 and the second half of paragraph 38 focus on sustainability considerations. If section 3.5 is retained, consideration should be given to separating these topics. • In the last sentence of paragraph 35, "as appropriate" is taken out. We strongly suggest retaining. • Paragraph 38 includes "…and non-financial criteria should not be negligible." In our view, it is primarily up to insurers to define this. We therefore suggest deleting this addition. We would also ask for the phrase "These should be linked to the decisions made by the relevant staff member." to be deleted as this could exclude remuneration linked to company-wide targets.
American Property Casualty Insurance Association	United States	Given the difficulty of distinguishing the effects of weather versus climate, remuneration should not be aligned with climate specifically. It should be aligned with the management of all material risks—this section places climate above all other risks and pre-supposes that its effects can be measured separate from weather. For these reasons we recommend striking paragraph 36.
Ekō	Global	We welcome the IAIS's efforts to better balance financial and non-financial factors in variable remuneration.

Institute of International Finance	USA	Section 3.5: We propose to rename this section 'Alignment of remuneration'. Management remuneration should be aligned with the management of all material risks. Specifically, climate risk drivers will be reflected in the management of traditional financial risks, such as credit and market risks. Only those individuals with responsibility for risk management should be subject to negative remuneration consequences for poor outcomes. When considering the design of remuneration frameworks to reflect climate-related risks, it should be recognized that the long-term time frame for climate-related risks is at odds with the much shorter time frames for most long-term incentive plans (approximately three years). We would retain the words 'as appropriate' in Paragraph 35. The remuneration framework should be a matter for the board to design and for senior management to implement (subject to shareholder oversight and the ability to reject remuneration plans). This section in general, and Paragraph 36 regarding variable remuneration in particular, is overly prescriptive. We propose the deletion of Paragraph 36.

Ceres	United States	Ceres supports explicitly linking executive and board remuneration policies to the management of climate-related risks, as proposed in paragraphs 35-36. Incorporating climate risk metrics into compensation frameworks can help drive accountability and incentivize effective action on climate change. On paragraph 36, we recommend the guidance go further by stating that insurers “should” rather than “may” use variable remuneration to reflect climate risk management progress. Making this an explicit expectation would strengthen the standard. Paragraph 37 appropriately cautions against superficial actions by requiring remuneration to be tied to measurable climate risk mitigation impacts. Building on this, the guidance could specify that variable pay should be linked to quantitative climate targets and metrics relevant to the insurer’s specific climate exposures and transition plan. Paragraphs 38-39 provide helpful details on structuring climate-related variable pay. A potential addition could be requiring disclosure of the specific climate metrics used, underlying methodologies, and how they map to the insurer’s overall climate strategy and risk management. We also suggest the guidance address embedding climate into fixed pay policies in addition to variable pay. Integrating climate competencies into executive and staff job descriptions, and weighing these in hiring and promotions, would further institutionalize climate risk management. Lastly, the supporting material could cross-reference and align with the TCFD recommendations and emerging jurisdictional climate disclosure rules to promote standardization and comparability of climate-related remuneration disclosures.

Insurance Europe	Europe	While Insurance Europe agrees that remuneration should be aligned with prudent risk-taking including climate-related risks, the new paragraph 36 comes across as an expectation for linking variable remuneration exclusively to the management of climate-related risks. The IAIS should refrain from creating the inappropriate impression that climate risks deserve preferential attention compared to other risk types. Insurance Europe is particularly concerned that the IAIS considers variable remuneration as a helpful tool for reaching climate-related or broader sustainability goals. It is not within the mandate of insurance supervisors to promote the transformation to a climate-neutral environment. In addition, the supposed emphasis on climate-related goals may expose senior management and the board to conflicts of interest.
FWD Group	Hong Kong	We respectfully disagree with the proposed change to the supporting material to reflect climate risk under "3.5 Duties related to remuneration". We believe there are other effective measures of climate risk management progress. For example, regular ESG committee at senior management level, and regular reports to Risk Committee can provide oversight on progress and impact of climate risk management. There are other equally pervasive systemic risks that go through the risk management process and in our view climate change risk is no exception.
Natural Resources Defense Council	United States	NO COMMENT

Global Federation of Insurance Associations (GFIA)	Global	Non-financial criteria are more difficult to measure than financial criteria, and there is concern that variable remuneration may be administered in an arbitrary manner. The revisions to section 3.5 about remuneration, blur risk management (the risks assumed by the insurer in the normal course of business) and sustainability considerations are premised on the insurer's broader social responsibility. Paragraphs 35, 37, the first half of paragraph 38, and paragraph 39 focus on risk management, while paragraph 36 and the second half of paragraph 38 focus on sustainability considerations. If section 3.5 is retained, consideration should be given to separating these topics. Remuneration should not be aligned with climate specifically. It should be aligned with the management of all material risks. This section places climate above all other risks. GFIA underlines that the proposed changes are an inappropriate focus on one risk. 3.5, as previously drafted, was acceptable. GFIA would caution the IAIS against promoting explicit inclusion of climate-related references in remuneration, particularly given that climate is one of many risks being managed/overseen and is difficult to measure, in particular as is referenced in paragraph 37. In paragraph 35, GFIA believes that the IAIS should keep the words "as appropriate" in at the end of the paragraph as it will continue to allow flexibility and keep a balance between climate risks and other risks. With regard to paragraph 36, while GFIA agrees that remuneration should be aligned with prudent risk taking including climate-related risks, the new paragraph 36 comes across as an expectation for linking variable remuneration exclusively to the management of climate-related risks. The IAIS should be cautious from creating the impression that climate risks deserve preferential attention compared to other risk drivers. GFIA is particularly concerned that the IAIS considers variable remuneration as a helpful tool for reaching climate-related or broader sustainability goals. It is not within the mandate of insurance supervisors to promote the transformation to a climate-neutral environment. In addition, the supposed emphasis on climate-related goals may expose senior management and the board to conflicts of interest. Paragraph 37 ties remuneration to the, "measurable effect on the mitigation of climate-related risks." That may be a goal, but the role of insurers is to manage risks to ensure their respective solvency and ability to pay covered claims. With regard to paragraph 39, since climate-related risks are considered only one element of remuneration arrangements, GFIA suggests replacing "should" with "can".

EDHECinfra & Private Assets	Singapore	No comments
Finance Watch	European Union	Finance Watch is pleased to see the additional detailing on the use of remuneration as an incentive for sound climate-related risk management. The focus on impact rather than process is particularly commendable, as it helps safeguard against superficial actions being taken merely as a tick-box exercise for remuneration purpose and ensures that the emphasis is on meaningful and substantive actions that contribute to sound climate-related risk management. Furthermore, we appreciate the inclusion of non-financial criteria in remuneration policies. This broadens the scope of what is considered valuable performance, moving beyond purely financial metrics to include actions and outcomes that support sustainability and effective climate risk management. We specifically support the IAIS' effort to ensure that financial and non-financial factors in variable remuneration are better balanced. The guidance that "criteria should be appropriately balanced, and non-financial criteria should not be negligible" is crucial.
Public Citizen	United States	We support this addition.
General comments on the proposed changes to reflect climate risk in existing supporting material related to ICP 8 (Risk Management and Internal Controls)		
Groundsure	Environmental Consultancy	Would flagging up potential climate related risks in property transactions, be beneficial in safeguarding lender portfolios and also understand potential issues with insurance? We can help with identifying these risks with our ClimateIndex product - https://www.groundsure.com.au/
The Geneva Association	International	The proposed language implicitly introduces the concept of "double materiality." This approach, while reflective of a growing interest in sustainability, has not been uniformly adopted in all jurisdictions and may not be adequate in a supervisory context where focus should rest on financial risks that are material to the firm. From a supervisory perspective, emphasis should continue to be put predominantly on risks that have direct financial implications for the insurer.

American Property Casualty Insurance Association	United States	The last sentence of paragraph 41 should be deleted. It again incorporates a “double materiality” standard that is a public policy issue and requires significant judgment that is within the jurisdiction of societal policymakers, not insurance solvency supervisors.
Ekō	Global	- We welcome the strengthened language on integrating climate risk into the overall corporate governance framework, encompassing risk management and internal controls. This integrated approach is crucial for effectively addressing climate-related risks. - Additionally, we welcome the inclusion of the double materiality.
Institute of International Finance	USA	Paragraph 41 reiterates the double materiality concept referenced above. We would revise the final sentence of this Paragraph to read: Insurers should consider the extent to which their investment strategy and business models could be materially impacted by financial risks, including those arising from climate risk drivers, and take into account in their analysis the expected timeline and path for transition in their major markets. Paragraph 42 should reference climate risk drivers rather than climate risks.

Ceres	United States	Ceres applauds the proposed additions to the supporting material for ICP 8 on Risk Management and Internal Controls, which aims to strengthen insurers' approaches to managing climate-related risks. The changes recognize that climate risk is a cross-cutting issue that should be integrated holistically into insurers' risk management frameworks, rather than being treated as a standalone or reputational concern. We strongly support the emphasis on considering the potential impacts of climate change across all key risk categories, including underwriting, reserving, investment, ALM, and operational risks. The guidance highlights the need for insurers to assess how physical, transition, and liability risks could affect both assets and liabilities, as well as the correlations and interdependencies between them. This comprehensive approach is essential for developing a true picture of insurers' overall exposure to climate risk. Ceres particularly appreciates the recognition that historical data and past trends are unlikely to fully capture the dynamic and non-linear nature of climate risks. The call for insurers to adopt forward-looking assessments, scenario analysis, and integrated risk modeling techniques that better capture the complexity and uncertainty of climate change is well-placed. We also welcome the emphasis on developing reliable quantitative and qualitative indicators to monitor and manage climate risk exposures. The proposed guidance for control functions, including risk management, compliance, actuarial, and internal audit, is also highly relevant. Ceres agrees that these functions should be equipped with the appropriate resources, expertise, and tools to effectively identify, assess, and mitigate climate risks within their respective remits. The examples of potential climate risk metrics and methodologies, such as heat maps, ESG scores, and exposure limits, are helpful for illustrating how this could be put into practice.
International Actuarial Association (IAA)	International	Point 41 The IAA suggests adding "When addressing climate-related risks, insurers should be aware of, and consider, the extent to which these risks could affect the longer-term strategy of the insurer (such as its continued market presence beyond the maturities of their current assets and liabilities), their current assets and liabilities through different channels (including physical, transition and reputational/liability risks)." Point 42 The IAA suggest adding text on health insurance and the potential for (up or down) changes in morbidity rates, pandemics and the interrelationships between private and public health insurance where relevant.

The Life Insurance Association of Japan	Japan	-Paragraph 41 of this section refers to the impact that investment decisions could pose on climate change which may potentially assume the double-materiality concept. As the adopted concept for materiality differs by jurisdictions, this reference should be considered carefully. Given this, the LIAJ does not believe the proposed last sentence in this section is necessary. Should IAIS continue to make a revision, replacing the phrase “insurers should be aware” with “insurers could be aware” would be more suitable.
Natural Resources Defense Council	United States	We support the proposed changes to the ICP 8 related material 4, 4.1 and 4.2.1. Climate-related financial risk can be managed within insurers’ existing programs and frameworks for managing risk; at the same time, insurers should note that unique difficulties in calculating climate-related financial risks can lead to failures to manage those risks adequately. Climatological forecasts suggest the risk of increasing new disruptions in weather systems, water supplies, agricultural production, and the habitability of different regions. (See, for example, National Climate Assessment, Impacts, Risks, and Adaptation in the United States (Report), Vol. 2 (Nov. 23, 2018), https://nca2018.globalchange.gov) As a result of these shifts, traditional backward-looking risk assessments and existing climate-economic models are inherently flawed when it comes to calculating some climate-related risks, including “green swan” risks – potentially profoundly disruptive climate events. Traditional approaches to risk management are based on historical data and assume that the probability of shocks follows a normal distribution around the mean, generally seeking to account for losses that can be expected with a 95–99% confidence level over a relatively short-term horizon. But climate-related risks are increasing; as a result, extrapolating from historical trends is not a reliable approach to pricing these risks. Moreover, many significant climate-related risks may fit fat-tailed distributions and are thus unlikely to be captured by traditional value-at-risk models. Finally, both physical risks of climate change and transition risks are characterized by deep uncertainty and complex transmission channels. (Patrick Bolton et al., The green swan: Central banking and financial stability in the age of climate change, at iii, 21 (Bank for International Settlements 2020), https://www.bis.org/publ/othp31.pdf (internal citations omitted).) Integrating forward-looking assessments under different time horizons into risk modeling can provide a more accurate picture of climate-related financial risks.

Global Federation of Insurance Associations (GFIA)	Global	The final sentence in the proposed revisions to paragraph 41 introduces the concept of double materiality into a discussion on risk management and internal controls. Double materiality falls outside of the remit of insurance supervisors which usually focus on financial risks to the firm. This sentence should be removed.
EDHECinfra & Private Assets	Singapore	No comments
Finance Watch	European Union	We commend the IAIS for strengthening the wording on integrating climate risk into the overall corporate governance framework, including risk management and internal controls. Mandating a fully integrated approach, rather than simply requiring a non-time-bound transition towards full integration, underscores the urgent need to act now to protect against climate-related risks. This decisive stance highlights the importance of immediate and comprehensive action to safeguard the insurance sector from the multifaceted impacts of climate change. Additionally, we strongly support the concept of double materiality reflected in the text. Recognizing the dual significance of how climate risks impact the business and how the business impacts the climate is essential for fostering a more sustainable and resilient corporate governance framework. This approach ensures that insurers consider the broader implications of their operations and investment decisions, aligning with both environmental sustainability and long-term financial stability.
Public Citizen	United States	We support these additions.
MSCI ESG Research LLC	United States of America	Agree

American Academy of Actuaries	United States of America	The final sentence in the proposed revisions to paragraph 41 introduces the concept of double materiality into a discussion of risk management and internal controls. As previously noted in our response to Question #3, we do not believe it should be incorporated into the supporting material.
Comments on proposed changes to section 4.1 (Integrating climate-related risks into the scope of the risk management system)		
Groundsure	Environmental Consultancy	Would flagging up potential climate related risks in property transactions, be beneficial in safeguarding lender portfolios and also understand potential issues with insurance? We can help with identifying these risks with our ClimateIndex product - https://www.groundsure.com.au/
General Insurance Association of Japan	Japan	Since an integrated approach has not been established for climate-related risks, we believe that examining the impact of investment strategies and business models on assets and liabilities is fraught with difficulties. While Paragraph 44 notes that "...insurers should develop tools to collect reliable quantitative and qualitative data", it is difficult for each insurer to develop its own tools. In addition, it is desirable to ensure a certain degree of consistency and comparability of analytical results among insurers. From this perspective, standard methods and common models should be developed and presented. With regard to Paragraph 49 "forward-looking assessments", specific methods should be presented.

The Geneva Association	International	The revisions to paragraph 44 recommend that insurers develop forward-looking assessments under different time horizons to complement available historical data and readjust their risk assessment and management systems. The IAIS should be mindful of limitations of such forward-looking assessments to inform concrete business decisions and adjust/soften related language. The effects of climate change are long term, and forward-looking assessments carry a high degree of uncertainty. For short-duration lines of business (e.g. typical one-year property insurance contracts), the ability to adjust pricing provides an important risk mitigant. For long-duration lines of business that are subject to investment transition risk, the ability to manage the investment portfolio is an important risk mitigant. Due to the inherent uncertainty, the mismatch between the assessment period and the duration of the underlying liability (for short tail lines of business), and the existing risk mitigants, using forward-looking assessments like climate scenario analysis for risk management purposes is inadequate. Paragraph 44: we suggest rewording the sentence starting Therefore […]: “Therefore, insurers should consider adopting a more integrated approach, considering the relevance of results, the reliability of the approach, and the complexity and uncertainty of climate-related risks. Such an approach may thus not yet be feasible for widespread regulatory implementation.”
American Property Casualty Insurance Association	United States	In paragraph 44, after “risk assessment and management system”, the language “as appropriate to the insurer’s business model” should be inserted. Insurers that are not subject to significant long-term risk (such as property catastrophe writers that are able to adjust contractual coverage terms and reprice risk on an annual basis, and whose investments are relatively short-term) should not be required to show they are assessing risks that are not relevant to them.
Ekō	Global	We welcome the inclusion of forward-looking assessments in the risk management system, recognizing that climate-related financial risks can't be measured solely with historical data. Since the necessary economic transformations for net zero are unprecedented, these assessments should be prioritized when evaluating climate risks.

Ceres	United States	Ceres supports the proposed additions to section 4.1 on integrating climate-related risks into the scope of the insurers' risk management systems. This guidance correctly emphasizes the cross-cutting nature of climate risk and its potential to affect multiple aspects of an insurer's balance sheet, business strategy, and risk profile. We appreciate the specific examples provided of how climate risks could materialize for different types of insurers, such as increased mortality for life insurers due to heat waves, or more frequent natural catastrophes for non-life insurers. The reference to transition risks and the potential for stranded assets in sectors affected by the low-carbon transition is also highly pertinent. These concrete illustrations can help insurers better understand the materiality and transmission channels of climate risks within their own unique contexts. Ceres fully agrees with the statement that insurers should assess and document how climate risk could materialize within each area of their risk management system, taking into account risk mitigation measures and the varying time horizons over which impacts may occur. This type of comprehensive and granular assessment is essential for building a robust understanding of climate risk exposures and informing appropriate management actions. We also strongly support the call for insurers to develop forward-looking assessment tools that go beyond historical data and traditional risk modeling techniques. The recognition that climate risks are complex, uncertain, and dynamic in nature is spot-on. Insurers will need to evolve their quantitative and qualitative analysis in line with advances in climate science, scenario modeling, and data availability to stay on top of this rapidly shifting risk landscape. To further strengthen this section, Ceres recommends that the IAIS: 1. Provide more guidance on the types of tools and methodologies insurers could use to translate climate scenarios into financial risk metrics, such as climate Value-at-Risk or scenario-based capital charges. Sharing illustrative examples or case studies of emerging good practices in this area could help accelerate adoption. 2. Encourage insurers to engage with external data, modeling, and service providers to enhance their climate risk assessment capabilities, while ensuring appropriate due diligence and internal accountability for any outsourced elements. Industry collaboration and knowledge-sharing platforms could also be highlighted as valuable resources. 3. Emphasize the need for insurers to consider not only the impacts of climate risks on individual risk categories, but also the potential for amplified or cascading effects across the risk landscape. Capturing these complex interactions and feedback loops will require a more integrated and dynamic approach to risk management.

		4. Highlight the importance of setting clear risk appetite statements, limits, and key risk indicators for climate risk exposures, informed by forward-looking scenario analysis. This can help translate high-level risk assessments into actionable monitoring and steering metrics for senior management and the board. Integrating climate risks into the heart of insurers' risk management frameworks is an urgent imperative for the resilience of the sector and broader financial stability. The IAIS's proposed guidance in this area is timely and well-focused.

International Actuarial Association (IAA)	International	Comment on Point 52 It appears that the list of examples considers acute risks and disregards chronic risks.
Natural Resources Defense Council	United States	We support the addition of new guidance in 4.1, paragraph 44. We agree that historical data and past trends are unlikely to fully capture the increasing occurrence of climate-related weather and market events, and might not be reliable tools for forecasting physical and transition risks. Using forward-looking assessments under different time horizons to complement historical data analysis in risk management will better capture the complexity and uncertainty of climate-related risks. Please refer to our response to item 20 for details on the limitations of historical data, and our response to item 7 on the merits of integrating stress testing and scenario analysis into risk management.

Global Federation of Insurance Associations (GFIA)	Global	Since an integrated approach has not been established for climate-related risks, GFIA believes that examining the impact of investment strategies and business models on assets and liabilities is fraught with difficulties. The revisions to paragraph 44 recommend that insurers develop forward-looking assessments under different time horizons. This discussion should also recognise the limitations of climate scenario assessments. For example, to inform concrete business and risk management decisions today, due to inherent uncertainties of such forward-looking assessments and potential misalignment of assessment horizon with risk duration of underlying liability. While this paragraph notes that, "...insurers should develop tools to collect reliable quantitative and qualitative data", it is difficult for each insurer to develop its own tools. In addition, it is desirable to ensure a certain degree of consistency and comparability of analytical results among insurers. To this extent, GFIA recommends that the IAIS promotes the exchange of best practices for jurisdictions/companies that are interested. GFIA would like to emphasise the following points regarding the wording of paragraph 44: • The original wording of the third sentence in red starting with, "Therefore, insurers should consider…" should either be deleted completely or reworded to, "Therefore insurers should consider adopting a more integrated approach, where feasible, given the complexity and uncertainty of climate-related risks." The original is too prescriptive as scenario analysis is not necessarily the correct tool to inform risk modelling and risk management. • After, “risk assessment and management system”, the language, “as appropriate to the insurer’s business model” should be inserted. With regard to paragraph 49, "forward-looking assessments", specific methods should be presented.
EDHECinfra & Private Assets	Singapore	No comments

Finance Watch	European Union	Finance Watch welcomes the addition of forward-looking assessments into the risk management system. This approach aligns with the nature of climate-related financial risk, which cannot be measured using backward looking data analysis alone, as the transition has not yet occurred (at the scale which is required in the future) and, thus, transition risk is not captured in historical data. The use of forward-looking methodologies marks a significant advancement in how environment-related financial risks, particularly those related to climate change, are assessed. We recognize that forward-looking methodologies hinge on certain assumptions and models, in particular those used in the analyses of different transition scenarios, which can greatly influence the results. Finance Watch has drawn the attention to the current modelling limitations and modelling flaws in the current scenario analyses in its report Finance in a hot house world (https://www.finance-watch.org/policy-portal/sustainable-finance/report-finance-in-a-hot-house-world/). Recognising the forward-looking nature of climate-related transition risk and only small steps made towards transitioning the real economy to date, we emphasise the fact that this risk is likely to only grow bigger in the future, as the pace of the necessary economic transformations to achieve the net zero objective needs to be faster than the transformations that have already happened. Hence, we strongly support that at this stage more weight is given to the forward-looking methodologies and their development rather than relying on historical data, which is only likely to perpetuate the failure of the current prudential rules to price in climate-related risks. In particular, investees' and clients' transition plans (whenever available) should be referenced as a source of forward-looking information. Moving towards a global common baseline on transition plans would facilitate development of credible and comparable approaches to climate-related risk assessment and management. We also refer to our response to the latest public consultation by EIOPA on the prudential treatment of sustainability risks (https://www.finance-watch.org/policy-portal/sustainable-finance/eiopas-report-shows-they-take-climate-risk-seriously-consultation-response/).
Public Citizen	United States	We support this addition.

MSCI ESG Research LLC	United States of America	Please refer our response to ICP guidance 15.4.1
American Academy of Actuaries	United States of America	We recommend that the revisions to paragraph 44 acknowledge the limitations of and uncertainty around climate scenario assessments, particularly for longer time horizons.
General comments on the proposed additions to reflect climate risk in existing supporting material related to ICP 14 (Valuation)		
Groundsure	Environmental Consultancy	Would flagging up potential climate related risks in property transactions, be beneficial in safeguarding lender portfolios and also understand potential issues with insurance? We can help with identifying these risks with our ClimateIndex product - https://www.groundsure.com.au/
American Property Casualty Insurance Association	United States	The general tenor of this discussion seems to be that the entities performing current valuations of insurer assets and liabilities, and their supervisors, are not taking the potential effects of climate risk into account. We do not believe that is the case. Market valuations reflect the market's current opinion about the future effects of climate risk, and impairment assessments of assets valued at amortized cost do the same. The supervisor's responsibility here is to make sure that insurers are appropriately taking potential climate risk effects into account, not to impose its own view of the effects of climate risk. To the extent this discussion is intended to assure this, we agree.

Ceres	United States	Ceres commends the IAIS for proposing new supporting material related to ICP 14 that highlights the importance of considering climate risk in the valuation of insurers' assets and liabilities. As the physical and transition risks from climate change increasingly affect the insurance sector, it is critical that these impacts are appropriately reflected in insurers' balance sheets and solvency assessments. The proposed guidance recognizes that climate risk can manifest through both the asset and liability sides of insurers' balance sheets, with implications for valuation methodologies, assumptions, and data inputs. On the asset side, the potential for transition and physical risks to impact the value of investments across multiple asset classes, including equities, bonds, real estate, and loans, is well-noted. The examples provided of how climate-related factors could lead to impairments, stranded assets, or market disruptions are illustrative and can help guide insurers' analysis. Importantly, the guidance emphasizes that while the impacts of climate risk may not yet be fully apparent or reliably estimable in current valuations, this is likely to change as the low-carbon transition accelerates and the physical effects of climate change intensify. Insurers will need to continually update their valuation approaches and assumptions to reflect the latest information and trends, even if this introduces a degree of uncertainty in the near-term. On the liability side, Ceres agrees that insurers should consider how climate risk could affect the frequency, severity, and correlation of claims across different lines of business, as well as the potential for changes in key valuation assumptions such as mortality, morbidity, and lapse rates. The distinction between short-duration and long-duration liabilities is important, as the impacts of climate change are likely to become more pronounced and estimable over longer time horizons. The guidance also rightly highlights the challenges in incorporating climate risk into liability valuations, given the limitations of historical data, the non-linear and uncertain nature of climate impacts, and the potential for complex interactions between different risk factors. Insurers will need to develop forward-looking modeling approaches, leverage external data and expertise, and apply expert judgment to navigate these challenges.

Natural Resources Defense Council	United States	NO COMMENT
Global Federation of Insurance Associations (GFIA)	Global	The recommendation set out in ICP 14 that supervisors review insurers' valuation methodologies to ensure the impacts of climate risk on their investments are being considered, raises concerns. It could be perceived that the potential effects of climate change are not sufficiently taken into account. GFIA would like to highlight that insurers are making a large effort to appropriately assess the effects of climate change and manage respective risks subject to the materiality to the insurer. Market valuations reflect the market's current opinion about the future effects of climate change, as so impairment assessments of assets valued at amortized cost. The supervisor's responsibility here is to make sure that insurers are appropriately taking potential climate change effects into account, This recommendation does not take sufficiently into account how investment teams take climate risk into consideration as a transversal risk across what may be considered more "traditional" categories of investment risk. Requiring investment teams to isolate climate risk in their processes can tilt decisions towards one risk driver. Similarly, on the liability side, GFIA would suggest this recommendation keeps a better balance between climate risks and other risks.

EDHECinfra & Private Assets	Singapore	Since the main effects of climate change will come in the next decades, insurers should consider forward-looking climate metrics, based on financial materiality and the expected loss in asset value considering several climate scenarios. Making explicit the types of climate risks that insurers should consider, the time horizons that their analysis should cover, the type of climate-related data, and the use of quantitative analyses and metrics as much as possible. Details of how this could be integrated are in the comments in this section below. EDHECinfra & Private Assets developed a methodology to quantify climate risks in infrastructure asset valuation (see https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4779788). After introducing the climate scenarios framework, we present our model and our findings. We show that by 2050, if no actions are taken to mitigate climate change, the potential losses due to climate risks will be about 10 times higher than they would be if climate policies had been implemented. Moreover, the authors show that even a delayed implementation of such policies is a far better option than not implementing them at all. Indeed, the potential losses associated with a late transition are projected to be, by 2050, more than six times smaller than the potential losses of not transitioning at all.
Public Citizen	United States	We support this section of the supporting material.
Comments on section on Valuation of assets		
Groundsure	Environmental Consultancy	Would flagging up potential climate related risks in property transactions, be beneficial in safeguarding lender portfolios and also understand potential issues with insurance? We can help with identifying these risks with our ClimateIndex product - https://www.groundsure.com.au/
General Insurance Association of Japan	Japan	While we do not dispute that climate risk "has the potential" to affect the valuation of assets, we believe that quantitative impact analysis is needed to consider climate risk in investment behavior and business models. Until that is in place, it will be difficult to respond sufficiently. While Paragraph 3 explains that "As the ICPs address risks more broadly, ICP 14 does not directly discuss how climate risk specifically could impact the drivers of valuation and how insurers should consider the impact on those drivers in valuation", we would appreciate it if the IAIS could provide some specific examples of methods for assessing the impact of climate risk on assets. As mentioned in Paragraph 14, it is difficult to estimate the impact of climate risk on assets at this time, but if there are good practices, it would be useful for both supervisors and insurers.

Ceres	United States	Ceres commends the IAIS for proposing new supporting material related to ICP 14 that highlights the importance of considering climate risk in the valuation of insurers' assets and liabilities. As the physical and transition risks from climate change increasingly affect the insurance sector, it is important that these impacts are appropriately reflected in insurers' balance sheets and solvency assessments. The proposed guidance recognizes that climate risk can manifest through both the asset and liability sides of insurers' balance sheets, with implications for valuation methodologies, assumptions, and data inputs. On the asset side, the potential for transition and physical risks to impact the value of investments across multiple asset classes, including equities, bonds, real estate, and loans, is well-noted. The examples provided of how climate-related factors could lead to impairments, stranded assets, or market disruptions are further illustrative and can help guide insurers' analysis. Importantly, the guidance emphasizes that while the impacts of climate risk may not yet be fully apparent or reliably estimable in current valuations, this is likely to change as the low-carbon transition accelerates and the physical effects of climate change intensify. Insurers will need to continually update their valuation approaches and assumptions to reflect the latest information and trends, even if this introduces a degree of uncertainty in the near term. On the liability side, Ceres agrees that insurers should consider how climate risk could affect the frequency, severity, and correlation of claims across different lines of business, as well as the potential for changes in key valuation assumptions such as mortality, morbidity, and lapse rates. The distinction between short-duration and long-duration liabilities is important, as the impacts of climate change are likely to become more pronounced and estimable over longer time horizons. The proposed language also correctly highlights the challenges in incorporating climate risk into liability valuations, given the limitations of historical data, the non-linear and uncertain nature of climate impacts, and the potential for complex interactions between different risk factors. Insurers will need to develop forward-looking modeling approaches, leverage external data and expertise, and apply expert judgment to navigate these challenges. To further strengthen the guidance, Ceres suggests that the IAIS: 1. Provide more specific examples or case studies of how insurers are integrating climate risk into their valuation methodologies and assumptions for different asset classes and lines of business. Sharing emerging good practices can help accelerate the development of industry standards. 2. Encourage insurers to leverage climate scenario analysis to assess the potential impacts of transition and physical risks

		on asset and liability valuations over different time horizons 3. Highlight the importance of considering the interdependencies and correlations between climate risks across the balance sheet, rather than assessing assets and liabilities in isolation. A holistic approach to climate risk assessment is needed to capture potential amplification effects and risk concentrations. 4. Emphasize the need for insurers to disclose their approach to climate risk integration in valuation processes, including key assumptions, uncertainties, and sensitivities. Transparency in this area can help build market confidence and enable more informed decision-making by stakeholders. 5. Encourage supervisors to engage in dialogue with insurers on their climate risk valuation practices, and to share insights and lessons learned across the sector. Collaboration and knowledge-sharing will be essential to drive convergence towards best practices over time. Overall, Ceres believes that the proposed guidance is a valuable addition to the ICPs and can help drive more consistent integration of climate risk into insurers' valuation and solvency assessment processes. We encourage the IAIS to finalize and disseminate this guidance as soon as possible, and to continue engaging with stakeholders to monitor implementation and identify areas for further enhancement.

Natural Resources Defense Council	United States	We commend the addition of new ICP 14 supporting material providing guidance on climate risk and valuation. As insurers estimate the value of their assets and liabilities, they must recognize and assess underlying climate risks, which may not yet be properly reflected in valuation criteria or in credit ratings. • Physical Risks are risks of harm to people and property from acute, climate-related disaster events such as hurricanes, wildfires, floods, and heatwaves, as well as longer-term chronic phenomena like higher average temperatures, droughts and other changes in precipitation patterns, sea level rise, and ocean acidification. They include the potential for higher frequency and severity of such disruptive events and phenomena. All of these can cause financial losses to companies and industries. Acute climate events may also cause mass displacements of people, which may have negative consequences for businesses focused in the affected region. This can lead to write-downs on investments in affected areas or industries. • Transition Risks are associated with the uncertain financial effects that could result from the economy and society's movement to reduce greenhouse gas emissions and transition to renewable energy; these risks may result from technological breakthroughs or limitations, policy changes and new regulation, and shifts in consumer preferences and social norms. Examples include risks of declining value of fossil fuel reserves, declining vitality of fossil fuel production and service businesses, and adverse economic effects on fossil fuel commodity prices. The physical and transition risks associated with climate change may affect insurers in a range of ways, including the sudden and disruptive repricing of assets, financial intermediaries experiencing significant losses, the impairment of financial market functioning, and the need for markets and market participants to adapt to rapid changes in policy, technology, and consumer preferences. These are manifestations of traditional forms of risk, and should be assessed and managed as such, as discussed in our response to item 3 above. Finally, physical and transition risks are likely to unfold in parallel, interacting in unforeseeable ways, and exacerbating pre-existing financial system vulnerabilities (for example, high interest rates and persistent inflation).

Global Federation of Insurance Associations (GFIA)	Global	While GFIA does not dispute that climate risk “has the potential” to affect the valuation of assets, GFIA believes that quantitative impact analysis is needed to consider climate risk in investment behaviour and business models. Until that is in place, it is difficult to offer a sufficient response. While paragraph 3 notes that, "As the ICPs address risks more broadly, ICP 14 does not directly discuss how climate risk specifically could impact the drivers of valuation and how insurers should consider the impact on those drivers in valuation”, GFIA recalls that the tools to assess climate risk are still emerging and data availability are still an issue. The IAIS should be mindful of that.
EDHECinfra & Private Assets	Singapore	Please refer to the comments under "General comments on the proposed changes to reflect climate risk in ICP 15 (Investments) guidance material"
Finance Watch	European Union	Finance Watch welcomes the recognition that climate change will affect asset valuations. Acknowledging the potential for climate risk to diminish the value of investments through both transition and physical risks is essential to evolve proper risk management in the sector.
Public Citizen	United States	We support this section of the supporting material.
Comments on section on Impacts on types of valuations		
General Insurance Association of Japan	Japan	The "reliable" valuation described in this section has not been established at this time. We would like to confirm that the supervisor agrees with this.

The Geneva Association	International	Paragraph 11. Suggested rewording to add concepts of materiality and reliability: "Valuation may be based on different levels of market information. Regardless of the method or level of market information, valuations should reflect known reliable information, including any "financially material" impacts from climate change, "when reliable and estimable"." Paragraph 12. Suggested rewording to incorporate materiality: “If assets are valued based on amortised cost, impairment evaluations should consider reliably estimable potential cash flows including any "financially material" reduction in future cash flows due to transition and physical risk.” Paragraph 14. This paragraph places emphasis on climate-related risks and, as currently articulated, appears to give this risk precedence over other risks. We believe it is important for the regulatory framework to promote an equitable focus on all types of risk. If climate risk were to be retained, we believe it is important to add materiality qualifications around it, such as through the following rewording: “Supervisors should review insurers’ valuation methodologies to determine whether known and reliable estimable information, including the “financially material” impacts of climate risk on their investments, are being considered."

Ceres	United States	Ceres strongly supports the proposed guidance on the valuation of assets in the context of climate risk. The added language recognizes that climate change can impact the value of insurers' investments through both transition and physical risks, with potentially significant implications for solvency and financial stability. The examples provided across different asset classes, such as equities, bonds, loans, and real estate, are illustrative and can help guide insurers' own risk assessments. Ceres particularly appreciates the recognition that climate risks can have both direct and indirect impacts on asset values, and that these impacts may be non-linear and correlated across sectors and geographies. This section also emphasizes the potential for abrupt shifts in asset prices and market sentiment as the physical and transition impacts of climate change become more apparent. Insurers will need to be proactive in monitoring and managing these risks, rather than relying solely on historical data or market signals. To further strengthen this section, Ceres suggests that the IAIS: 1. Encourage insurers to conduct forward-looking scenario analysis to assess the potential impacts of different climate risk pathways on their asset portfolios. This should include both orderly and disorderly transition scenarios, as well as different levels of physical climate impact. The New York Department of Financial Institutions (NYDFS) Climate Risk Guidance serves as an additional resource for insurers conducting these analyses and can be found here: https://www.dfs.ny.gov/system/files/documents/2022/12/dfs_proposed_guidance_banking_mortgage_climate_change_202212.pdf. 2. Highlight the importance of considering not just individual assets or issuers, but also the potential for systemic risks and market-wide disruptions due to climate change. Insurers should assess their exposure to climate-sensitive sectors and geographies at a portfolio level and consider potential amplification effects across asset classes. 3. Emphasize the need for insurers to engage with investee companies and asset managers to better understand their climate risk management practices and transition plans. This due diligence can help inform insurers' own risk assessments and investment decisions. 4. Encourage supervisors to assess the adequacy of insurers' climate risk valuation practices as part of their regular supervisory activities, and to share good practices and lessons learned across the sector. Supervisors may also consider conducting thematic reviews or stress tests to assess the resilience of insurers' asset portfolios to different climate risk scenarios.

		By providing clear guidance on the integration of climate risk into asset valuations, the IAIS can help drive more consistent and robust practices across the insurance sector. This is critical for ensuring that insurers are accurately reflecting the risks on their balance sheets and making informed decisions about capital allocation and risk management.

Natural Resources Defense Council	United States	NO COMMENT
Global Federation of Insurance Associations (GFIA)	Global	The "reliable" valuation described in this section has not been established at this time. GFIA would like to confirm that the IAIS agrees to this. Paragraph 11: GFIA suggests adding "financially material" in front of "impacts", and adding, "when reliable and estimable" at the end of the sentence. Paragraph 12: GFIA supports adding "financially material" in front of "reduction." Paragraph 14: GFIA supports adding "financially material" ahead of "impacts" in the first sentence.
EDHECinfra & Private Assets	Singapore	No comments

Finance Watch	European Union	Finance Watch would like to point out the need to further develop valuation methodologies to ensure that climate-related risks are accurately reflected in asset valuations without delay. Currently, there is no evidence that market prices adequately reflect climate-related information (both transition-related as well as information related to likely future physical disruptions). This is due to the specific features of climate-related physical risks (which were extensively elaborated upon in the "Green Swan" book by the BIS), uncertainties associated with the transition and inability of the existing pricing models to account for these specifics. For instance, the Carbon Tracker Initiative report "Still Flying Blind: The Absence of Climate Risk in Financial Reporting" highlights this gap (https://carbontracker.org/reports/still-flying-blind-the-absence-of-climate-risk-in-financial-reporting/). Waiting for market prices to adjust before updating valuation methodologies will likely lead to cliff effects—abrupt market price swings and significant valuation corrections in the future. This delay can make risks unmanageable and have severe consequences for the solvency of insurers. Therefore, it is imperative to proactively develop and implement qualitative approaches to incorporating climate-related risks into asset valuations (as well as risk assessments based on precautionary approach) to mitigate financial stability risks.
Public Citizen	United States	We support this section of the supporting material.
Comments on section on Time horizons of the investment		
General Insurance Association of Japan	Japan	For insurers with long-term liabilities, having assets with long durations is preferable from an ALM perspective. However, climate-related risks, which are difficult to assess, are hard to consider in a long-term time horizon. This may conflict with ALM-oriented controls.

Ceres	United States	Ceres strongly supports the proposed guidance on considering the time horizons of insurers' investments in the context of climate risk. As the guidance notes, the potential impacts of climate change on insurers' investment portfolios are likely to increase over time, particularly for assets with longer durations. For life insurers and other institutions with long-dated liabilities, the asset-liability matching process often involves investing in bonds and other securities with maturities spanning decades. Over these extended time horizons, the physical and transition risks associated with climate change are likely to become increasingly material and impactful. Gradual shifts in market sentiment, technological advancements, and policy landscapes could lead to significant repricing of assets, while the intensifying effects of global warming could lead to more frequent and severe extreme weather events. Given these realities, it is critical that insurers take a long-term view when assessing the potential effects of climate risk on their investments. This may require going beyond traditional risk models and historical data, which may not fully capture the non-linear and path-dependent nature of climate-related risks. Instead, insurers will need to incorporate forward-looking scenario analysis and stress testing into their valuation frameworks to explore a range of plausible climate futures. Ceres agrees that supervisors have an important role to play in reviewing the sources of information and assumptions used by insurers in their climate risk assessments. As the guidance notes, the availability and quality of climate-related data and analytics are rapidly evolving, with new research, methodologies, and disclosure frameworks emerging regularly. Supervisors should expect insurers to keep pace with these developments and to incorporate the most current and reliable information into their valuations. To further strengthen this section, Ceres suggests that the IAIS: 1. Provide more specific guidance on the types of long-term climate scenarios and risk factors that insurers should consider in their investment valuations. This could include references to established frameworks such as the NGFS scenarios, as well as emerging best practices around physical and transition risk modelling. 2. Encourage insurers to engage with their asset managers, external data providers, and other relevant stakeholders to stay abreast of the latest developments in climate risk assessment and to collaborate on improving the quality and consistency of information used in valuations. 3. Highlight the importance of considering not just the direct impacts of climate risk on individual assets, but also the potential for systemic risks and market-wide shifts over time. Supervisors should encourage insurers to take a holistic and multi-disciplinary approach to climate risk assessment that considers the complex interplay between physical, transition,

		and socioeconomic factors. 4. Emphasize the need for insurers to regularly review and update their climate risk assumptions and valuation approaches as new information becomes available. Supervisors should look for evidence that insurers are treating climate risk as a dynamic and evolving issue, rather than a static or one-off exercise. Ceres believes that the proposed guidance on time horizons and information sources is a valuable addition to the ICPs. It underscores the importance of taking a long-term and forward-looking approach to climate risk assessment in insurance investment portfolios, and the critical role that supervisors can play in promoting the use of the best available data and analytics.

Natural Resources Defense Council	United States	We support the direction to supervisors to consider the time horizons of insurers' investments and to evaluate the currency of the information they use in valuation. Longer-dated investments are more likely to face increasing climate risk over time. Evaluating all relevant time frames in risk modeling is thus critical. It can help provide a clearer picture of tail risks with increasingly higher probability. Please see our response to item 7 for more details on the merits of scenario analysis to evaluate longer-term risks.
Global Federation of Insurance Associations (GFIA)	Global	For insurers with long-term liabilities, having assets with long durations is preferable from an ALM perspective. While climate-related risks, which are difficult to assess, are hard to consider over a long-term time horizon due to inherent uncertainties. Also, other risk drivers might be more dominant over a long-time horizon. Paragraph 16: GFIA believes that the IAIS should delete the final sentence of the paragraph.
EDHECinfra & Private Assets	Singapore	Please refer to the comments under "Comments on proposed changes to ICP guidance 15.4.2"

Finance Watch	European Union	Finance Watch recommends including guidance on the use of forward-looking information derived from transition plans. Insurers should take into account the transition plans of their investee companies and clients when assessing investment and underwriting risk levels. Transition plans provide valuable insights into how companies intend to adapt to a low-carbon economy, including policy changes, technological advancements, and mitigation of physical risks. By integrating these plans into their valuation processes, insurers can more accurately forecast potential impacts on asset values and better manage transition risks. This approach will not only enhance the quality of information used in valuations but also ensure that insurers are proactively preparing for the dynamic nature of climate-related risks. Supervisors should assess whether insurers are incorporating the most current and reliable forward-looking information available, including clients' transition plans, to improve the resilience and sustainability of their investment portfolios. We also refer to the recommendations in our latest publication on the insurance sector (https://www.finance-watch.org/policy-portal/sustainable-finance/report-transition-planning-for-insurers-a-supervisory-tool-to-improve-climate-risk-resilience/).
Public Citizen	United States	We support this section of the supporting material.
Comments on section on Valuation of liabilities		
General Insurance Association of Japan	Japan	As for "Regarding the latter, economic scenario generators should be calibrated to current market prices" in Paragraph 22, approaches exist that do not employ economic scenario generators. Therefore, we suggest revising the sentence as follows: "Regarding the latter, predictions based on economic scenarios should be calibrated to current market prices".
The Geneva Association	International	Paragraph 22. Suggested rewording to add the concept of financial materiality: "For (longer-term) life business, the long horizon for cashflows also means that there may be room to consider the impact of climate change in the calculation of the current estimate, if the impacts are "financially material and" reliably estimable."

American Property Casualty Insurance Association	United States	Paragraph 19 seems to combine the consideration of short-term liabilities with considerations used to set future premiums. Future effects of climate risk do not affect current liabilities for events that have already occurred (as noted in paragraph 23). We strongly agree with paragraph 20's suggestion that non-life insurers should use inputs such as catastrophe modelling in setting rates and in working to increase risk mitigation and resilience. APCIA's members have been involved in these efforts for a long time.
Ekō	Global	We would like to emphasize the need to address the change that valuation of liabilities can have on consumers, such as higher insurance costs and potential uninsurability, especially in high-risk areas like flood- and hurricane-prone regions in the United States. The burden of climate change should not be put on consumers.

Ceres	United States	Ceres appreciates the IAIS's proposed guidance on the valuation of insurance liabilities in the context of climate risk. As the proposed language notes, incorporating climate change considerations into liability valuation poses several challenges, but is nonetheless critical for ensuring that insurers' balance sheets and solvency assessments accurately reflect the risks they face. This section acknowledges that the impact of climate change on liability valuation may differ depending on the type of insurance and the duration of the liabilities involved. For short-duration liabilities, such as those in most non-life insurance contracts, the effects of climate change may be less pronounced than for long-duration liabilities, such as those in life and health insurance. However, even for short-duration business, climate change is already affecting claims experience today, and historical data may not be a reliable predictor of future trends due to the non-linear and uncertain nature of climate risks. Ceres agrees that insurers should take a prudent and forward-looking approach to incorporating climate risks into their liability valuations. This may involve supplementing historical loss data with advanced catastrophe modeling, stress testing, and scenario analysis to explore potential changes in claims frequency and severity under different climate pathways. Insurers should also consider how climate risks may affect key valuation assumptions, such as mortality and morbidity rates, expense projections, and policyholder behavior. For long-duration business, the language notes that there may be more scope to explicitly incorporate climate risk factors into the calculation of current estimates, to the extent that these impacts can be reliably estimated. Insurers should ensure that their economic scenario generators, expense assumptions, and demographic assumptions reflect the latest available information on climate trends and their potential effects on future cash flows. The supporting material also highlights the importance of considering emerging risks, such as the potential for climate-related litigation to impact certain lines of business like directors' and officers' liability insurance. Insurers will need to stay abreast of developments in this space and assess the potential for these risks to affect their claims experience over time. To further strengthen the guidance, Ceres suggests that the IAIS: 1. Encourage insurers to develop integrated internal processes and controls around climate risk incorporation in liability valuation, including regular review and updating of assumptions, models, and data sources as new information becomes available. Insurers should document these processes and be able to explain their approach to supervisors. 2. Highlight the importance of considering the interplay between asset and liability valuations, and the need for consistency

		in the climate-related assumptions used on both sides of the balance sheet. Insurers should assess the potential for climate risks to affect asset-liability management and take appropriate actions to mitigate any mismatches. 3. Provide additional examples or case studies of how different types of insurers are approaching climate risk incorporation in liability valuation, including key challenges faced and emerging best practices. Sharing knowledge and experiences across the industry can help accelerate the development of robust valuation practices. 4. Emphasize the need for ongoing dialogue between insurers and supervisors on the evolving landscape of climate-related risks and their implications for liability valuation. Supervisors should set clear expectations for insurers' climate risk disclosures and be prepared to challenge insurers' approaches where deemed insufficient. Insurers that embed climate risk considerations into liability valuation will be better positioned to price their products appropriately, maintain adequate reserves, and support their policyholders and society in building financial resilience.

International Actuarial Association (IAA)	International	The paper does not seem to address some of the specific issues related to how climate-related risks could impact valuation of future claims liabilities. In addition, firstly, there is so much uncertainty about the future that future outcomes may not be reliably estimated. For many other assumptions, more or less reliable estimates can be given; however, it is not the case for the assumptions that are related to climate change. Scenarios do not help if no reliable probability can be associated with each scenario. Guidance should be provided to insurers which aspect they should give more emphasis in the valuation: prudence or absence of bias. Secondly, given it is likely that a reliable central estimate is unavailable, to what extent should insurers consider the uncertainty related to climate in the central estimate or in the margin over it? Thirdly, it could be noted that insurers should consider the impact of mitigation and adaptation where relevant.
Natural Resources Defense Council	United States	With respect to valuation of liabilities, we note in particular the issues that may arise from the use of historic data with respect to climate, as discussed above in our response to item 20. We agree that historic data may not accurately predict future trends in the context of climate change, and that guidance should emphasize the need to supplement that data with forward-looking assessments.

Global Federation of Insurance Associations (GFIA)	Global	Paragraph 19 seems to combine consideration of short-term liabilities with considerations used to set future premiums. Future effects of climate change do not affect current liabilities for events that have already occurred (as noted in paragraph 23). GFIA strongly agrees with paragraph 20's suggestion that non-life insurers should use inputs, such as catastrophe modelling, in setting rates and work to increase risk mitigation and resilience. Insurers have been involved in these efforts for many years. Paragraph 22: GFIA recommends adding "material and" ahead of "reliably estimable" in the first sentence. As for "Regarding the latter, economic scenario generators should be calibrated to current market prices", there would be approaches without using economic scenario generators. Therefore, GFIA suggests revising the sentence as follows: "Regarding the latter, predictions based on economic scenarios should be calibrated to current market prices." Paragraph 26: GFIA suggests deleting "Supervisors should consider if data used in these processes reflect current climate risk exposure."
EDHECinfra & Private Assets	Singapore	Please refer to the comments under "Comments on proposed changes to ICP guidance 15.3.1"

Finance Watch	European Union	Finance Watch welcomes the recognition that the valuation of liabilities will change due to the increasing frequency and severity of climate events for non-life insurance, as well as the impacts of climate change on health and longevity for life insurance. This acknowledgment highlights the evolving nature of risk and the need for insurers to adapt their valuation models accordingly. However, it is important to address the implications of these changes on consumers. As insurers adjust the valuation of liabilities, there will inevitably be a need to re-price insurance products. This re-pricing could lead to insurability problems, where certain risks become prohibitively expensive for consumers to insure against. It is essential that insurers do not fully transfer this burden to end consumers, as price increases will inevitably hit a ceiling. This could result in reduced accessibility to insurance and greater financial vulnerability for policyholders. This necessitates a broader discussion about the potential solutions to insurability problems, holistic consideration of insurers' actions on climate change mitigation and adaptation and transparency of pricing decisions. In particular, we stress the need for enhanced transparency towards supervisors regarding changes in valuation and pricing.
Public Citizen	United States	As climate change impacts the valuation of liabilities, IAIS should note the limits of responding by raising premiums or reducing coverage for consumers and note that these cannot be the primary methods by which insurers manage long-term risks. Consumers do not have unlimited ability to absorb price increases and cannot respond as quickly as insurers can raise premiums or reduce coverage. A mismatch between insurer risk management strategies and consumer behavior can increase both reputational risks for insurers and the potential for systemic risk.
General comments on the proposed additions to reflect climate risk in existing supporting material related to ICP 15 (Investments)		

Institute of International Finance	USA	We agree with the need for insurers to consider the potential impacts of climate change on the insurer's investments and insurers generally do conduct these assessments. However, despite the development of various methodologies to assess, categorize and disclose financial institutions' exposures to climate transition risk, there remains little formal consensus as to the most suitable and relevant data and metrics through which to do so. The metrics that are most useful may differ by business line. Moreover, some commonly used metrics, such as GHG emissions, are not pure risk metrics but, rather, impact metrics. Conceptually and empirically, emissions-based metrics do not provide a comprehensive indication of a company's overall exposure to transition risk and therefore financial risk. For example, an investee with a higher starting level of GHG emissions and a credible transition plan may be less exposed to transition risk over the medium- to long-term than an investee with lower starting GHG emissions and no transition plan. More generally, while transition and physical risk drivers may be relevant inputs into an insurer's risk management framework, they do not necessarily equate to the risk of financial loss (e.g. market risk to the investment portfolio). Accordingly, we do not believe that supervisors need to establish prescriptive regulatory investment requirements that include the impacts of climate change, as suggested in Paragraph 1 in the proposed new supporting material related to ICP 15. Any prescriptive, one-size-fits-all requirements would be at odds with the principle of proportionality and could give rise to negative unintended consequences, including herding behavior, if applied to all insurers in a particular jurisdiction. It is also seriously at odds with the responsibility and duties of the insurer's board and senior management to decide an appropriate investment strategy and policies for the insurer and to manage the company's assets and liabilities, taking into consideration all material risks (as acknowledged in Paragraphs 3 and 7). Rather, we support the approach taken in Paragraph 17 under the proposed new climate risk-related supporting material related to ICP 16, which recognizes that the unique business strategy, investment portfolio and risk profile of each insurer will affect the degree of impact on the organization of climate-related financial risks. This Paragraph also properly assigns to senior management the role of identifying, managing and mitigating those risks.

Ceres	United States	Ceres commends the IAIS for the proposed new supporting material related to ICP 15 on Investments. The supporting material additions recognize the significant and multifaceted impacts that climate change can have on insurers' investment portfolios, and the importance of proactively managing these risks to ensure solvency and financial resilience. This section provides a timely, comprehensive overview of how climate-related physical and transition risks can manifest through traditional risk categories such as credit risk, market risk, liquidity risk, and reputational risk. Importantly, it highlights the potential for complex, non-linear, and second-order effects, such as the devaluation of counterparties with high exposure to climate-sensitive sectors; this underscores the need for insurers to take a holistic and forward-looking approach to assessing climate risks in their investments. Ceres strongly supports the emphasis on both the "inward" and "outward" perspectives of climate risk for insurers' investments. The guidance rightly notes that the impact of climate change on the risk-return characteristics of investment portfolios is a key concern for solvency supervision. At the same time, it acknowledges that insurers' investment activities can also have outward impacts on the climate and that insurers should consider their policyholders' preferences and broader stakeholder expectations in this regard. The proposed additional language offers practical suggestions for how insurers can manage the outward impacts of their investments, such as through engagement with investee companies, divestment from high-risk assets, and the incorporation of ESG factors into investment strategies. Ceres agrees that such stewardship activities can play a critical role in influencing the real economy towards more sustainable practices and reducing systemic climate risks. The sections on ALM and risk assessment are also well-focused, emphasizing the need for insurers to consider climate risks across the full duration of their assets and liabilities, and to continuously monitor and manage these risks using a range of qualitative and quantitative tools. The call for insurers to conduct plausibility checks on external ESG ratings and to carefully evaluate the methodologies and judgments underpinning these assessments is particularly welcome. To further strengthen the guidance, Ceres suggests that the IAIS: 1. Provide more specific examples or case studies of how insurers are integrating climate risk considerations into their investment policies, processes, and decision-making. Sharing emerging best practices can help accelerate the adoption of these approaches across the industry. 2. Encourage insurers to set clear targets and metrics for aligning their investment portfolios with the goals of the Paris Agreement and to regularly disclose their progress towards these objectives. This could include metrics such as portfolio

		carbon footprints, green investment ratios, and alignment with science-based decarbonization pathways. 3. Emphasize the importance of capacity-building and knowledge-sharing on climate risk assessment and management within insurers' investment teams and among key service providers such as asset managers and ESG data providers. Supervisors could play a role in facilitating the development and dissemination of educational resources and training programs. 4. Highlight the need for insurers to consider not only the climate risk exposure of individual assets, but also the potential for amplification effects and systemic risks at the portfolio level. This may require the use of advanced scenario analysis and stress testing tools to assess the resilience of investment strategies under different climate futures. 5. Encourage supervisors to engage in regular dialogue with insurers on their climate risk investment practices and to take appropriate actions where material risks are not being adequately managed. This could include setting supervisory expectations for disclosure, governance, and risk management, and using thematic reviews or stress tests to assess industry-wide vulnerabilities. Ceres believes that the proposed supporting material for ICP 15 is a valuable addition to the global framework for insurance supervision. By providing clear guidance on how climate risks should be considered within insurers' investment activities, the IAIS can help to drive more consistent and proactive approaches across jurisdictions and support the alignment of insurance sector capital with sustainable, resilient, and net zero economic pathways.

Insurance Europe	Europe	The proposed material appears to be quite prescriptive.
Natural Resources Defense Council	United States	In conjunction with the proposed changes to ICP 15 Guidance, the proposed new supporting materials provide details on how an insurer's investment strategy should incorporate climate considerations. We support the inclusion of these materials, and pose below additional issues for your consideration regarding risk assessment and the importance of asset-liability management. An insurer's asset management strategy should include the review of issuers' climate-related disclosures and/or transition plans, in order to identify and manage climate-related risks of potential investments. Climate disclosures and transition plans can be valuable tools for insurance companies to understand the risks of their investments in a changing climate: • Disclosures may help insurers identify and understand the impact climate-related risks may have on an issuer's operations, like extreme weather events or rising sea levels. • An issuer's well-crafted transition plan should outline how the issuer will adjust its operations and business model to meet Paris Agreement-aligned climate goals. This can reveal potential transition risks, such as stranded assets, regulatory changes, and carbon pricing schemes. Analyzing an issuer's transition plan can help assess its preparedness for these risks and the potential impact on future profitability. • In addition to establishing targets, the plan should detail a credible strategy to achieve them. This may include details on investments in new technologies, operational changes, and supply chain adjustments. A vague or unrealistic plan suggests the issuer might not be prepared for the transition, increasing risk for investors. Review of issuers' climate disclosures and transition plans can thus help insurers to make informed decisions about portfolio investments by enabling a more informed risk-reward analysis.

Global Federation of Insurance Associations (GFIA)	Global	GFIA would like to raise concerns on the degree of the prescriptiveness of this part. Some part of this guidance seems out of the supervisor's remit and of the IAIS's mission to, "promote effective and globally consistent supervision of the insurance industry".
EDHECinfra & Private Assets	Singapore	Please refer to "Comments on new ICP guidance 15.2.6"
Comments on section on Climate change factor for investment requirements		
General Insurance Association of Japan	Japan	Given that, compared to financial risks, the likelihood of climate-related risks materializing is considered more uncertain, it is necessary to be aware of the risk that incorporating climate-related risks into investment strategies to the same extent as financial risks may lead to irrational investment decisions. Paragraph 3 (the last sentence): - Please provide examples of specific methods for "monitoring...the financial risks arising from climate change". - While we have no objection to this sentence in principle, we suggest noting that, for assets managed by third-party managers, monitoring and responding to climate-related risks may be difficult or limited due to restrictions on available information, requests from insurers (investors) to change their portfolio composition, etc. - We would like to confirm that "responding to the transition to a climate-resilient economy" means "responding to risks related to the transition to a climate-resilient economy".
The Geneva Association	International	The material related to ICP 15.1 should be revised to ensure that investment risk considerations are balanced. It's important to recognise that an insurer's investments can be overly focused on climate risk or heavily geared towards a potential "green" transition. This can lead to risk concentrations or missed investment opportunities, ultimately reducing policyholder protection. Long-term investors in real estate and infrastructure need to be concerned about the insurability of these assets over the long term. Investments in green infrastructure face the same issues, as many facilities developed for decarbonisation may become uninsurable due to physical climate risks over the asset's life cycle or the duration of the investment.

American Property Casualty Insurance Association	United States	The phrase “and take necessary action” should be deleted from the second sentence in paragraph 3. It is entirely appropriate for a supervisor to assess whether it believes an insurer is taking climate risk into account – it is not appropriate for the supervisor to direct an insurer to take action based on the supervisor’s view of climate risk.
Ekō	Global	- All scientific evidence states that there is no need for investment in new fossil fuel supply in our net zero pathway. - We therefore urge the IAIS to recognise this and state that investments into fossil fuel exploration are unjustifiable.
Institute of International Finance	USA	With respect to Paragraph 3, we would amend the third sentence to read that ‘it may be relevant for senior management of the insurer to assess and take necessary action as to how the impact from climate change on the insurer’s investment may affect the risk-return characteristics of a portfolio’. This assessment and any subsequent action should be taken by the senior management of the insurer rather than by the supervisor. Insurers invest their assets in light of a number of important objectives, including compliance with existing regulatory requirements and asset-liability management being among the most important given insurers’ obligations to policyholders. As noted above, insurers and supervisors have a common goal of ensuring that all material risks are well managed, including material climate-related financial risks. Supervisors should intervene in the event that senior management does not meet regulatory requirements or fails to adequately manage the risks of the investment portfolio (and particularly if risk management shortcomings could negatively impact policyholders). We believe that the ability of insurers to consider the impact of climate change on investments would be greatly facilitated by the growth of credible, transparent and voluntary carbon markets. We encourage the IAIS to consider how it could advocate for greater development of voluntary carbon markets, coordinating the IAIS role with other public sector bodies such as finance and environmental ministries.

Ceres	United States	Ceres strongly supports the proposed language on considering climate change as a factor in the regulatory investment requirements for insurers. The proposed language recognizes the significant and complex impacts that climate-related physical and transition risks can have on insurers' investment portfolios, and the importance of supervisors taking these risks into account when establishing and enforcing investment regulations. The guidance provides a clear and comprehensive overview of how climate risks can manifest through traditional risk categories such as credit risk, market risk, liquidity risk, and reputational risk. We appreciate the acknowledgment that these impacts can be non-linear and can include second-order effects, such as the devaluation of counterparties with high exposure to climate-sensitive sectors. Ceres agrees that the potential impact of climate change on the risk-return characteristics of insurers' investments is a critical consideration for solvency supervision. The material notes that the relevance and magnitude of these impacts may depend on factors such as the duration and quality of the asset portfolio and the effectiveness of ALM strategies. We welcome the emphasis on the need for ongoing monitoring and mitigation of climate risks by insurers, as well as the recognition that these risks can materialize suddenly and unexpectedly. The supporting material also makes an important point that insurers' approach to managing climate risks in their investments should be consistent and proactive, regardless of whether they invest directly or through third-party asset managers. This is essential for ensuring a level playing field and promoting the integration of climate considerations across the entire investment chain. To further strengthen this section, Ceres suggests that the IAIS: 1. Encourage supervisors to explicitly integrate climate risk considerations into their supervisory frameworks and assessment criteria for insurers' investment activities. This could include setting expectations for insurers' climate risk governance, disclosure, and scenario analysis, and using supervisory tools such as thematic reviews and stress tests to evaluate the resilience of investment portfolios to different climate scenarios. 2. Provide guidance on how supervisors can effectively monitor and assess the second-order and systemic impacts of climate change on insurers' investments, including through cross-sectoral collaboration with other financial regulators and climate experts. Developing a shared understanding of the complex transmission channels and feedback loops between climate risks and financial stability will be critical for effective supervision.

Natural Resources Defense Council	United States	We support the inclusion of new supporting material on the effect of climate change on insurer investments (related to ICP 15). Please see our response to item 3 for discussion of the manifestation of climate-related financial risk through traditional risk categories such as market risk, credit risk, liquidity risk, legal risk, and operational risk.
Global Federation of Insurance Associations (GFIA)	Global	The material related to ICP 15.1 should be revised to ensure that investment risk considerations are two-sided, not one-sided. In other words, an excessive focus on climate risks in insurers' investments could possibly lead to risk concentrations or lost investment opportunities, thus reducing policyholder protection. The phrase, "and take necessary action" should be deleted from the second sentence in paragraph 3. It is not appropriate for the supervisor to direct an insurer to take action based on the supervisor's view of climate risk. Given that compared to financial risks, the likelihood of climate-related risks materialising is considered more uncertain., climate-related risks are one part of the investment decision process, in the overall investment strategy. With regard to paragraph 3 (the last sentence), GFIA would suggest that the IAIS provides examples of specific methods for, "monitoring...the financial risks arising from climate change". While GFIA has no objection to this sentence in principle, GFIA suggests noting that for assets managed by third-party managers, monitoring and responding to climate-related risks may be difficult or limited due to restrictions of available information, requests from insurers (investors) to change their portfolio composition, etc. GFIA would like the IAIS to confirm that "responding to the transition to a climate-resilient economy" means, "responding to risks related to transition to a climate-resilient economy".
EDHECinfra & Private Assets	Singapore	No comments

Finance Watch	European Union	We agree with the IAIS' identification of the various factors through which climate change can influence investment values, including the risk of stranded assets. Recognizing the complex and non-linear impacts of climate-related risks, as well as their second-order effects, on insurers' investments is essential for effective risk management, which in particular call for a precautionary approach to addressing the risks. Finance Watch believes that the supporting material would benefit from the explicit consideration of the interplay between climate-related transition and physical risks, which leads to the recognition that, according to current evidence and scientific research, there is no scenario in which investments into new fossil fuel exploration or exploitation can be justified. In a transition scenario these assets would lose all of their values, whereas, in the case of no transition, the economy will be subject to very high physical risks and will be disrupted. This acknowledgment would reinforce the importance of aligning investment strategies with the climate objectives.
American Academy of Actuaries	United States of America	See our response to item 1.
Comments on section on Investment of assets for the portfolio as a whole		
General Insurance Association of Japan	Japan	While it is undeniable that stakeholder preferences may affect an insurer's financial risks, it is difficult to consider it as equal to credit and market risks. In addition, insurers should not be required to check the appropriateness of credit ratings. Rather, we believe that carrying out plausibility checks on such investments in light of their own investment appetite is the right response. Paragraph 5: A description about transition finance should be added, as transition finance can influence the activities of investees.
The Geneva Association	International	The material related to ICP 15.2 largely falls outside the remit of insurance supervisors. Insurance supervisors are not typically responsible for requiring insurers to consider the impact of their investments on the climate, to engage with investees, or to require divestment of certain assets deemed non-sustainable. We believe, this section should be removed or rewritten.

American Property Casualty Insurance Association	United States	We suggest deletion of paragraphs 4 and 5. We believe an insurer's portfolio as a whole should be aimed at protecting its solvency while providing an adequate return to ensure it can continue to attract capital to remain in the business. While the effects of an insurer's investments on climate risk and its stakeholders' opinions are important considerations, they are secondary to the requirements stated above. These paragraphs again put the supervisor in the position of climate policymaker, rather than insurance solvency supervisor.
Ekō	Global	We would like to reiterate the importance of engagement with investees in order to mitigate climate-related risk.
Institute of International Finance	USA	With respect to Paragraph 6 of this supporting material, we note that credit rating agencies are evolving their individual practices with respect to the consideration of climate-related risks. The major credit rating agencies are developing their own methodologies for the consideration of climate (and other ESG) factors in their credit ratings, and only account for them so far as they can materially influence the creditworthiness of a rated entity. Moreover, insurance supervisors do not have oversight responsibilities for credit rating agencies, and they should not imply that insurers are tasked with these responsibilities as credit rating agency customers. Apart from it being an inappropriate role for insurers to perform, insurers do not have the requisite information, skills, and background to perform these tasks, nor do they have access to the proprietary techniques and models employed by the rating agencies that would be needed in order to properly perform these tasks. We would delete the second and third sentences of Paragraph 6.

Ceres	United States	Ceres strongly supports the proposed guidance on the importance of insurers considering the outward impacts of their investment activities on the climate, alongside the inward impacts of climate risk on their portfolios. We believe this dual perspective is essential for aligning the insurance sector with the goals of the Paris Agreement and supporting the transition to a net zero and climate-resilient economy. The proposed language acknowledges that insurers' stakeholders, including policyholders, are increasingly considering the climate-related impacts of investments in their decision-making. Negative perceptions of an insurer's investment portfolio from a climate perspective could lead to reputational risks, reduced competitiveness, and weakened financial strength over time. Conversely, insurers that demonstrate leadership in sustainable investment and climate stewardship are likely to benefit from enhanced trust, loyalty, and long-term value creation. We welcome the range of proactive strategies outlined in the guidance for how insurers can manage the climate impact of their investments at a portfolio level. Engagement with investee companies to encourage the adoption of sustainable business models and climate risk management practices is a particularly important lever. By using their influence as shareholders and bondholders, insurers can drive meaningful change in the real economy and help to mitigate systemic climate risks. This section also rightly highlights the role of investment strategies such as ESG integration, negative and positive screening, sustainability-themed investing, and impact investing in supporting the transition to a low-carbon economy. Ceres believes that a combination of these approaches, tailored to an insurer's specific objectives and constraints, can help to optimize the climate performance of investment portfolios over time. Ceres has published several useful resources and guidelines, “Evaluating the Use of Carbon Credits” (https://www.ceres.org/resources/reports/evaluating-use-carbon-credits), which provides critical guidance to help investors assess the integrity of corporate net-zero commitments and companies’ use of carbon credits to deliver on those commitments; and “The Role of Natural Climate Solutions in Corporate Climate Commitments: A Brief for Investors” (https://www.ceres.org/resources/reports/role-natural-climate-solutions-corporate-climate-commitments-brief-investors), a first-of-its-kind engagement tool for investors to spur meaningful dialogue with companies on the role and use of natural climate solutions in delivering on those commitments. With respect to the use of external credit ratings, we fully agree that insurers should seek to understand the methodologies used by rating agencies and the extent to which climate risks are captured over different time horizons. Conducting internal plausibility checks on external ratings is also good practice, given the inherent uncertainties and limitations of climate risk assessment. To further strengthen this section, Ceres suggests that the IAIS:

		1. Encourage insurers to set clear, science-based targets for aligning their investment portfolios with the goals of the Paris Agreement, and to regularly disclose their progress against these targets. This could include metrics such as the carbon intensity of portfolios, the share of green versus brown assets, and the alignment of portfolios with 1.5°C scenarios. 2. Provide more detailed guidance on good practices for investor engagement and stewardship on climate issues, drawing on existing frameworks such as the PRI's Active Ownership 2.0 and the IIGCC's Net Zero Stewardship Toolkit. This could include examples of successful engagement case studies and recommendations for escalation strategies where companies are not responsive. 3. Highlight the importance of collaborative investor initiatives and partnerships in driving systemic change on climate issues, such as the UN-convened Net-Zero Asset Owner Alliance and the Investor Agenda. Insurers should be encouraged to participate actively in these initiatives and to work with peers to scale up their impact. 4. Emphasize the need for insurers to develop robust climate risk assessment and management capabilities in-house, rather than relying solely on external ESG ratings or data providers. This may require investments in staff training, data and analytics, and scenario analysis tools. 5. Encourage supervisors to assess the effectiveness of insurers' approaches to managing the outward climate impacts of their investments as part of their supervisory activities. This could include reviewing insurers' climate-related policies, targets, and stewardship practices, and engaging in dialogue with insurers on areas for improvement. By providing clear expectations and guidance on the management of the outward climate impacts of insurers' investments, the IAIS can help to mobilize the significant assets and influence of the insurance sector towards the achievement of global climate goals.

Natural Resources Defense Council	United States	With respect to new paragraph 6, please see our discussion of credit ratings above at item 2 (“Comments on proposed changes to ICP guidance 15.2.3”).
Global Federation of Insurance Associations (GFIA)	Global	The material related to ICP 15.2 seems to fall outside the remit of insurance supervisors. Insurance supervisors are not responsible for requiring insurers to consider the impact of their investments on the climate, to engage with investees, or to require divestment of certain assets deemed non-sustainable. This section should be removed or rewritten. Moreover, the material related to 15.2 also builds too little capacity for risk-appropriate insurer decisions to support the transition economy. While it is undeniable that stakeholder preferences may affect an insurer's financial risks, it is difficult to consider it as equal to credit and market risks. In addition, insurers should consider the extent to which climate-related risks have been factored into the rating and over what time horizon, as far as this information is publicly available. Rather, GFIA believes that carrying out plausibility checks on such investments in light of their own investment appetite is the right response. In paragraph 5, a description about transition finance should be added, as transition finance can influence the activities of investees.
EDHECinfra & Private Assets	Singapore	No comments

Finance Watch	European Union	Engagement with investees is one of the most powerful tools insurers, as major investors in the real economy, have at their disposal in order to mitigate their own transition risks and facilitate the sustainable transition of the real economy, which is in itself a precondition for the stability of the sector itself. Therefore, it is essential that shareholder engagement strategies are fully integrated into insurers' strategy and risk management through detailed engagement and voting policies, as well as corresponding escalation policies. AGM voting is a key mechanism for active stewardship, allowing shareholders to push investees to implement concrete transition measures or to remove board members who hinder these efforts. As shareholders, insurers can also leverage existing channels such as periodic and annual investor meetings to discuss sustainability concerns and climate-related risks with their investees. When standard engagement efforts do not yield results, insurers should escalate their actions by calling for specific meetings with investee management or the board. Alternatively, they can publicly address these concerns through public statements. We also refer to the recommendations in our latest publication on the insurance sector: https://www.finance-watch.org/policy-portal/sustainable-finance/report-transition-planning-for-insurers-a-supervisory-tool-to-improve-climate-risk-resilience/.
MSCI ESG Research LLC	United States of America	As highlighted in response to 15.4.1, MSCI's climate scenario-based analysis assesses entities' climate-related risk exposures. On the other hand, MSCI's portfolio climate alignment metric, Implied Temperature Rise (ITR, https://www.msci.com/our-solutions/climate-investing/implied-temperature-rise) provides insights into how well a company's activities align with climate goals, considering their ambitions and targets. The metric allocates an emissions budget to companies under a 1.5°C warming scenario. Future emissions trajectories are then projected based on publicly disclosed targets by companies, including a target credibility assessment. Emissions over/undershoot is benchmarked against a 1.5°C scenario, and ultimately converted into a temperature measure.
American Academy of Actuaries	United States of America	Insurance supervisors are not typically responsible for requiring insurers to consider the impact of their investments on the climate, to engage with investees, or to require divestment of certain assets deemed non-sustainable. We suggest removing this content from the supporting material.
Comments on section on Asset liability management		

General Insurance Association of Japan	Japan	For insurers with long-term liabilities, having assets with long durations is preferable from an ALM perspective. However, climate-related risks, which are difficult to assess, are hard to consider in a long-term time horizon. This may conflict with ALM-oriented controls.

Ceres	United States	Ceres strongly supports the proposed guidance on the importance of considering climate-related risks within insurers' asset-liability management (ALM) frameworks, especially for long-duration liabilities. As the language notes, the potential impacts of climate change on insurers' investment portfolios may take many years to fully materialize, creating challenges for matching asset and liability cash flows over extended time horizons. The proposed supporting material highlights a key risk that insurers need to manage, which is the potential for individual firms or entire sectors to become significantly impaired due to the transition to a low-carbon economy. For life insurers and others with long-dated liabilities, the fixed income assets used to back these obligations may be particularly exposed to such transition risks. If not properly managed, this could lead to asset-liability mismatches, reinvestment risk, and ultimately, solvency concerns. Ceres agrees that insurers need to take a forward-looking and scenario-based approach to assessing the potential impacts of climate change on their ALM strategies. This should include considering the correlation of climate risks across different asset classes and the potential for feedback loops between assets and liabilities, such as when an insurer holds bonds in a company that it also insures against physical climate risks. To further strengthen this section, Ceres suggests that the IAIS: 1. Provide more specific guidance on the types of climate scenarios and risk factors that insurers should consider in their ALM analysis, drawing on established frameworks. This could include both orderly and disorderly transition scenarios, as well as different physical risk pathways. 2. Encourage insurers to develop metrics and indicators to assess the climate resilience and transition readiness of their ALM strategies, such as the weighted average carbon intensity of their fixed income portfolios, the alignment of their portfolios with science-based emissions reduction targets, and the sensitivity of their projected asset and liability cash flows to different climate scenarios. 3. Highlight the importance of insurers engaging with their asset managers and external data providers to access the necessary data, analytics, and expertise to effectively integrate climate risks into ALM. This may require the development of new tools and methodologies, as well as enhanced collaboration and knowledge-sharing across the investment and insurance communities. 4. Emphasize the need for insurers to consider not only the climate risk exposure of individual assets, but also the potential for systemic risks and market-wide shifts that could affect the availability and pricing of suitable ALM instruments over time.

		Stress testing and macro-prudential analysis may be valuable tools for assessing these broader risks. 5. Encourage supervisors to engage in regular dialogue with insurers on their climate risk ALM practices and to share good practices and lessons learned across the sector. Supervisors should also consider the potential for climate-related ALM risks having cross-border and cross-sectoral implications and collaborate with other regulators as appropriate. Integrating climate risk considerations into ALM is a critical priority for the insurance sector, given the long-term nature of many insurance liabilities and the potential for climate change to fundamentally reshape the investment landscape in the coming decades.

Natural Resources Defense Council	United States	We support the inclusion of the proposed new supporting material on asset-liability management (pars. 7-8). In addition to evaluating climate risk-related data and transition plans, insurers must scrutinize the correlation between assets and liabilities when investing in high-carbon industries. These investments and policies underwritten in climate-vulnerable areas can create a double threat to an insurance company's financial health. First, increased payouts from more frequent and severe climate events like floods and wildfires can drain their cash reserves and deplete their investment assets. Second, their investments in fossil fuels may lose value as a result of regulatory action and transition to renewable energy—possibly as part of a reaction to payout-triggering climate events. This combination of rising payouts and shrinking assets can strain an insurer's ability to meet its obligations (solvency) and cover immediate claims (liquidity), potentially jeopardizing its business. These risks can be exacerbated when the investments are made in regions that are directly impacted by climate disasters. (We note also that while the proposed new ICP 16 supporting material includes in its paragraph 12 some of the same material contained in this proposed new ICP 15 supporting material, it also includes additional language in proposed paragraph 13 that is relevant to asset-liability management as discussed in paragraphs 7-8. That language should be included in the supporting material at paragraphs 7-8.)
Global Federation of Insurance Associations (GFIA)	Global	The material related to ICP 15.3, particularly paragraph 8, indicates that transition risk can impact the matching of assets and liabilities due to the “significant” impairment of individual firms (i.e., investees). This assertion fails to recognise that (i) the viability of investees businesses is constantly impacted by many dynamics, not just climate change, and (ii) investees may potentially benefit from these dynamics, because their business models may be adaptable. Paragraph 8 should reflect a more thorough assessment of market dynamics and potential business model changes and their adaptability. A similar assertion is within the material related to section 16.5. Thus, this material should be removed. For insurers with long-term liabilities, having assets with long durations is preferable from an ALM perspective. However, climate-related risks, which are difficult to assess, are hard to consider over a long-term time horizon due to inherent uncertainties. Also, other risk drivers might be more dominant over a long-time horizon.

EDHECinfra & Private Assets	Singapore	No comments
American Academy of Actuaries	United States of America	This section appears unduly simplistic. The viability of investees businesses is constantly impacted by many dynamics, not just climate change. In addition, company business models are adaptable, and firms may benefit from market changes due to climate-related risk. We recommend that this section be more limited and balanced or removed entirely.
Comments on section on Risk assessment and management of investments		
General Insurance Association of Japan	Japan	It is important to note that enforcing climate-related risk management in a situation where sufficient information about climate-related risks in investments is still difficult to obtain may give rise to arbitrary decisions, which may create an undesirable situation for supervisors.
Institute of International Finance	USA	Similar considerations apply to the use of ESG data and ratings from external sources referenced in Paragraph 11. Insurers may not have access to the proprietary data and modeling that is used by external providers of ESG data and ratings. We would reword the final sentence of Paragraph 11 to read: Insurers should engage with any third-party ESG ratings providers to better understand their ratings criteria.

Ceres	United States	Ceres strongly supports the proposed language on the assessment and management of climate-related risks in insurers' investment portfolios. As recognized in ICP 15.4, it is critical that insurers have the necessary information, processes, and capabilities to properly identify, assess, monitor, and manage the climate risks associated with their investments on an ongoing basis. The section provides helpful specificity on the types of data and information that insurers should consider when assessing climate risks, including emissions data, transition plans, and ESG ratings. We agree that a combination of quantitative and qualitative inputs is likely to be needed, given the complex and multi-faceted nature of climate risks. The reference to IFRS S2 and the definition of climate-related transition plans is also useful for promoting a common understanding of key concepts and disclosures. Importantly, the guidance recognizes the challenges that insurers may face in accessing comprehensive and reliable data on climate risks and particularly for certain asset classes or regions. We appreciate the pragmatic suggestion that insurers should work with the data that is available and use scenario analysis to assess the potential impacts of different climate futures on their portfolios. Over time, as data availability and quality improve, insurers should be expected to refine and enhance their risk assessment approaches. Ceres also applauds the emphasize on the importance of insurers conducting robust due diligence on investments with stated climate adaptation or mitigation objectives. As the market for "green" and "sustainable" financial products grows, there is a risk of "greenwashing" or misalignment between the claimed environmental benefits and the actual climate impact of these investments. Greenwashing is not just a potential future risk; it is already occurring in the market, with some companies and financial institutions overstating the environmental benefits of their products or investments. For example, a 2020 study by the European Commission found that of the environmental claims by EU companies they reviewed, 40% were unsubstantiated and 53.3% were vague, misleading, or unfounded (https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1692). Insurers have a responsibility to thoroughly vet the credibility and integrity of any climate-related claims made by issuers or product providers. Additionally, the Do No Significant Harm (DNSH) principle is a crucial consideration for insurers when making investment decisions, as it ensures that their investments do not undermine environmental or social objectives while pursuing economic benefits. To adhere to the DNSH principle, insurers should disclose the adverse impacts of their investment decisions on sustainability factors such as greenhouse gas emissions, biodiversity, water, waste, and social and employee matters. More broadly, we agree that insurers should consider the impact of climate risks on the full range of investment portfolio

		characteristics, including security, quality, liquidity, and profitability. This perspective is essential for making informed decisions about asset allocation, risk management, and portfolio optimization in the context of a changing climate. To further strengthen this section, Ceres suggests that the IAIS: 1. Encourage insurers to develop robust governance structures and accountability mechanisms for climate risk assessment and management within their investment functions. This should include clear roles and responsibilities for senior management, investment committees, and risk and compliance functions, as well as regular reporting to the board on climate risk exposures and management strategies. 2. Provide guidance on best practices for climate risk scenario analysis and stress testing of investment portfolios, including the selection of appropriate scenarios, time horizons, and risk factors. Insurers should be encouraged to use these tools to assess the potential financial impacts of different climate pathways on their investments and to inform strategic asset allocation decisions. 3. Highlight the importance of engagement and stewardship as a key tool for managing climate risks in investment portfolios. Insurers should be encouraged to use their influence as shareholders and bondholders to encourage companies to adopt more sustainable and resilient business models, and to align their strategies with the goals of the Paris Agreement. 4. Emphasize the need for insurers to consider the potential for climate risks to have systemic and cross-cutting impacts across different asset classes and geographies. Collaboration and information-sharing with other institutional investors, financial regulators, and climate experts can help insurers to build a more comprehensive and integrated view of climate risks and opportunities. 5. Encourage supervisors to assess the effectiveness of insurers' climate risk assessment and management practices for investments as part of their regular supervisory activities. This could include reviewing insurers' policies, processes, and capabilities in this area, as well as conducting thematic reviews or stress tests to identify areas of strength and weakness across the sector. Ceres believes that the proactive assessment and management of climate risks in investment portfolios is essential for the long-term resilience and sustainability of the insurance sector. By providing clear guidance and expectations in this area, the IAIS can help to accelerate the adoption of best practices and support the alignment of insurers' investment strategies with the goals of the Paris Agreement.

Natural Resources Defense Council	United States	We support the inclusion of paragraphs 9-11 on risk assessment and investment management. In particular, we agree that insurers must begin to work with available climate-related risk data despite potential limitations in the availability or granularity of that data. Climate risk is already posing significant risk for insurers. Imperfect information should not prevent them from working to manage that risk.
Global Federation of Insurance Associations (GFIA)	Global	It is important to note that enforcing climate-related risk management in a situation where sufficient information about climate-related risks in investments is still difficult to obtain, may give rise to arbitrary decisions which in turn, may create an undesirable situation for supervisors and insurers.
EDHECinfra & Private Assets	Singapore	Please refer to "Comments on new ICP guidance 15.2.6"
General comments on the proposed additions to reflect climate risk in existing supporting material related to ICP 16 (Enterprise Risk Management for Solvency Purposes)		
Groundsure	Environmental Consultancy	Would flagging up potential climate related risks in property transactions, be beneficial in safeguarding lender portfolios and also understand potential issues with insurance? We can help with identifying these risks with our ClimateIndex product - https://www.groundsure.com.au/
The Geneva Association	International	Paragraph 2 suggests that climate change poses material risks to insurers. This may not be universally the case, hence we believe this paragraph will improve with more nuanced wording: " Climate change poses wide-ranging and "potentially" material risks to the financial system."

Ceres	United States	Ceres commends the IAIS for the proposed new supporting material related to ICP 16 on Enterprise Risk Management (ERM) for Solvency Purposes. This proposed supporting material language recognizes the significant and cross-cutting nature of climate-related risks and the urgent need for insurers to integrate these risks into their ERM frameworks to ensure their ongoing solvency and resilience. The categorization of climate risks into physical and transition risks, and the description of their unique characteristics and transmission channels, provides a helpful framework for insurers to assess and manage these risks in a comprehensive and proactive manner. Ceres agrees that climate risks are far-reaching, uncertain, dependent on near-term actions, and not always well-captured by historical data, which necessitates a strategic and forward-looking approach to risk management. We strongly support the guidance for insurers to consider the impact of climate risks across all relevant risk categories, including credit risk, market risk, liquidity risk, underwriting risk, strategic risk, operational risk, and litigation risk. This holistic perspective is essential for understanding the complex and interconnected ways in which climate change can affect insurers' balance sheets, business models, and solvency positions. The emphasis on assessing potential risk concentrations and the systemic dimensions of climate risk is also well-placed. Ceres agrees that supervisors have a critical role to play in understanding how climate risks may be amplified or transmitted across sectors and jurisdictions, and in ensuring that these dynamics are reflected in insurers' risk assessments and management strategies. Another key strength of the proposed guidance is the recognition that insurers need to consider climate risks over multiple time horizons, including the short, medium, and long-term, depending on the nature of their business lines and exposures. Ceres has long advocated for a more long-term and strategic approach to climate risk management, and we welcome the IAIS's leadership in setting supervisory expectations in this area. The guidance related to insurers' risk appetite statements, ALM policies, and investment policies is also highly relevant and impactful. Ceres agrees that these core elements of insurers' ERM frameworks need to be reviewed and updated to ensure that climate considerations are appropriately reflected and integrated. The examples provided of potential climate risk factors and transmission channels across both assets and liabilities are instructive and can help guide insurers' own assessments. Finally, Ceres strongly supports the guidance for insurers to incorporate climate risk considerations into their Own Risk and Solvency Assessments (ORSAs), including through the use of scenario analysis and stress testing. As the IAIS notes, the

		ORSA is a critical tool for insurers to assess the robustness of their ERM frameworks and the adequacy of their financial resources in the face of climate-related disruptions. We agree that supervisors should expect ORSAs to include an assessment of all material physical, transition, and liability risks over appropriate time horizons, and that the rigor and sophistication of these assessments should improve over time as data and methodologies evolve.

Natural Resources Defense Council	United States	Climate change has thrown into question the reliance in risk management on historic data, including the data insurance companies have historically used to set premiums covering extreme weather events and to project potential claims made on those policies. If insurers respond to the elevated risks 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. Moreover, continually withdrawing services from climate-burdened regions can only serve to shrink their operating markets, severely limiting their prospects for profitability and growth. Moving forward, insurers must take a proactive approach in their enterprise risk management to consider developing transition plans and insurance solutions that can support the net-zero transition, as espoused by the Forum for Insurance Transition to Net-Zero from the United Nations Environmental Programme Finance Initiative. Insurers must innovate and explore ways to de-risk their underwriting business and asset portfolio. Physical risks can be managed to some extent by requiring resiliency measures such as stricter building codes to ensure that structures are fortified with climate risk in mind. On the investment side, climate risks, both physical and transition, need to be considered in an insurer's strategic asset allocation with a view to proactively shielding its assets from devaluation (and increasing the likelihood that its investment portfolio will attain its expected return).
Global Federation of Insurance Associations (GFIA)	Global	With regard to ICP 16 proposals, GFIA appreciates the statement that risk policies include a description of how climate risk is monitored and managed. However, for life insurers and based on our current knowledge, GFIA finds the suggestion that risk policies contemplate the impact of climate change on risk tolerance levels and limits not relevant. Generally, for ERM purposes, the focus should centre on materials risks to companies and reflected in the section. In paragraph 1, GFIA supports adding "material" between "insurer's" and "risks." In paragraph 2, in the first sentence, GFIA recommends adding "potentially" before "material", and substituting "sector" for "system."

EDHECinfra & Private Assets	Singapore	No comments
Finance Watch	European Union	We welcome the IAIS recognition of all aspects of physical and transition risks, in particular the specific features of the risks that limit the ability of traditional risk management tools and approaches to effectively address them. It is commendable that the proposed supporting guidance acknowledges the far-reaching and significant impact of climate change, its nonlinear and irreversible nature, uncertain but foreseeable timing, and the critical importance of taking short-term actions to achieve long-term effects. This recognition underscores the necessity of moving beyond reliance on historical data to predict future risks, as climate change presents unprecedented challenges that require proactive and forward-thinking strategies. We refer to our other response to the ICP 16 guidance material for more details.
Public Citizen	United States	The proposed supporting material on ICP 16 is missing a section on underwriting policy, which should follow the section on investment policy. Insurers' underwriting of fossil fuels represents an equal or greater contribution to climate change.
E3G	USA	Supporting material for ICP 16 on underwriting should be aligned with those made for investment policy in ICP 15. Insurers' underwriting of fossil fuels also represents can also adversely impact climate change.
Comments on section on Risk identification and measurement		
General Insurance Association of Japan	Japan	Paragraph 4 notes that "Climate-related risks present unique challenges and require a strategic approach to financial risk management. Climate-related risks are...Uncertain but foreseeable". However, it is difficult to foresee climate-related risks (as stated in "Dependent on short-term actions"), although it is to some extent possible to foresee major climate-related trends such as an increase in GHG concentrations leading to global warming. Therefore, we suggest replacing "but foreseeable" with "but inevitable".

The Geneva Association	International	The supporting material for ICP 16.2 on Risk Concentrations describes investment exposures to assets vulnerable to climate-related risks as systemic risks. While long-term investors in real estate and infrastructure, for example, must be deeply concerned about the insurability of these assets over the long term, it is important to emphasise that, while climate change can have systemic implications on societies as a whole, there is no insurance-sector-induced systemic risk. Additionally, a balanced approach should be maintained by also considering the risks associated with concentrations in “green” investments. Paragraph 3. We suggest rewording of the second bullet point: "In turn, related financial and credit market losses “can affect” insurers’ assets, while increased litigation “can impact insurers’ liabilities and "can impact" the long-term viability of certain business lines." Paragraph 4. Suggested rewording of the fourth bullet point: "Certain physical and transition risks are unlikely to be adequately captured in historical data, or the pricing model [suggestion for deletion: is no longer fit for purpose]" may have to be re-considered" due to the evolution of climate risks [and their interactions], given their unprecedented and long-term nature, "depending on the nature and duration of the underlying liability". Given the forward-looking nature of climate risks and the inherent uncertainty of both the physical impact of climate change and resulting societal responses, past experience may not be a good indicator of future conditions. "

Ceres	United States	Ceres strongly supports the proposed guidance on risk identification and measurement in sections 16.1 and 16.2. The guidance provides a comprehensive and well-structured framework for understanding the unique characteristics and far-reaching impacts of climate-related risks, and how these risks can manifest across different risk categories and business activities of insurers. The categorization of climate risks into physical risks (both acute and chronic) and transition risks is aligned with the latest scientific understanding and emerging industry practices. Ceres agrees that these risks are likely to be significant, non-linear, and correlated, and that their exact timing and manifestation are uncertain. This underscores the need for insurers to take a proactive, forward-looking, and scenario-based approach to identifying and assessing these risks, rather than relying solely on historical data and experience. We appreciate the recognition that climate risks can impact insurers through multiple transmission channels, including credit risk, market risk, liquidity risk, underwriting risk, strategic risk, operational risk, and litigation risk. The examples provided for each risk category are instructive and demonstrate the complex and potentially cascading effects of climate change on insurers' balance sheets and operations. For example, the guidance highlights how physical risks could lead to increased insurance claims and losses, while transition risks could result in asset devaluations, stranded assets, and shifts in market demand. It also notes the potential for climate risks to affect the availability and pricing of reinsurance, as well as the creditworthiness of counterparties. These are all critical considerations for insurers as they seek to manage their exposures and maintain their financial resilience in the face of climate-related disruptions. Ceres particularly appreciates the emphasis on litigation risk as an emerging area of concern for insurers. As the guidance notes, the increasing pressure on companies and boards to manage climate risks in a responsible manner could lead to a rise in climate-related lawsuits and potential liabilities for insurers. This is an area where proactive risk identification and management will be essential, including using scenario analysis and stress testing. To further strengthen this section, Ceres suggests the following enhancements: 1. Encourage insurers to engage with scientific experts, policymakers, and other stakeholders to stay abreast of the latest developments in climate science, policy, and litigation, and to inform their risk identification and assessment processes. 2. Highlight the importance of considering the interconnections and potential spillover effects between different risk categories, rather than assessing them in isolation. For example, physical risks could exacerbate credit risks, while

		transition risks could amplify market and liquidity risks. 3. Provide guidance on how insurers can effectively integrate climate risk considerations into their existing risk taxonomies, frameworks, and management processes, rather than treating them as a separate or standalone issue. 4. Encourage insurers to leverage emerging tools and methodologies for climate risk assessment, such as climate scenario analysis, stress testing, and geospatial mapping, and to continually refine and enhance these approaches as data and best practices evolve. 5. Emphasize the need for insurers to consider the distributional impacts of climate risks across different geographies, sectors, and communities, and to take a nuanced and context-specific approach to risk assessment and management. As the pace and magnitude of climate change accelerates, it will be increasingly critical for insurers to have robust frameworks and capabilities for identifying, assessing, and managing climate-related risks. The IAIS's leadership in setting supervisory expectations and promoting best practices in this area will be essential for supporting the resilience of the insurance sector and the broader economy in the face of this global challenge.

Natural Resources Defense Council	United States	We support the inclusion of detailed new supporting material on the identification and measurement of climate-related financial risk. Please see our response to item 3 for discussion of the manifestation of climate-related financial risk through traditional risk categories such as market risk, credit risk, liquidity risk, legal risk, and operational risk.
Global Federation of Insurance Associations (GFIA)	Global	Paragraph 4 describes, "Climate-related risks present unique challenges and require a strategic approach to financial risk management. Climate-related risks are […] Uncertain but foreseeable". However, it is difficult to foresee climate-related risks as stated in "Dependent on short-term actions", although it is to some extent possible to foresee major climate-related trends such as an increase in GHG concentrations leading to global warming. Therefore, GFIA suggests replacing, "but foreseeable" with "but inevitable". In addition, GFIA supports substituting "no longer fit for purpose" for "may have to be reconsidered". In paragraph 5, GFIA suggests adding "and materiality" between "potential impact" and "of climate related risks" in the top sentence. Additionally, in the "Pricing and underwriting risk" section, the IAIS should add "financially material" ahead of "impacts of climate change on their underwriting activities…" in the first sentence. GFIA also suggests that the IAIS delete the third sentence in that same paragraph, "However, pricing models may not properly reflect climate-related physical risks…". There is no need to price for potential future risks in current contracts for short-term liabilities.
EDHECinfra & Private Assets	Singapore	No comments
Public Citizen	United States	As the supplemental material in Section 16.1 highlights, risks posed by climate change are unique, “exact manifestations and timing are uncertain,” and impacts may be “non-linear, correlated and irreversible.” Given the unique attributes of climate risk, the proposed additions to the guidance should acknowledge that traditional approaches to risk management, including modeling, hedging, and reinsurance, are insufficient to manage the risks posed by climate change, and the guidance should instead direct supervisors to focus on actions they can take now to reduce climate-related risk.

E3G	USA	As the supplemental material in Section 16.1 highlights, risks posed by climate change are unique, “exact manifestations and timing are uncertain,” and “its impact may also be non-linear, correlated and irreversible.” Given the unique attributes of climate risk, the guidance should acknowledge that traditional approaches to risk management (including modeling, hedging, and reinsurance) may be insufficient to manage the risks posed by climate change. Supervisory responses should include a focus on actions that should/can be taken now to reduce climate related financial risks.
Comments on section on Risk concentrations		

Ceres	United States	Ceres strongly supports the guidance on assessing risk concentrations related to climate change in section 16.2 of ICP 16 as the systemic and interconnected nature of climate risks requires a cross-cutting approach to risk assessment and supervision, beyond traditional siloed approaches. We agree with the concern that adverse movements in the value of climate-vulnerable assets or insurance liabilities could have spillover effects into the real economy and financial markets more broadly. This is particularly true for insurers with significant concentrations in these exposures, as losses could quickly propagate across sectors and geographies. The proposed language notes that while climate change is a global phenomenon, its specific risk factors and impacts can vary significantly across jurisdictions. For example, some regions may be more exposed to certain types of physical risks (e.g., coastal flooding, wildfires), while others may face greater transition risks due to the nature of their economies or policy environments (e.g., dependence on fossil fuel production). Ceres believes this jurisdictional lens is a critical addition to the climate risk assessment process. It underscores the need for supervisors to have a deep understanding of the unique climate risk drivers and dynamics in their local contexts, and to tailor their expectations and supervisory approaches accordingly. It also highlights the importance of cross-border coordination and information-sharing among supervisors, given the potential for climate risks to transmit across jurisdictional boundaries. The emphasis on insurers' investment exposures as a key source of climate-related systemic risk is also well-placed. As major institutional investors, insurers' portfolio allocations can have significant impacts on the pricing and availability of capital for different sectors and companies. If insurers are heavily invested in climate-vulnerable assets, such as fossil fuel-dependent industries or physical assets in high-risk locations, they could face significant losses in the event of a disorderly low-carbon transition or a major climate-driven disaster. These losses could, in turn, have knock-on effects on insurers' solvency positions, liquidity, and ability to meet obligations to policyholders. To further strengthen this section, Ceres suggests: 1. Providing illustrative examples or case studies of how climate-related risk concentrations could manifest and propagate across different jurisdictions and sectors, drawing on historical events or plausible future scenarios. This could help to bring the concepts to life and aid supervisors' understanding. 2. Encouraging supervisors to engage in regular dialogue with insurers on their approach to identifying and managing climate risk concentrations, including the data, methodologies, and tools used, and the effectiveness of any risk mitigation strategies employed.

		3. Promoting the use of forward-looking scenario analysis and stress testing to assess the potential impact of different climate risk pathways on insurers' risk profiles and financial positions, including under severe but plausible downside scenarios. Supervisors could provide guidance on the design and application of these exercises. 4. Fostering greater collaboration and coordination among supervisors, both within and across jurisdictions, to share knowledge, harmonize approaches, and address potential blind spots or spillover effects in the supervision of climate risk concentrations. This could include joint stress tests, coordinated thematic reviews, or the establishment of dedicated working groups or task forces. 5. Encouraging insurers to enhance their climate risk disclosures to provide greater transparency on their risk concentrations and management strategies. Supervisors could integrate these disclosures into their ongoing monitoring and assessment activities. Ceres believes that the proposed guidance on climate risk concentrations is a timely and important addition to the ICP 16 framework. As the impacts of climate change continue to grow and intensify, it will be increasingly critical for supervisors to take a systemic and cross-cutting approach to assessing and mitigating these risks across the insurance sector and the wider financial system.

The Life Insurance Association of Japan	Japan	-This section states that “insurers with significant investment exposures to assets that are vulnerable to climate-related risks are potentially more exposed to systemic risk”. Although the LIAJ understands the concern for concentration risks, the direct linkage to systemic risk is not necessarily self-evident and would like the IAIS to consider revising this statement.
Natural Resources Defense Council	United States	We support the inclusion of guidance to supervisors on the potential systemic risk concentrations that may result from financial sector and market interlinkages. On their own or in aggregate, physical and transitional climate risks can pose threats to the stability of the financial system. Acute physical climate-related losses combined with rapidly enacted major policy changes, for example, could create systemic risk to a regional economy.
Global Federation of Insurance Associations (GFIA)	Global	The material related to ICP 16.2, Risk Concentrations, observes that, “insurers with significant investment exposures to assets that are vulnerable to climate-related risks are potentially more exposed to systemic risk.” It is unclear why this is characterised as “systemic risk”, rather than a potential firm specific risk driver. Moreover, it would seem appropriate for insurance supervisors to be equally cautious about concentrations in “green” investments.
EDHECinfra & Private Assets	Singapore	No comments
Finance Watch	European Union	Finance Watch welcomes the recognition that “Insurers with significant investment exposures to assets that are vulnerable to climate-related risks are potentially more exposed to systemic risk”. In this context, we emphasise the importance of transition planning within the insurance sector, which can also be a means to identify and address risk concentrations.
Public Citizen	United States	We support this section of the supporting material.

American Academy of Actuaries	United States of America	It is unclear why the risk is characterized as “systemic risk” rather than typical concentration-related solvency risk. We also suggest that insurance supervisors be equally cautious about concentrations in “green” investments.
Comments on section on Corporate strategy and time horizons		
American Property Casualty Insurance Association	United States	We agree with the statements in paragraph 9 that a non-life insurer’s time horizon is relatively short (1-5 years). Therefore, we believe that application of paragraph 10’s statements about longer-term time horizons to non-life insurers is contradictory and the paragraph should not be applied to non-life insurers.
Ekō	Global	- We would like to highlight the risk of shifting climate-related burdens to consumers when evaluating climate change impacts on the insurance sector. - Warn of potential threats to the sustainability of insurers' business models if certain regions and products become commercially unviable. - Stress the limitations of risk transfer strategies at the systemic level. - Emphasize the necessity for timely preventive action.

Ceres	United States	Ceres strongly supports the proposed guidance on integrating climate-related risks into insurers' corporate strategies and business planning processes, as outlined in section 16.3. We agree that climate change will have a material impact on the business environment in which insurers operate, and that a strategic, forward-looking approach is needed to manage these risks effectively. This section emphasizes the importance of insurers assessing the exposure of their different business areas to physical and transition risks and considering the materiality of these risks in their strategic decision-making. This may involve difficult choices around which business lines to continue, scale back, or adapt in the face of changing climate realities. Ceres believes that insurers that proactively align their business models and strategies with the low-carbon transition will be better positioned to seize opportunities and build long-term resilience. We strongly agree with the guidance that insurers should consider climate-related risks over time horizons that are appropriate to their specific business profiles and activities. For non-life insurers, a shorter time horizon (e.g., 1-5 years) may be relevant for assessing the impact of climate risks on underwriting, pricing, and risk transfer strategies. However, for life insurers with long-dated liabilities, a longer time horizon (e.g., 30-50 years) may be needed to capture the potential impact of climate risks on investment portfolios and asset-liability management. The recommendation for insurers to go beyond standard business planning cycles (3-5 years) and consider climate risks over the medium-term (5-10 years) and long-term (30-50 years) is a critical and welcome addition to the ICP guidance. Ceres has long advocated for a more long-term and strategic approach to climate risk management in the insurance sector, given the extended timescales over which physical and transition risks are likely to manifest. The proposed language points out that historical data may not adequately capture the unprecedented and non-linear nature of climate-related risks, particularly over longer time horizons. This underscores the importance of insurers using forward-looking scenario analysis and stress testing to assess the potential impact of different climate futures on their business strategies and financial positions. Supervisors have a key role to play in checking that insurers are incorporating these forward-looking perspectives into their strategic planning and risk management processes. To further strengthen this section, Ceres suggests: 1. Providing more specific guidance or examples of how insurers can effectively integrate climate risk considerations into their strategic planning and decision-making processes, including at the board and senior management levels. This could include setting clear roles and responsibilities, establishing key performance indicators and targets, and regular monitoring and reporting.

		2. Encouraging insurers to consider not only the risks, but also the opportunities associated with the low-carbon transition in their business strategies. This could include developing new products and services to support climate resilience and adaptation, investing in green technologies and infrastructure, and engaging with policyholders and other stakeholders on climate issues. 3. Highlighting the importance of insurers aligning their business strategies with science-based targets and the goals of the Paris Agreement, to support the wider transition to a net-zero economy. Supervisors could set expectations around the use of credible transition plans and pathways, and the disclosure of progress against these plans. 4. Promoting greater transparency and disclosure of insurers' approach to managing climate risks and opportunities in their business strategies. This could help to build market discipline, enable more informed decision-making by stakeholders, and support the identification and dissemination of best practices. 5. Encouraging supervisors to engage in regular dialogue with insurers on their climate risk strategies and business plans, and to share insights and lessons learned across the sector. This could help to build a common understanding of the challenges and opportunities, and to identify areas where further guidance or support may be needed.

International Actuarial Association (IAA)	International	It should be noted that in its strategic ERM approach, the insurer should take into account risks that relate to being a going concern over a longer period of time than the time horizon of their detailed business plan. They should also consider risks (such as climate related risks) that may have a serious impact of its market presence in relation to its strategically covered lines of business. Consequently, the time horizon for the strategy perspective may need to be much longer than the business planning of the insurer, i.e. it may need to have regard to a long-term strategic goal of the insurer for each major line of business.

Natural Resources Defense Council	United States	In the face of climate change, insurers require robust transition plans encompassing both assets and liabilities. They face higher payouts due to more frequent and intense disasters, requiring adjustments to pricing and reserves (liabilities). At the same time, their investments in assets such as fossil fuels or flood-prone properties become riskier. To survive, insurers need to plan for both sides of the equation, adapting their coverage and shifting their investments towards climate-friendlier options. An insurer's corporate strategy should include the creation of transition plans to mitigate climate-related financial risks on the liabilities side of the balance sheet. Transition plans are valuable in two respects: risk management and opportunity. • Risk Management: Climate change is significantly altering the risk landscape. More frequent and intense extreme weather events lead to higher insurance payouts, while transitioning to a clean energy economy will result in stranded assets in the fossil fuel industries. A transition plan helps insurers understand these evolving risks and adjust their strategies to remain solvent. • Opportunity: The shift to a low-carbon economy presents new business opportunities. By developing climate-friendly insurance products (e.g., for electric vehicles or sustainable buildings) and investing in climate solutions, insurers can de-risk current business and discover new market opportunities, ensuring profitability in the face of climate change. For example, an insurance company might purchase a bond secured by a long-term power purchase agreement entered into by a utility scale solar project, partially hedging its exposure to transition risk. Risk and investment committees should also consider the creation of a transition plan to mitigate climate-related transition risks on the asset side. Transition plans can be a valuable tool for insurance companies to understand the risks of their investments in a changing climate: • Identifying Transition Risks: A well-crafted plan should outline how the company will adjust its operations and business model to meet Paris Agreement-aligned climate goals. This can reveal potential risks associated with the transition, such as stranded assets, regulatory changes, and carbon pricing schemes. By analyzing the plan, one can assess a company's preparedness for these risks and the potential impact on future profitability. • Gauging Credibility of the Strategy: Just having targets isn't enough. The plan should detail a credible strategy to achieve them. This includes details on investments in new technologies, operational changes, and supply chain adjustments. A vague or unrealistic plan suggests the company might not be prepared for the transition, increasing risk for investors. Overall, investee climate transition plans offer insurers valuable insights into an investment's approach to climate change,

		while an insurer's own transition plan actualizes its path in mitigating climate risks faced by its own business operations. With these plans, insurers can make informed decisions about their business and investment portfolios, potentially avoiding underwriting high-risk policies, investing in high-risk assets, and helping to ensure their solvency in the face of a changing climate. Regarding time horizons, using short, medium, and long-term time frames in risk modeling is crucial for insurers. It allows them to capture both frequent, minor events and rare, severe ones. Analyzing shorter periods helps with pricing for common occurrences, while longer timeframes provide a clearer picture of major tail risks they may face with increasingly higher probability. This way, insurers can set fair premiums, maintain adequate reserves, and adapt to future trends, all thanks to a more comprehensive understanding of risk across various time horizons.

Global Federation of Insurance Associations (GFIA)	Global	GFIA agrees with the statements in paragraph 9 that a non-life insurer's time horizon is relatively short (1-5 years).
EDHECinfra & Private Assets	Singapore	No comments
Finance Watch	European Union	Finance Watch would like to reiterate the risk of transferring the burden of climate-related risks to consumers (see also our response to Q26). In particular, regarding the mention in the guidance that "insurers should consider questions such as: which business areas are exposed to physical or transition risks; the materiality of the risks; whether affected areas should be continued, scaled back or adapted." Although we recognise the importance of safeguarding entity-level business viability, it is crucial that insurers manage these risks without disproportionately impacting policyholders, which necessitates a broader discussion on the issue and the role of the insurance sector in addressing climate-related risks at the entity and systemic level. There is a significant risk to the overall sustainability of certain insurers' business models due to the potential for some regions and products to become commercially unviable. As climate change progresses, certain areas may experience heightened physical risks, while others may face increased transition risks. Insurers need to carefully evaluate these factors and develop strategies that ensure the long-term viability of their operations and sustainability of their business models without placing undue strain on consumers. By addressing these challenges proactively, insurers can help maintain the stability and resilience of their business models while contributing to a fair and equitable transition to a climate-resilient economy.

Public Citizen	United States	Section 16.3 should address the limits of risk transfer strategies and should direct supervisors to require insurers to develop long-term risk management strategies that protect policyholders, individual insurers, insurance markets, and the financial system. Strategies to offload climate risk onto consumers through higher premiums or reduced coverage do not address the systemic risks of climate change, nor do they create an environment for the long-term solvency of insurers. Section 16.3 should detail the limits of risk transfer to consumers as a strategy for the long-term solvency of insurers.
E3G	USA	Section 16.3 should acknowledge the limits of risk transfer strategies. Supervisors should require insurers to develop long-term risk management strategies that protect policyholders, individual insurers, insurance markets, and the financial system.
Comments on section on Risk appetite and limits		
General Insurance Association of Japan	Japan	Since risks attributable to climate change have a longer-term impact than other risks, even when a risk appetite statement deals with the same risk categories, it can be assumed that the description will be more complex. It should also be noted that risk appetite is determined by considering various risks in the overall business portfolio, and it is not always feasible to use the results of climate risk scenario analysis for assessment in a risk appetite statement. We would like to confirm that the bullet points following "such as" are intended to illustrate elements that could be considered, rather than to clarify elements that should be captured. While it is important to assess, as part of asset management, the potential impact of transition risk on existing risk categories, the relevant methodology has not been established; it is still under development. While it is useful to understand impact through scenario analysis, in reality there are aspects that can be offset by opportunities due to the progress of investee companies' initiatives (e.g., technological innovation, decarbonization management plans, etc.), making it impractical to make decisions based solely on the results of scenario analysis. In addition, given the differences in initiatives among individual companies within a sector, it is unlikely that investment restrictions or investment decisions in a particular sector can be made based on the results of scenario analysis. Rather, such decisions are made taking into account different factors in an integrated manner. We would like to confirm that the proposed supporting material indicates consideration of these points when examining risk policy.

Ceres	United States	Ceres strongly supports the proposed guidance on incorporating climate-related risks into insurers' risk appetite statements and limits, as outlined in section 16.4. We believe that a clear and comprehensive approach to setting risk tolerances and boundaries is essential for the effective management of climate risks in the insurance sector. This section emphasizes that insurers should include a description of how they monitor and manage material climate-related risks in their risk policies, in line with their overall risk appetite statements. This helps to ensure that climate considerations are embedded into the core of insurers' risk management frameworks and decision-making processes, rather than being treated as a separate or standalone issue. We agree that insurers' risk policies should include specific risk tolerance levels and limits for the financial risks associated with climate change, such as physical risks to insured assets, transition risks to investment portfolios, and liability risks from climate-related litigation. Setting clear quantitative and qualitative boundaries around these risks can help insurers to better understand and control their exposures, and to make more informed strategic and operational decisions. The proposed language provides a helpful list of factors that insurers should consider when setting their climate risk tolerances and limits, beyond traditional market, regulatory, and technological factors. Ceres believes that considering these factors can help insurers to develop a more forward-looking approach to climate risk management, beyond reacting to short-term market or regulatory pressures. To further strengthen this guidance, Ceres suggests: 1. Encouraging insurers to set risk tolerance levels and limits that are aligned with the goals of the Paris Agreement and science-based climate targets, to support the transition to a net-zero economy. This could include setting limits on exposure to high-carbon sectors or activities, and targets for increasing investment in green or resilient assets. There are many institutional investors including several insurers, that have published Investor Climate Action Plans: https://www.ceres.org/resources/reports/investor-climate-action-plans-icaps-expectations-ladder. 2. Highlighting the importance of regularly reviewing and updating climate risk tolerances and limits as new information and insights become available, to ensure they remain relevant and effective over time. This could be informed by ongoing monitoring of climate risk indicators, as well as engagement with scientific experts, policymakers, and other stakeholders. 3. Promoting greater transparency and disclosure of insurers' climate risk appetite statements and limits, in line with the TCFD recommendations, to enable more informed decision-making by investors, regulators, and other stakeholders. This could include providing quantitative and qualitative information on the key climate risk metrics and thresholds used, as well

		as the rationale and methodology behind them. 4. Encouraging supervisors to engage in regular dialogue with insurers on their approach to setting and managing climate risk tolerances and limits, and to provide guidance and support where needed. This could include sharing examples of good practices or common challenges across the sector, or providing tools and resources to help insurers develop more robust and comprehensive risk appetite frameworks. 5. Emphasizing the importance of ensuring that climate risk tolerances and limits are well-understood and operationalized across all levels and functions of the insurer, from the board and senior management to underwriters and investment managers. This may require targeted training and capacity building to ensure that all staff are equipped to effectively identify, assess, and manage climate risks in line with the insurer's risk appetite.

Natural Resources Defense Council	United States	NO COMMENT

Global Federation of Insurance Associations (GFIA)	Global	Since risks attributable to climate change have a longer-term duration than other risks, even when a risk appetite statement deals with the same risk categories, it is expected that the description will be more complex. It should also be noted that risk appetite is determined by considering various risks in the overall business portfolio, and it is not always feasible or appropriate to use the results of climate risk scenario analysis for assessment in a risk appetite statement. GFIA would like to confirm that the bullet points following "such as" are intended to illustrate elements that could be considered, rather than to clarify elements that should be captured. While it is important to assess as part of asset management, the potential impact of climate risk on existing risk categories, the relevant methodology is still under development. While it is useful to understand impact through scenario analysis, in reality there are aspects that can be offset by opportunities due to the progress of investee companies' initiatives, such as technological innovation, decarbonisation management plans, etc., making it impractical to make decisions solely based on the results of scenario analysis. In addition, given the differences in initiatives among individual companies within a sector, it is unlikely that investment restrictions or investment decisions in a particular sector can be made based on the results of scenario analysis. Rather, such decisions are made taking into account different factors in an integrated manner. GFIA would like to confirm that the proposed supporting material indicates consideration of these points when examining risk policy. GFIA would suggest rephrasing along the lines that due to limitations of climate scenario analysis, it is not a suitable tool to inform concrete risk management decisions. This is partly due to inherent uncertainties and perhaps more importantly, because the assessment period needs to align with the effective duration of the underlying insurance liabilities to inform concrete business decisions today. But the impact of climate change is for some parts slow moving, while weather-related exposures can be flexibly managed and steered through limited duration of re/insurance contracts (typically one-year contracts for property insurance) as well as active portfolio steering. For the same reasons, such forward-looking analysis is not adequate to inform prudential requirements, e.g., capital requirements, which are also set for a shorter time horizon. The IAIS should be mindful not to promote overreliance on risk assessment tools for purposes they are not suited to. Therefore, GFIA suggests the following wording for the paragraph 11, “The policy should include the insurer’s risk tolerance levels and limits for financial risks, and consider, where relevant, factors beyond market conditions, regulatory changes and technological advancements such as:[..]”.

EDHECinfra & Private Assets	Singapore	No comments
Public Citizen	United States	Section 16.4 should note that the risk policy should also include the insurer's appetite for the reputational risk associated with investing in and underwriting fossil fuel and deforestation projects, as well as reputational risks from limiting coverage of communities vulnerable to climate change.
Comments on section on Asset liability management		
General Insurance Association of Japan	Japan	For insurers with long-term liabilities, having assets with long durations is preferable from an ALM perspective. However, climate-related risks, which are difficult to assess, are hard to consider in a long-term time horizon. This may conflict with ALM-oriented controls.
The Geneva Association	International	The material related to ICP 16.5, Asset-Liability Management, describes how climate change can negatively affect the matching of assets and liabilities. More studies are needed at the company level to assess the materiality of climate change risks and how adaptable business models are. A similar assertion can be found within the material related to Section 15.3. This material should be removed.

Ceres	United States	Ceres strongly supports the proposed guidance on integrating climate risk considerations into insurers' asset-liability management (ALM) policies and practices, as outlined in section 16.5. We believe that effective ALM is critical for ensuring that insurers are able to meet their obligations to policyholders and creditors in a timely and sustainable manner, and that climate change poses significant challenges and risks to this ability. This section highlights that climate change can negatively affect the matching of assets and liabilities, primarily through transition risks. For insurers with long-duration products, such as life insurance and annuities, the use of longer-term bonds to match liability cash flows exposes them to the risk that individual firms or entire sectors could be significantly impaired over the investment horizon due to the low-carbon transition. This could lead to asset-liability mismatches, as well as potential losses on the asset side of the balance sheet. Ceres agrees that insurers need to carefully consider these transition risks when constructing their investment portfolios and setting their ALM strategies. This may involve conducting forward-looking scenario analysis to assess the potential impact of different transition pathways on the value and cash flows of their assets, as well as exploring opportunities to invest in more resilient and sustainable sectors and companies. The proposed language also highlights the importance of considering correlations between different asset classes and between assets and liabilities when assessing climate risks. For example, a non-life insurer’s real estate investment could be exposed to the same physical risks (e.g., hurricanes, floods) as its underwritten property insurance liabilities. Similarly, a life and annuity insurer could have both assets and liabilities exposed to transition risks in climate-vulnerable sectors, such as fossil fuels or energy-intensive industries. Ceres believes that this focus on correlated exposures is a critical and often overlooked aspect of climate risk management in the insurance sector. By taking an integrated view of climate risks across the balance sheet, insurers can better identify and manage potential concentrations and spillover effects and avoid the build-up of excessive risk in any one area. To further strengthen this guidance, Ceres suggests: 1. Encouraging insurers to develop clear and comprehensive ALM policies that explicitly address climate-related risks and opportunities, and that are regularly reviewed and updated to reflect evolving market and regulatory conditions. These policies should be closely linked to insurers' overall risk appetite statements and limits, as well as their investment and underwriting strategies. 2. Highlighting the importance of using forward-looking scenario analysis and stress testing to assess the potential impact

		of different climate futures on insurers' ALM positions, including under severe but plausible downside scenarios. This could involve collaborating with scientific experts and other stakeholders to develop and refine climate scenarios that are relevant and credible for the insurance sector. 3. Promoting greater transparency and disclosure of insurers' approach to managing climate risks in their ALM activities. This could include providing quantitative and qualitative information on the key climate risk metrics and tools used, as well as the results of scenario analysis and stress tests. 4. Encouraging supervisors to engage in regular dialogue with insurers on their ALM practices and climate risk exposures, and to provide guidance and support where needed. This could include conducting thematic reviews or benchmarking exercises to identify good practices and areas for improvement across the sector. 5. Emphasizing the importance of building internal capacity and expertise on climate risk management within insurers' ALM functions, including through training and development programs for staff, as well as engagement with external experts and stakeholders. This may also involve investing in new data, analytics, and modeling capabilities to better assess and monitor climate risks over different time horizons.

Natural Resources Defense Council	United States	We support the inclusion of the proposed new supporting material on asset liability management (pars. 12-13). Please see our response to item 30 for details.
Global Federation of Insurance Associations (GFIA)	Global	The material related to ICP 16.5, Asset-Liability Management, describes how climate change can negatively affect the matching of assets and liabilities. This assertion fails to recognise that (i) the viability of investees businesses is constantly impacted by many dynamics, not just climate change, and (ii) investees may potentially benefit from these dynamics, because their business models may be adaptable. A similar assertion is within the material related to section 15.3. This material should be removed. For insurers with long-term liabilities, having assets with long durations is preferable from an ALM perspective. However, climate-related risks, which are difficult to assess, are hard to consider in a long-term time horizon particularly due to inherent uncertainties. Also, other risk drivers might be more dominant over a long-time horizon.
EDHECinfra & Private Assets	Singapore	No comments
Finance Watch	European Union	Finance Watch commends the recognition of the risk of correlated exposures. With climate change accelerating, it is important to acknowledge that it can trigger second-order effects such as civil unrest, political instability, mass migration, economic fragility, and resource security issues. These cascading impacts may lead to changes in the correlation between different risk types, thereby increasing both the probability and scale of potential losses. Addressing these interconnected risks is crucial for developing robust strategies that enhance the resilience of the insurance sector in the face of growing climate challenges. At present, however, none of the existing prudential tools allows to account for these second-round effects, which requires, on the one hand, advancements of the existing prudential tools, and deployment of new, in particular, precautionary approaches to address the risk.
Public Citizen	United States	We support this section of the supporting material

American Academy of Actuaries	United States of America	See our response to item 30.
Comments on section on Investment policy		
General Insurance Association of Japan	Japan	Given that, compared to financial risks, the likelihood of climate-related risks materializing is considered more uncertain, it is necessary to be aware of the risk that incorporating climate-related risks into investment strategies to the same extent as financial risks may lead to irrational investment decisions.

Ceres	United States	Ceres strongly supports the proposed guidance on incorporating climate risk considerations into insurers' investment policies, as outlined in section 16.6. We believe that a comprehensive approach to managing climate risks in investment portfolios is critical for the long-term financial resilience and sustainability of the insurance sector. This section emphasizes the complex and non-linear nature of climate risks, and the potential for both physical and transition risks to affect insurers' investments through multiple channels, including credit risk, market risk, reputational risk, strategic risk, and liquidity risk. This underscores the need for insurers to take a holistic and forward-looking approach to assessing and managing these risks, rather than relying solely on historical data or traditional risk models. Ceres agrees that insurers should pay particular attention to the potential for second-order effects and indirect losses from climate risks, such as the devaluation of financial counterparties with high exposures to climate-vulnerable sectors, or the impact of changing investor sentiment on market valuations. These risks can be difficult to predict and quantify, but they can have significant impacts on insurers' investment performance and solvency over time. The proposed language also highlights that climate risks can manifest at any time, but the likelihood and severity of physical and transition risks tend to increase over longer time horizons. This means that longer-maturity assets, such as bonds and infrastructure investments, are particularly vulnerable to climate risks, and insurers need to conduct thorough risk assessments and scenario analysis to understand and better manage these exposures. Ceres believes that this focus on longer-term risks and impacts is critical for insurers, given the extended liabilities and investment horizons of many insurance products. By taking a more strategic and long-term view of climate risks in their investment policies and practices, insurers can help to mitigate potential losses and identify opportunities for more resilient and sustainable investments. To further strengthen this guidance, Ceres suggests: 1. Encouraging insurers to develop clear and comprehensive investment policies that explicitly address climate-related risks and opportunities, and that are aligned with the goals of the Paris Agreement and science-based climate targets. These policies should cover all relevant asset classes and investment activities and be regularly reviewed and updated to reflect evolving market and regulatory conditions. 2. Highlighting the importance of conducting regular and rigorous climate risk assessments and scenario analysis for investment portfolios, using a range of data sources and analytical tools. This could include assessing the carbon footprint and intensity of portfolios, as well as the exposure to physical risks such as sea-level rise, extreme weather events, and

		supply chain disruptions. 3. Promoting greater transparency and disclosure of insurers' approach to managing climate risks in their investment activities. This could include providing quantitative and qualitative information on the key climate risk metrics and targets used, as well as the results of scenario analysis and stress tests. 4. Encouraging supervisors to engage in regular dialogue with insurers on their investment policies and practices related to climate risk, and to provide guidance and support where needed. This could include conducting thematic reviews or benchmarking exercises to identify good practices and areas for improvement across the sector. 5. Emphasizing the importance of building internal capacity and expertise on sustainable finance and climate risk management within insurers' investment functions, including through training and development programs for staff, as well as engagement with external experts and stakeholders. This may also involve exploring opportunities for collaboration and knowledge-sharing with other institutional investors and financial market participants.

Natural Resources Defense Council	United States	NO COMMENT
Global Federation of Insurance Associations (GFIA)	Global	Given that, compared to financial risks, the likelihood of climate-related risks materialising is considered more uncertain, climate related risks is one part of the investment decision process, in the overall investment strategy.
EDHECinfra & Private Assets	Singapore	No comments
Finance Watch	European Union	Finance Watch recommends that insurers reflect climate risk considerations when designing their investment policies. This includes restricting investments in sectors with high transition risk. By proactively managing their exposure to these high-risk sectors, insurers can mitigate the potential for material impacts on their returns from their asset portfolios. Additionally, restricting investments that exacerbate climate change will reduce financial risks in the long term. Supervisors should closely monitor the climate-related risk assessments conducted by insurers to ensure that these considerations are effectively integrated into their investment strategies.
Public Citizen	United States	We support this section of the supporting material
Comments on section on ORSAs		

General Insurance Association of Japan	Japan	Climate change risks are important to insurers and should be considered in the ORSA. Technical difficulties, such as evaluation with longer time horizons and analysis of more diverse risks (physical risks, transition risks, and litigation risks), are expected in incorporating scenario analysis in the ORSA. These should be fully taken into account. From this perspective, we agree with the last sentence of Paragraph 17 ("Insurers may consider..."). With regard to the third bullet point in Paragraph 19, we would like to confirm that it is intended to be only "illustrative" at this point, as the likelihood and impact of liability risks vary greatly depending on the legal system of each jurisdiction, plus the feasibility of the analysis is not sufficient in jurisdictions where past cases do not exist.
The Geneva Association	International	The material related to ICP 16.14 describes the incorporation of climate risks into an ORSA continuity analysis. The continuity analysis is typically consistent with a 3-5-year, i.e. strategic business plan, horizon, while climate risks would, in most cases, be expected to manifest over a much longer time horizon. Accordingly, unless regulatory or other changes are imminent, it is difficult to understand how climate-change-related effects could be reliably and meaningfully incorporated in an ORSA continuity analysis. This material should be removed. In any case, we propose the following rewording to paragraph 21: "It is expected that" climate-related risks are material to the insurance industry and are expected to potentially have an impact on all insurers; therefore, these risks should be considered for inclusion in the ORSA. If climate-related risks are assessed to be immaterial by an insurer [or immaterial over the time-horizon of the ORSA], the insurer should document the reason for the assessment".
American Property Casualty Insurance Association	United States	In paragraph 19, the reference to "1-1000 year events" should be deleted. That time horizon is beyond the ability of any current model to provide reliable, useful information. The phrase "increasing pressure on boards to manage their companies in a responsible manner" incorrectly assumes that all boards are not now managing their companies in a responsible manner. That phrase should be replaced by "potential litigation."

Institute of International Finance	USA	Paragraph 18 of the supporting material calls for the ORSA to include appropriate scenarios that use a more extended time horizon. We do not believe that supervisory expectations for the ORSA should include scenarios beyond the three- to five-year business as usual horizon. An insurer's ORSA should primarily cover near- to medium-term material risks, consistent with the strategic planning horizon, which is considerably shorter than some climate physical and transition risk time horizons. The results of climate scenario analyses, particularly those based on longer time frames that involve highly uncertain climate pathways and other variables, are not useful for informing near- to medium-term risk management. Supervisors should expect that company perspectives related to the analysis of longer-term time frames will be qualitative in nature. Moreover, the incorporation of the results of climate scenario analysis in the ORSA should be solely at management's discretion, informed by the materiality of climate-related financial risks to the company. The disclosure of climate scenario results should not be mandated in supervisory requirements. Climate-related risk drivers should not be elevated over other material insurance risk drivers and all risk drivers should be considered through the lens of materiality to the firm.

Ceres	United States	Ceres strongly supports the proposed guidance on incorporating climate risk considerations into insurers' Own Risk and Solvency Assessments (ORSAs), as outlined in sections 16.12 and 16.13. We believe that the ORSA is a critical tool for insurers to assess the adequacy of their risk management frameworks and solvency positions in the face of emerging and evolving risks, such as climate change. The guidance rightly recognizes that the impact of climate risks on insurers will depend on their unique business strategies, investment portfolios, and risk profiles. As such, the nature and materiality of climate-related insurance, credit, market, concentration, operational, and liquidity risks will vary across different insurers. This underscores the importance of conducting a thorough and tailored assessment of climate risks as part of the ORSA process. Ceres fully agrees with the expectation that insurers should consider all material physical and transition risks arising from climate change in their ORSAs and adopt appropriate risk management actions to mitigate these risks. This includes assessing the risks on both a qualitative and quantitative basis, and improving the sophistication and granularity of these assessments over time as data and methodologies evolve. We particularly welcome the emphasis on assessing climate risks over longer time horizons than those typically used for regulatory capital requirements. Given the extended and non-linear nature of many climate risks, it is critical that insurers consider the potential impacts on their risk profiles and financial positions over the medium to long term, in line with their specific business plans and exposures. The guidance provides helpful examples of how climate risks could be incorporated into the ORSA through scenario analysis and stress testing. This could include assessing the impact of different physical risk scenarios (e.g., 1-in-100 to 1-in-1000-year events), transition risk scenarios (e.g., carbon taxes, regulatory changes), and liability risk scenarios (e.g., litigation against high-emitting companies). By considering a range of plausible adverse scenarios, insurers can gain a more comprehensive understanding of their potential vulnerabilities and resilience to climate-related shocks and stresses. Ceres also strongly supports the guidance for insurers to document their rationale if they assess climate risks to be immaterial for their ORSA. Given the systemic and pervasive nature of climate risks, we believe that all insurers should be considering these risks in their ORSAs to some degree, even if the immediate impacts may not be significant. By requiring a clear and concise explanation for any materiality judgments, supervisors can help to ensure that climate risks are being appropriately scrutinized and not overlooked. To further strengthen this section, Ceres suggests:

		1. Providing more detailed guidance on the types of climate scenarios and stress tests that insurers should consider in their ORSAs, drawing on established frameworks. This could include specifying the range of transition and physical risk pathways to assess, as well as the key macroeconomic and financial variables to model. 2. Encouraging insurers to leverage their ORSA findings to inform strategic decisions around business models, product development, pricing, and capital allocation. The ORSA should not be viewed as a purely compliance-driven exercise, but rather as an opportunity to integrate climate risk considerations into core business and financial planning processes. 3. Highlighting the importance of engaging with key stakeholders, including policyholders, investors, and regulators, when developing and communicating ORSA results related to climate risk. Transparency around insurers' climate risk assessments and management strategies can help to build trust and accountability and support the broader sustainable finance goals. 4. Clarifying the expectations for insurers to consider the potential second-order and spillover effects of climate risks in their ORSAs, such as the impact on asset-liability management, reinsurance arrangements, and broader market dynamics. A holistic and systemic perspective on climate risks is needed to capture the full range of potential impacts.

International Actuarial Association (IAA)	International	Similarly to Comments on section on Corporate strategy and time horizons, the time horizon for the ORSA may need to have regard to the long-term strategic goal of the insurer for each major line of business. Although the ORSA should be conducted over the business planning horizon, it also may need to have regard to the long-term strategic goals of the insurer. In addition, it would be important to consider the level of reliability of the applied scenarios and disclose such information in the ORSA report.

Natural Resources Defense Council	United States	The proposed new supporting material on own risk solvency assessments provides critical guidance on how climate risk should be incorporated in the ORSA process. This is important for several reasons: • Financial Impact: More frequent and severe weather events due to climate change can lead to a surge in claims and devaluations in invested assets (see our response to item 2), directly impacting an insurer's financial stability. If an ORSA doesn't consider this potential increase in payouts, the insurer may underestimate its risk and hold insufficient capital reserves. • Regulatory Requirements: Regulatory bodies like the European Insurance and Occupational Pensions Authority (EIOPA) now require insurers to integrate climate risks into their ORSAs. This includes assessing both physical risks (e.g., floods, wildfires) and transition risks (e.g., shifts to renewable energy) and their potential financial impact. • Long-Term Sustainability: Climate change is a long-term trend. By incorporating climate scenarios into the ORSA process, insurers can assess how their business model might be affected in the coming decades. This allows them to make proactive adjustments to products, pricing, and reinsurance strategies to ensure long-term solvency. • Emerging Risks: Climate change can lead to new and unforeseen risks, such as disruptions to supply chains. A comprehensive ORSA that considers climate scenarios can help insurers identify these emerging threats early on and develop strategies to mitigate them before they cause significant financial losses. In essence, ignoring climate change in an ORSA creates a blind spot for insurers. A thorough assessment that incorporates climate risks allows them to proactively manage their solvency and build a more resilient business model for the future.

Global Federation of Insurance Associations (GFIA)	Global	Climate change related risks should be considered in the Own Risk Solvency Assessment (ORSA), where material to the insurer. Technical difficulties, such as evaluation with longer time horizons may be a challenge when incorporating climate scenario analysis in the ORSA. These should be taken into account. Where the assessment goes beyond the usual 3-5 years business planning time horizon for the ORSA, a more qualitative and contextual nature of the long-term analysis should be acknowledged as being fit-for-purpose, as well as the inherent uncertainties and potential limitations due to data quality. From this perspective, GFIA agrees with the last sentence of paragraph 17 ("Insurers may consider..."). In paragraph 19, the first bullet point notes,“1-1000 year events” which should be deleted. That time horizon is beyond the ability of any current model to provide useful information. With regard to the third bullet point in paragraph 19, GFIA would like clarity that it is intended to be only "illustrative" at this point, as the likelihood and impact of liability risks vary greatly depending on the legal system of each jurisdiction, and the feasibility of the analysis is not sufficient in jurisdictions where past cases do not exist. The phrase, “increasing pressure on boards to manage their companies in a responsible manner” improperly assumes that boards are now not managing their companies in a responsible manner. That phrase should be replaced by “potential litigation”. The continuity analysis is typically consistent with a 3–5 year business plan, while climate-related financial risks would be expected to manifest over decades. Accordingly, unless regulatory or other changes are imminent, it is difficult to understand how climate-related effects could be reliably and meaningfully incorporated in an ORSA continuity analysis. This material should be removed.
EDHECinfra & Private Assets	Singapore	No comments

Finance Watch	European Union	Finance Watch welcomes integration of climate-related financial risks into ORSA, which should ensure a holistic view on managing these risks–from materiality to solvency assessment. We welcome the recognition that certain risks need to be considered over a time horizon that extends beyond insurers' financial and business planning cycles. In particular, it is essential that transition risk analyses take into account the time horizon until 2050 to meaningfully understand the risk exposure of investees and counterparties. This long-term perspective is essential for assessing the full scope of climate-related risks and ensuring that investment strategies are aligned with the goal of transitioning to a low-carbon economy.
Public Citizen	United States	We support this section of the supporting material
American Academy of Actuaries	United States of America	The ORSA continuity analysis is typically consistent with a 3 to5-year business plan, while transition risk would be expected to manifest over decades. Accordingly, unless regulatory or other changes are imminent, it is difficult to understand how transition-related effects could be reliably and meaningfully incorporated in an ORSA continuity analysis.