IAIS International Association of Insurance Supervisors

Consultation comments received on draft application paper on climate risk market conduct issues in the insurance sector

19 March 2024 to 19 June 2024

Organisation	Jurisdiction	Comment
General comments on draft application paper on climate risk market conduct issues in the insurance sector:		
General Insurance Association of Japan	Japan	While this AP focuses on market conduct related to climate change, it is our understanding that each jurisdiction already has regulations in place to protect consumers and appropriate supervision based on these regulations. Therefore, a new supervisory and regulatory framework is not needed for climate risk market conduct, which is essentially within the scope of existing regulations and supervision for consumer protection.

Principles for Responsible Investment (PRI)	United Kingdom	The PRI recommends the IAIS support insurer supervisors to tackle the root cause of greenwashing by establishing and clarifying supervisory expectations for insurers pursuing various climate-related objectives at both the entity and product level in respect of (a) the development and implementation of practices, policies, strategies and procedures relating to sustainability-related objectives (including managing sustainability-related risk and achieving sustainability impacts); (b) related disclosure; (c) criteria or guidance to assess the credibility of investment strategies and actions adopted for achieving sustainability objectives. Although in many cases greenwashing is manifested through the channels of product disclosure or marketing, the drivers of greenwashing are usually rooted in the lack of credible governance, strategies, and actions by insurers to obtain sustainability-related objectives. Therefore, in many cases, proving greenwashing would go beyond product or entity-level disclosure and usually entails an assessment of the credibility of their respective strategies, governance, and actions in achieving sustainability-related objectives. An effective assessment entails the establishment of clear and consistent regulatory expectations or criteria for sustainable investment practices in the first place. Setting out the rule book is crucial to provide much-needed clarity and predictability for sustainable finance to thrive. See PRI's past positions on anti-greenwashing ■ PRI response to the UK Financial Conduct Authority's (FCA) guidance on the anti-greenwashing rule (2024) ■ PRI response to the Financial Conduct Authority's consultation on Sustainability Disclosure Requirements (SDR) and investment labels (2023) ■ PRI response to European Supervisory Authorities Call for Evidence on Better Understanding Greenwashing (2023)

World Federation of Insurance Intermediaries WFII	global	WFII appreciates the opportunity offered by the IAIS to comment on the draft Application Paper on climate risk market conduct issues in the insurance sector and the draft Application Paper on climate scenario analysis in the insurance sector. WFII has taken note of the recommendations made in this paper, aimed at preventing or identifying unfair treatment of consumers that may occur in relation to sustainability-oriented products or NatCat products. Please allow us to make some suggestions for improvement, for your consideration: • Paragraph 2: We believe that intermediaries cannot be held accountable if they offer insurance products that are misrepresented by the insurers as sustainable insurance products. They are then misled too. Intermediaries need to be able to rely on the information and documentation that is provided by the insurer. We therefore propose changing the last sentence of this paragraph as follows: ' In particular, if customers and intermediaries are misled into advising on and buying products with questionable sustainability features, the customers' funds may not be invested in sustainable products, thereby not meeting the consumers' and intermediaries' expectations. In the second sentence we propose the following change: For example, risks may arise when claims made by insurers and intermediaries on their own sustainability and the sustainability of their the insurers' products are either misleading or unsubstantiated, potentially leading to accusations of greenwashing. In the last sentence we propose to delete the word financing and using instead facilitating or supporting. The sentence would then be: Furthermore, this type of practice could generate a general loss of confidence in the role the sector can play in facilitating the transition. • Paragraph 3 In the first sentence, we make the same suggestion as above, we propose deleting the word financing, and using instead facilitating or supporting. • Paragraphs 5 and 18 We make the same suggestion as above, in the third sentence, please change their products into the insurance

		products. • Paragraph 9 We propose to delete in the second sentence, the reference to intermediaries, split this sentence in two and add 'may'. We propose the following text: To meet this increase in demand, insurers may have adapted their offers to propose products with sustainability features. Insurers and intermediaries may also portray themselves as having sustainability features. • Paragraph 12 We believe that this Application Paper is not the appropriate vehicle to refer to the accountability of insurers and intermediaries for their social and environmental impact. We therefore propose deleting the second part of this sentence and change it as follows: 'In this sense greenwashing can potentially undermine the efforts of customers (or other stakeholders) to contribute to a greener economy'. • Paragraph 49 In the context of sustainability-related information, supervisors should require that any information provided by insurers and intermediaries is substantiated with an adequate and sufficient level of evidence. We propose changing this paragraph as follows: In the context of sustainability-related product information, supervisors should require that any information provided by insurers and intermediaries is substantiated with an adequate and sufficient level of evidence. • Paragraph 51 Based on such methodologies, supervisors should require that insurers and intermediaries take reasonable steps to provide information in an accurate, clear and not misleading manner before promoting an insurance product. We propose changing this paragraph as follows: Based on such methodologies, supervisors should require that insurers and intermediaries take reasonable steps to provide information to intermediaries and their customers in an accurate, clear and not misleading manner before promoting an insurance product.

		• Paragraph 57 The perception is that the paper deals with what the Insurance industry should be doing but experience has shown that comprehensive NatCat insured and uninsured protection cannot be the domain of insurers alone and needs a public-private partnership (PPP) model. Perhaps this paragraph could elaborate on this. • Paragraph 66 We believe that intermediaries should be deleted in the first sentence as this paragraph relates to the communication material that is produced by the insurer. • Paragraph 73 Finally, there is a risk that exclusions are not duly assessed to ensure the insurance product is appropriate for consumers, given the risks they are exposed to. For example, in the case of exclusions to certain risks (i.e. flood losses in high risk flood areas), these exclusions are often not sufficiently communicated and considered in the sale process (ICP.19.8). What is the basis of this claim? This is not clear to us. We propose that this paragraph is deleted, or to delete the example or to change it as follows: these exclusions could have been unsufficiently communicated and considered in the sale process. • Paragraph 76 Supervisors should assess whether insurers evaluate the differences between sales channels/intermediaries and seek engagement with customers to ensure adequate understanding of exclusions, irrespective of the sales channel. This paragraph is not clear to us. What is meant by 'evaluation of differences between intermediaries'? And what is meant by 'seek engagement with the customer'? Does this mean that the insurer has to repeat the advice provided by the intermediary? We believe that this paragraph should be deleted. • Paragraph 81 Affordability issues raise several conduct risks that require supervisory attention. Often, consumers that are

		more vulnerable are also amongst those that may be more exposed to NatCat events (ICP 19.4). It is important that consumers are fairly treated in light of their vulnerable condition, which, in some cases, may require public interventions in order to provide broader coverage. This paragraph is not clear to us. What is the point the drafters are trying to make? Consumers should no doubt be treated fairly, but, on the other hand, insurers should be permitted to charge risk-based rates. • Paragraph 82 Consumers may also perceive insurance as being too expensive; this may be because they do not understand the losses covered by the policy or the extent of the increase in the underlying NatCat risks. This could indicate that products may not be promoted in a clear and fair manner (ICP 19.6) or that pre-contractual information is not provided in a timely and clear manner (ICP 19.7). Finally, differential pricing practices may lead to the unfair treatment of consumers. Paragraph 82 suggests that it is not fair to charge risk-based rates to consumers. It may be that consumers do not understand the risks they present or the reasons for increases, but this does not mean that the rates charged are "unfair." Accordingly, we would recommend deleting the words "and fair" in the second sentence. • Paragraph 86 We recommend revising the first sentence of paragraph 86 in the following way: "Supervisors should monitor and require that there are no differential pricing practices, which that are misleading and deceptive or unfair to consumers." The current wording suggests that all differential pricing practices are misleading, deceptive, and unclear, but differences in pricing are typically attributable to the risks presented. Markets need to retain the" Free market" principles and avoid the implementation of "no differential pricing" models and in particular where the Cat type cover is included as part and parcel of a portfolio, i.e. not being a ring fenced NatCat protection. The real issue is that of contract certainty without impacting on the issue of fair competition. • Paragraph 92 In the light of a level playing field for all market players, we propose to add in this paragraph that supervisors could also promote the assistance of an intermediary in comparing the insurance products offering Nat Cat protection.

		• Paragraph 96 Supervisors could consider liaising with insurers and other relevant authorities to develop accessible tools that provide consumers with first-hand information on the risks they are facing or on the cost of recovery, allowing consumers to make informed decisions about the coverage they purchase (e.g. public risk-zoning tools which enables consumers to understand the level of risk for their type of home in their regions). We believe that these tools should also be accessible to intermediaries. We propose mentioning this in this paragraph. • Paragraph 105 It is important that insurers manage consumer expectations during the claims handling periods following severe weather events. Where claims will not be resolved in a timely manner, insurers should communicate clearly with customers. We propose changing this paragraph as follows: It is important that insurers manage consumer expectations during the claims handling periods following severe weather events. Where claims will not be resolved in a timely manner, insurers should communicate clearly with customers and their intermediaries. • Paragraph 106 It is also important that insurers enable consumers affected by a NatCat event to access all the relevant information to determine if they can make a claim and make it in a timely manner. For example, providing digital access to policy information and insurance coverage is helpful for policyholders that are forced to evacuate or cannot access their properties, and therefore most of their relevant documents for submitting claims. We propose changing this paragraph as follows: It is also important that insurers enable consumers affected by a NatCat event and their intermediaries to access all the relevant information to determine if they can make a claim and make it in a timely manner. For

		example, providing digital access to policy information and insurance coverage is helpful for policyholders that are forced to evacuate or cannot access their properties, and therefore most of their relevant documents for submitting claims.

APCIA	USA	General comments on the application paper on climate risk market conduct issues in the insurance sector In setting forth the strictest, most comprehensive supervision without regard to cost or cost effectiveness, the paper actually contradicts and works against its primary objectives to encourage full and accurate climate disclosures and understandable insurance contracts and to advance the affordability and access to insurance. At a high level, we are concerned that insurance regulators are taking a one-size fits all approach to climate risk. The P&C industry experience (with few exceptions) is vastly different from the life industry experience and regulating with a broad approach such as that suggested in the Paper provides a confusing and unworkable landscape. Even if the life insurance industry is not the intended target for this Paper, the IAIS and other regulators should be clear around their regulation of the life insurance industry versus P&C in papers such as this. Additionally, concerning the authority of regulators, many of the requirements IAIS lays out (e.g. advertising rules) are often not in the mandate of insurance regulators everywhere and this should be indicated in the Paper. The paper's many suggested mandates including for example extensive testing and hiring of behavioral experts will increase costs and work against proportionality, as smaller companies will struggle to achieve anything near compliance. The paper has a uniquely punitive nuance about it—implying that there is widespread greenwashing and deliberately misleading disclosures and insurance contracts without evidence of how widespread they are and whether current regulation is inadequate to address the rare cases of both. Every section is led by a Context Section which is nothing more than a recitation of possible issues or complaints with regard to the source of evidence supporting the need for the supervisory recommendations. The recommendations, themselves, then adopt far reaching and vague standards that inevitably will create new compliance challenges and costs. There is almost no consideration of the larger issue of societal wide resilience. The lack of resilience and the unmanageable losses that result in insurance affordability and availability issues are not considered in the paper. Those losses originate in choices made by governments, sectors and individuals that are beyond the control of insurers. If wider access and greater affordability are to be achieved, those underlying costs resulting from actions of other stakeholders, must be addressed. Overall, the paper seems to be counterproductive, such as by implying that sustainability-oriented customers have greater inherent rights or should be treated with greater care than other customers. The market conduct regimes in many jurisdictions are highly developed and are product agnostic. There is nothing idiosyncratic about climate-related issues that merit a deviation or separate treatment under a jurisdiction's market conduct regimes. Indeed, products that protect consumers from the risks of natural catastrophes have been in existence for decades. In fact, the paper strays far beyond its title into areas that are not market conduct issues or otherwise matters that are more appropriately addressed by policymakers in

		the official sector rather than insurers including protection gaps, financial literacy programs, and other ESG issues. With respect to its treatment of greenwashing and insurance products, while we understand its application from investment design perspective (and perhaps in relation to certain investment-linked insurance products), we do not believe that P&C products are susceptible to greenwashing given their intrinsic nature of property damage and liability protection, and would appreciate if the paper would distinguish P&C products from investment-linked products in this regard. The paper may also be interpreted to set up an impossible standard of compliance—basically that every possible recipient of every disclosure or product needs to fully understand them and believe they are sufficient. And then in order to meet that extraordinary and unprecedented standard, the paper recommends that insurers be mandated to hire additional experts to test and constantly retest everything they do to assure compliance with that impossible standard. Finally, the paper may be misinterpreted as concluding that nat cat protection gaps are the result of market conduct. To the contrary, nat cat protection gaps arise of losses and issues that are beyond the control of insurers, such as development in climate vulnerable areas and the failure to effective building and land use standards.

National Association of Insurance Commissioners (NAIC)	United States of America	General comments on the application paper on climate risk market conduct issues in the insurance sector • Consider using flowcharts and infographics to break down complex ideas, especially to illustrate the different roles of insurers, intermediaries, and supervisors in tacking greenwashing. For example, a flowchart illustrating the different checkpoints needed to review the design, delivery, and performance monitoring of a product with sustainable features could be helpful in breaking down the recommendations in 2.3. • Consider including a glossary for technical terms and standardize these terms and where best to use them. For example, there are multiple terms that include the word sustainability: sustainability preferences and objectives, sustainability preferences, sustainability related objectives, sustainability goals, sustainability factors, sustainability features can be confusing as they are not defined, and some are used interchangeably and some are not. • Consider adding a summary or conclusion section that reiterates the key takeaways and proposed actions for insurance supervisors.

The Life Insurance Association of Japan	Japan	• The LIAJ agrees with the IAIS that in recent years, climate change issues have become increasingly relevant to the insurance industry, resulting in the emergence of market conduct related issues in the industry, as stated in the application paper. In addressing this, the LIAJ believes that the following points should be noted: – As the IAIS stated in the application paper, the risk of greenwashing and the potential increase in protection gaps are not necessarily new risk categories but are rather related to existing market conduct regulations. As such, it should be noted that unnecessarily introducing new regulations should be avoided. – As for the risk of greenwashing, since it is not only confined to insurance products, the IAIS should refer to past examples and best practices from other sectors such as the asset management sector, and where possible make an effort to take cross-sectoral measures.
CRO Forum	Global	The Greenwashing working group has met to discuss the consultation in question and have provided the comments below. The CRO Forum response will only focus on section 2 of the consultation - Greenwashing considerations. Overall the paper appears to be relative generic, leaving a lot of leeway of the local supervision to develop their own requirements. The CRO Forum encourages to further precise following paragraphs in the section 2.

Swiss Financial Market Supervision Authority FINMA	Switzerland	We propose to include the following general disclaimer at the beginning of the application paper to better align with the scope of insurance supervision: The consideration of sustainability preferences should not come at the expense of policyholders' other (financial) interest and restrict diversification. It must be noted that the scope of the mandate of supervisors may vary. We have identified some places in the paper where this fact is relevant but not yet adequately reflected in the paragraphs [e.g. 28./33./44.]. For better readability we propose to include a general disclaimer at the beginning of the paper. We further propose to include a general comment, that recommendations are only relevant if the underlying issues are not already being addressed by other means.
FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	GFIA welcomes the opportunity to comment on the Paper. Insurers fully understand the challenges posed by climate risk and are working cooperatively with supervisors around the world to disclose relevant information, provide useful coverage and, even more importantly, to assist societies to become more resilient by mitigating and adapting to their climate risk. These actions also significantly assist in achieving the Paper's stated goals of affordability and access. We believe that some parts could be refined and clarified. GFIA and its members commit to a constructive dialogue on such important issues such as greenwashing and natural catastrophes (NatCat). For clarity and coherence, GFIA believes that its general comments should be done in two parts: firstly, greenwashing and secondly NatCat. Greenwashing GFIA is concerned that by setting forth the strictest, most comprehensive supervision without regard to cost or cost effectiveness, the Paper works against its primary objectives of encouraging full and accurate climate disclosures, understandable insurance contracts, and affordable and accessible insurance. Since this topic is rather new in the regulatory landscape, we assume a vast majority of actors around the world act in good faith. GFIA believes a general presumption of widespread greenwashing should be avoided. Firstly, at a high level, we are concerned that insurance regulators are taking a one-size fits all approach to climate risk. The property and casualty insurance (P&C) industry experience (with few exceptions) is vastly different from the life industry experience and regulating with a broad approach such as suggested in the Paper could lead to a confusing and unworkable landscape with the risk of overlapping regulations. The International Association of Insurance Supervisors (IAIS) and other regulators must be clear around their regulation of the life insurance industry versus the P&C industry in papers such as this. Secondly, concerning the authority of regulators, many of the requirements IAIS lays out (e.g. advertising rules) are often not in the mandate of insurance regulators everywhere and this should be indicated in the Paper. Furthermore, the Paper's many suggested mandates including for example, extensive testing and hiring of behavioural experts will increase costs and work against the principle of proportionality, as smaller companies will struggle to achieve anything near compliance. In addition, while this application Paper focuses on market conduct related to climate change, it is GFIA's understanding that most jurisdictions already have regulations in place to protect consumers and appropriate supervision based on these regulations. Conduct regulations generally prohibit the misrepresentation of products and services to consumers which would include greenwashing practices. Therefore, a new

supervisory and regulatory framework is not needed for climate risk market conduct, which is essentially within the scope of existing regulations and supervision for consumer protection. Unnecessary regulatory burdens, that may lead to increases in the price of products, should be avoided.

Overall, some of the underlying assumptions in the Paper seem not to be accurate, such as implying that sustainability-oriented customers have greater inherent rights or should be treated with greater care than other customers. Reporting on sustainability is a new practice in many jurisdictions. Those that do report do so acting in good faith and in ways consistent with their own jurisdiction's legal framework. Reporting on sustainability should be supported and encouraged. In our view, it would be better for the IAIS to identify specific examples of what it considers to be greenwashing to illustrate and educate.

In the absence of a proper definition of “sustainability”, and having regard to the diversity of jurisdictions, GFIA does not support the binding and far-reaching recommendations the IAIS proposes in matters of greenwashing which are, to our mind, based on negative and inaccurate perceptions about the insurance industry without presuming the good faith of insurers. In this regard, GFIA suggests that the IAIS includes a section which outlines whether there is in fact a perceived issue with greenwashing in the insurance industry, supported by quantitative evidence where possible.

NatCat
Around the world, there is a large variety of NatCat coverage from literally no cover to a broad cover. For this reason, it is difficult to comment generally on one or the other scenario. This variety is a function of choices made by policymakers, insurers, insureds and other stakeholders. GFIA believes that the Paper should focus on situations where a lack of resilience is observed and on the unmanageable losses that result in insurance affordability and availability issues.

GFIA and part of its membership have extensive experience in NatCat events and the GFIA WP has regular exchanges regarding best practices and best approaches. GFIA believes that it could in a separate exercise share its experience with the IAIS and its members.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	The paper brings several very positive and needed issues and recommendations with regards to insurance products availability and transparency concerning climate risks. We can say, in short, that we could not be more supportive of each of them. We would only add, however, that a recommendation regarding innovative insurance of natural assets, that are key not only to mitigate climate change, but also for adaptation and resilience, could be included. We can refer to a couple of pilot products, case studies and policy briefs that have been published recently on the topic: Insurance for mangrove restoration: Reducing Caribbean Risk: oportunities for cost-effective mangrove restoration and insurance (https://www-axa-com.cdn.axa-contento-118412.eu/www-axa-com%2Ff83724d2-fcd0-4a41-bde9-e0330a501d07_tnc_mangrove+insurance_final+hi.pdf) Insurance for coral reef restoration: Designing a new type of insurance to protect coral reefs, economies and the planet (https://www.swissre.com/our-business/public-sector-solutions/thought-leadership/new-type-of-insurance-to-protect-coral-reefs-economies.html) The Nature Conservancy debuts new Hawaii coral reef insurance plan (https://www.greenbiz.com/article/nature-conservancy-debuts-new-hawaii-coral-reef-insurance-plan) Insurance for natural infrastructure: assessing the feasibility of insuring coral reefs in Florida and Hawaii (https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_BOA_ReefInsuranceFeasibility_FLHI_113020.pdf) Webinar: How insurance can support reef resilience (https://reefresilience.org/pt/how-insurance-can-support-reef-resilience-webinar/) Also, we believe that the topic of climate risks and opportunities in the investment portfolio should be addressed as well, regarding a number of transparency issues, due diligence actions for risk assessment and proper mitigatory actions towards the invested companies. We will detail that in further comments.

Institute of International Finance	United States	Dear Messrs. Ariizumi and Dixon: The Institute of International Finance (IIF) and its insurance members, which broadly represent the global insurance industry, appreciate the opportunity to provide comments on the IAIS's Draft Application Paper on climate risk market conduct issues in the insurance sector (Draft Application Paper). Overarching Comments The IAIS should go back to first principles in drafting an Application Paper. As noted in the preface to the Draft Application Paper, Application Papers provide supporting material related to specific supervisory material in the ICPs or ComFrame by providing further advice, information, recommendations, or examples of good practice. Application Papers are subject to the principle of proportionality and should not include new requirements that go beyond the scope of the existing ICPs. However, in practice, Application Papers are often interpreted by supervisors as prescriptive requirements from the IAIS that should be reflected in new local requirements and, this by extension, can raise the implication among supervisors that failure to implement these apparent requirements could give rise to negative assessments. We encourage the IAIS to reiterate and clarify the purposes and intent of an Application Paper for the benefit of its members and stakeholders and to draft Application Papers in a much less prescriptive tone (e.g. the use of the words 'could' or 'may' instead of 'should'). Prior to the issuance of a final Application Paper, the IAIS should consult with the industry and other key stakeholders and, ideally, this exchange should inform the consultation draft. We appreciate that the IAIS recently has held a number of stakeholder engagement sessions on topics that may become the subject of an Application Paper. We encourage the IAIS to engage in this outreach with the industry and other stakeholders on the subject of climate risk market conduct before progressing to a final Application Paper, especially when considering a paper of the depth and breadth of the current Draft Application Paper. The IAIS is advised to more clearly define the scope of application of any final Application Paper and clearly link any recommendations to its mandate. The IAIS should more clearly define the scope of the Draft Application Paper. The Draft Application Paper addresses two very different topics – greenwashing more broadly, and considerations related to insurance products that provide coverage for natural catastrophes. We encourage the IAIS to consider these issues separately and to align its work on greenwashing with the recent work conducted by the International Organization of Securities Commissions (IOSCO). With respect to greenwashing that is specific to insurance, such activity would likely only manifest itself in insurance products with an investment component.

		We also encourage the IAIS to consider how overly prescriptive and burdensome recommendations could hamper the urgent need for insurers to engage in, and for insurers to help their customers engage in, the transition to net zero. A more principles-based approach to any potential market conduct issues can facilitate this transition by giving supervisors more leeway to address these issues in their respective jurisdictions, and, by extension, giving companies the flexibility to consider how they can best support the transition, given their activities, business models and customer profile and needs. With respect to the sections relating to market conduct, we encourage the IAIS to clearly and directly tie its recommendations on climate risk market conduct issues to its mandate to protect policyholders and to promote fair, safe and stable insurance markets. Specifically, the IAIS should clarify where and how it thinks idiosyncratic market conduct issues or shortcomings related to climate risk may manifest. Many jurisdictions have robust market conduct regimes where the laws and regulations would apply broadly in many contexts including those related to climate risks. We believe that there are few, if any, idiosyncratic climate risk-related market conduct issues related to insurance products that would not otherwise be addressed by these frameworks. Moreover, the extent to which the Draft Application Paper applies to commercial insurance or reinsurance is unclear and, to the extent that particular sections of the Paper or recommendations are directed to the supervision of commercial insurance or reinsurance undertakings, this should be clearly specified, with an explanation of how the products provided by these undertakings could give rise to market conduct issues. Finally, as explained below, there are certain discussion topics within the Draft Application Paper that are not typically considered to be market conduct issues and these topics are more appropriately considered in other contexts. The IAIS should adopt a principles-based approach to potential market conduct issues related to climate-related risks. The suggestions and recommendations throughout the Draft Application Paper reflect a prescriptive tone, including through the frequent use of 'should' in the recommendations contained in Sections 2 and 3 of the Draft Application Paper. We encourage the IAIS to use the term 'may' or 'could.' A less prescriptive and more proportionate and principles-based approach to any climate risk market conduct issues would better align with the purposes and intent of an Application Paper and would reduce the legal risks associated with the currently fragmented approach to the supervision of climate risk and greenwashing in particular. A more principles-based approach would also help to address the regulatory fragmentation that subjects insurance groups to significant legal and reputational risks. The IAIS can play an important role in urging insurance supervisors to adopt a principles-based approach that should increase the 'interoperability' of various

		supervisory frameworks and increase the ability of an insurer to meet requirements across jurisdictions. Supervisors should be careful in defining inappropriate market conduct and provide clear evidence of any such finding. A wide range of actuarial, risk, legal, market and strategic considerations can form the basis for an insurer's decision to exit a particular market or to change the terms on which it will offer a particular product. Supervisors should be careful not to inadvertently imply that an insurer's decision to exit a market or to cease offering a particular product, or to change the pricing, terms, conditions and/or exclusions related to a product offering, constitutes or is based upon inappropriate market conduct, absent clear evidence of unfair, discriminatory or deceptive practices under the laws and regulations of the jurisdiction. Moreover, supervisors should avoid any inherent assumption that new or revised data or changes in market conditions can translate easily or quickly into revised pricing or into a decision to enter or exit a market. Even the most reliable data is subject to considerable uncertainty and may be based on assumptions and dependencies that can shift rapidly. The proper analysis of new data and its incorporation into decision-making and management actions can take considerable time and involve input from multiple parties. Insurers' ability to support the transition to a lower carbon economy can be facilitated or constrained by government and real economy (in)action and does not necessarily represent a conduct issue. We appreciate the IAIS's attention to the role of insurers in supporting the transition of economies towards a more sustainable path by, among other things, offering sustainable insurance products, integrating sustainability practices in their operations and increasing their sustainable investment practices. We encourage the IAIS to consider the role of insurers in the broader context of how the governments and the real economy respond to the pressing need to address climate risk challenges and associated social issues, including protection gaps. Insights from the IAIS's November 2023 paper, A call to action: the role of insurance supervisors in addressing natural catastrophe protection gaps, emphasize the fact that addressing protection gaps presents a broad societal challenge that requires a coordinated response from a range of parties. Supervisors have an important role to play in multi-stakeholder approaches aimed at addressing protection gaps, including advising governments on the design and implementation of public-private partnerships, in improving financial literacy and risk awareness among customers, and in creating a regulatory environment that supports the development of innovative products and services. To the extent that the final Application Paper includes references to protection gap issues, we encourage the IAIS to refer the reader to the IAIS's insights from the November 2023 paper. Specific Comments

		Section 2 – Greenwashing considerations The IAIS proposes to define greenwashing as all misleading sustainability representations (see Paragraph 10). This definition is overbroad, open to different interpretations, and differs from the definition offered by IOSCO, which describes greenwashing as the practice of misrepresenting sustainability-related practices or the sustainability-related features of investment products. We encourage the IAIS to adopt the IOSCO definition, as it is more precise. Adoption of the IOSCO definition would also advance the important goal of avoiding regulatory fragmentation. Paragraph 2 of the Draft Application Paper states in broad terms the IAIS's concerns about greenwashing and the attendant reputational and legal risks. The IAIS should better delineate its members' specific concerns as they relate to different insurance lines of business. Supervisory discussions around potential greenwashing risks so far have focused on retail products with an investment component. The IAIS should avoid any inference that insurance products more broadly may give rise to greenwashing concerns, absent clear evidence that supports a broader scope of application. For example, Paragraph 9 should reference the investment-related component of retail insurance products. As the IAIS acknowledges in Paragraph 15, greenwashing is not a new risk category and jurisdictions should consider whether existing requirements are sufficient to tackle greenwashing in their markets. The prescriptive tone of the Draft Application Paper does, however, limit jurisdictional flexibility to do so. In particular, conduct concerns regarding accuracy and clarity in describing the investment component of an insurance product are already addressed by robust rules regarding the avoidance of deceptive and misleading advertising or practices and by penalties for violation of those rules. We have some concern about how a benchmark for measuring the level of environmental or social benefit of an insurance product could be developed, as discussed in Paragraph 27, especially in the absence of a common set of definitions or a globally recognized set of sustainability standards, as acknowledged in Paragraph 46. We suggest the deletion of the second sentence of Paragraph 27. Any sustainability benchmark would be inherently subjective, and the characterization of environmental or social benefits could vary significantly across jurisdictions given different target market sustainability preferences and objectives. The setting of supervisory benchmarks and targets would likely increase the resources required to be devoted to product development, with a negative impact on product affordability. At a minimum, any benchmark or target would need to be flexible in order to meet local jurisdictional needs. A similar observation applies to Paragraph 43, which suggests that supervisors could provide clear targets for key terms such as 'ethical' and

		'sustainable,' and we would encourage the deletion of the second sentence of that paragraph. Section 2.2 of the Draft Application Paper notes the need for clear and robust sustainability-related definitions and criteria. Supervisory alignment of definitions across jurisdictions and the alignment of definitions with those developed by industry experts would help to avoid the considerable litigation and reputational risks that arise as a result of insurance groups being subject to greenwashing accusations under different sustainability- and climate-related definitions. Section 2.3 of the Draft Application Paper notes that greenwashing can occur in the design, delivery, or performance monitoring of a product. Consistent with our comments above, we would limit the scope of this statement to products with a retail investment component, in alignment with the IOSCO definition of greenwashing. Moreover, it is important for supervisors to note and take into account that the ability of an insurer to monitor its products at a granular level and on an on-going basis after launch may be constrained by the current state of the art in performance measurement processes and controls and limited by the availability of credible and reliable data and metrics. Adding substantially to those challenges is the admonition in Paragraph 37 that product assessments should also ensure that the product's investment risk is aligned with the target market's needs, objectives, and characteristics. Assessing a diverse target market's investment needs, objectives, and characteristics, as well as its sustainability preferences and objectives, and balancing the two in the design, delivery, and performance monitoring of a wide range of retail investment products with an investment component would be, at best, a daunting task that may be further complicated by conflicts between the two goals of strong financial performance and sustainability. Paragraph 37 also assumes that all customers value sustainable products, which may not necessarily be the case. We would propose the following language in lieu of the current Paragraph 37, which would limit the scope of this paragraph to sustainability-related market conduct: Insurers should determine whether the investment component of a given retail product with an investment component is likely to meet its identified sustainability-related objectives over time, in order to identify opportunities for product revision. Section 3 – Natural catastrophe considerations

		The IAIS advances an overbroad discussion of how market conduct issues, including greenwashing, may arise from the provision of natural catastrophe cover. Moreover, some of the natural catastrophe considerations raised by the IAIS in the Draft Application Paper, including insurance affordability, the lack of awareness of natural catastrophe risks, and the role of governments in covering natural catastrophe losses, are not market conduct issues. While there can be market conduct issues associated with the marketing, distribution, pricing and claims handling practices of any insurance cover, including natural catastrophe cover, these are not new issues that are idiosyncratic to natural catastrophe cover and that require a differentiated supervisory treatment. Any such issues are already covered by existing supervisory frameworks. To the extent that the IAIS believes that an issue is not already covered by existing supervisory frameworks, the IAIS should more clearly articulate the specific, idiosyncratic and verifiable insurance market conduct issues that could arise in relation to natural catastrophe insurance products that are not already addressed under existing supervisory frameworks. The IAIS should also delete any sections or paragraphs of the Draft Application Paper that reflect factors that are outside of the control or responsibility of insurers. The importance of preserving insurers' ability to design and price products based on risk should be reflected in any final Application Paper, consistent with the IAIS mandate to maintain fair, safe, and stable insurance markets. Insurers have invested considerable resources in actuarial and risk specialists in order to develop, refine and price their offerings based on the risk appetite and profile of the organization, the environment(s) (e.g., government policy and legal) in which an insurer operates, the communities and markets in which an insurer operates, and the insurer's access to granular risk information regarding specific products and markets. A wide range of factors influence insurers' commercial decisions regarding the design and marketing of products and the pricing of those products in various markets. Moreover, pricing increases are also substantially affected by macroeconomic drivers such as inflation and interest rates and cannot solely be attributable to climate variables. Insurers need to retain the ability to tailor their product offerings and pricing to account for new information and market signals and to provide market signals to their customers and the broader market and real economy. This tailoring exercise is increasingly complex and necessarily dependent on the lines of business, activities, strategic goals and plans, and risk appetite of a particular insurer. Decisions regarding product offerings and pricing directly impact the financial position and solvency of insurers and should remain business decisions. Supervisors should not interfere in the business decisions of insurers unless necessary to prevent or address verified instances of consumer harm that are caused by unfair, discriminatory, or deceptive practices under the legal and regulatory framework in place in their jurisdiction. As noted in the IAIS's November 2023 paper, A

		call to action: the role of insurance supervisors in addressing natural catastrophe protection gaps, restricting price through regulatory actions (if intended to increase insurance affordability, e.g., price ceilings), could lead insurers to exit the market on grounds of reduced profitability, further reducing insurance supply. Such restrictions could also potentially undermine important price signals by obscuring the true cost of the risk and limit product innovation, which is needed to help reduce protection gaps. Insurance affordability, and low awareness among the general public of natural catastrophe risks, while important social issues, are not market conduct risks and should not be a basis for interfering in an insurer's ability to price according to risk. Rather, governments should address these issues as part of the effort to preserve accessible private insurance markets. Extending the responsibility for societal issues to insurers could have the effect of increasing costs and, thus, insurance premiums, which would frustrate the intent of the IAIS and the insurance industry to reduce protection gaps. With respect to the concern that policyholders may believe erroneously that governments will intervene to absorb the costs of a natural catastrophe event, we agree that this may be a common perception in certain markets. Insurers do provide comprehensive information to policyholders, which contributes to elevating risk awareness and, as well, it is in the interests of (re)insurers that purchasers of insurance cover are aware of these risks. There may be a further role for insurance supervisors to work collaboratively with governments in order to advance more accurate messaging about the role and likely responses of governments (and taxpayers) in absorbing the costs of natural catastrophe losses and the limits of that role. We agree with the recommendation in Paragraph 96 that supervisors could liaise with insurers and other relevant authorities to provide enhanced consumer information on the risks that they are facing in order to facilitate more informed consumer decisions. Again, the IAIS's November 2023 paper is instructive in this regard. To promote a collaborative approach to this shared responsibility, we propose the deletion of Paragraph 58 and further propose that Paragraph 60 include the following lead-in phrase: Supervisors, insurers and intermediaries, and governments or civil authorities should work collaboratively to address: The primary responsibility for financial literacy and insurance protection gaps is shared with governments and civil authorities, supervisors, industry, and the general public. National, regional, and local governments should play a lead role in understanding the exposures of their communities to climate risk, integrating that understanding into climate resilience plans and educating their communities about the importance of avoiding and mitigating climate risks, supported by the insurance industry and the supervisory community. In any

discussion of these issues, we encourage the IAIS to refer readers to the findings of its November 2023 report.

We agree with the recommendation in Paragraph 85 that, where appropriate and within their remit, supervisors promote the adoption of practices by consumers to put in place sufficient risk mitigation measures. We agree that supervisors have a role in monitoring any schemes that allow policyholders to receive rebates or rate reductions for implementing risk mitigation measures, as noted in Paragraphs 85 and 86. However, any decision to reflect mitigation in pricing is a business and risk-based decision for an insurer. Provided that these decisions and the amount of any rebate or rate reduction are properly communicated and advertised, supervisors should not substitute their judgment for that of insurers in determining whether and how mitigation is considered in pricing decisions. Pricing adjustments for mitigation cannot and should not be expected to cover the costs of policyholder risk mitigation.

The IAIS should also acknowledge that the actions of insurers and reinsurers in offering and pricing natural catastrophe cover is affected not only by the actions of individual policyholders, but also by the actions or inactions of others in the community and the (in)actions and decisions of government officials. For example, an individual homeowner policyholder residing in a locality that is prone to wildfire risk may take extensive actions to reduce the risk of wildfire damage by creating safety zones, upgrading roofing and siding materials and installing spark arrestors around his or her home. However, if the policyholder's neighbors and the larger community do not take similar mitigation measures, the effectiveness of these individual mitigation measures is greatly diminished. The presence or absence of community action is an appropriate consideration when deciding whether to offer or how to price a policy.

We appreciate the opportunity to provide input on the important issues raised in the Draft Application Paper. Please address any questions or comments on this response to Mary Frances Monroe (mmonroe@iif.com) or Melanie Idler (midler@iif.com).

Respectfully submitted,

Mary Frances Monroe
Director, Insurance Regulation and Policy

Ceres	United States	We appreciate the opportunity to offer comments in response to the International Association of Insurance Supervisors' (IAIS) draft application paper on climate risk market conduct issues in the insurance sector. The proposed Draft Application Paper on climate risk market conduct issues in the insurance sector aims to support supervisors in their efforts to identify instances of potential unfair treatment of consumers that can emerge in relation to natural catastrophe (NatCat) protection products or sustainability-focused products, for example through "greenwashing" or misleading information on the sustainability of an insurer's operations. The paper will assist supervisors in considering the climate-related aspects of ICP 19 (Conduct of Business) and ICP 21 (Countering Fraud in Insurance). Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. The Ceres Accelerator for Sustainable Capital Markets works to transform the practices and policies that govern capital markets in order to reduce the worst financial impacts of the climate crisis. It spurs action on climate risk as a systemic financial risk – driving the large-scale behavior and systems change needed to achieve a net-zero emissions economy. 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 also includes the Investor Network on Climate Risk and Sustainability, which consists of over 220 institutional investors managing a combined $45 trillion in assets, who advance leading investment practices, corporate engagement strategies, and policy and regulatory solutions to address sustainability risks and opportunities. These investors have indicated that mandatory corporate climate disclosure is a top priority for them. For many years, Ceres has worked with state insurance commissioners, the NAIC, insurers, investors, and other regulators on how climate risk affects insurers and policyholders and how insurers can proactively take actions to reduce climate risks. Our research reports on these issues include Addressing Climate as a Systemic Risk (which provides 10 recommendations for state and federal insurance regulators), Scaling U.S. Insurers' Clean Energy Infrastructure Investments, Insurer Climate Risk Disclosure Survey Report & Scorecard, and Assets or Liabilities? Fossil Fuel Investments of Leading U.S. Insurers. In July 2021, we produced a series of trainings for the insurance companies that have completed their TCFD reports, many for the first time. This ten-hours of on-line content, in conjunction with NAIC and included remarks from several state insurance regulatory leaders, was aimed at helping insurers use the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, How Insurers are Rising to the Challenge of Climate Risk Disclosure. Most recently, Ceres published the following reports to provide critical research, analysis, and solutions for the U.S. insurance industry: Inclusive Insurance for Climate-Related Disasters January 2023 which provides discussion and analysis of inclusive insurance and incorporates parametric insurance commentary; Climate Risk Management

		in the U.S. Insurance Sector July 2023 an analysis and summary of the TCFD climate disclosures submitted by nearly 480 insurers; and The Changing Climate for Insurance Investments August 2023 an analysis and summary of the investment portfolios of over 400 insurers. Ceres submitted comments to IAIS on May 16, 2023, responding to a request for input on updates to the overall work program of the IAIS in promoting a globally consistent supervisory response to climate change within the insurance sector. In those comments we noted Ceres considers issues relating to corporate governance, risk management, and internal controls as critically paired with the integration of climate risks to prepare for the acceleration of climate change impacts. The Swiss Re Institute annual report, which looks at losses from natural catastrophes such as floods, hurricanes, and wildfires, estimates the total economic losses will reach $260 billion in 2022. That is down 11% from the year prior, but still well above the 10-year average of $207 billion and 2023 estimates to range on par or higher. As an organization dedicated to advancing sustainable finance leadership, Ceres welcomes the IAIS' efforts to provide guidance around climate-related conduct risks in insurance. We believe supporting fair treatment of customers regarding sustainability issues is imperative. The context and dynamics outlined around greenwashing risks are well framed, including explaining how misleading claims could undermine wider confidence in insurers' sustainability efforts. Clear guardrails to avoid greenwashing are needed to ensure capital flows towards substantiated investments that support transition. Similarly, on natural catastrophes, the paper highlights increasing conduct risks for consumers as extreme weather events become more frequent and severe. Practical guidance is given on addressing issues around clarity of coverage, testing consumer understanding given complex exclusions, lack of affordability and access threatening increasing protection gaps, and fair handling of higher claims volumes. Proportionality is helpfully emphasized throughout, providing flexibility for supervisors to tailor the intensity of supervision based on specific jurisdictional risk. Guidance prompting accessible and understandable catastrophe coverage will aid societal resilience. We applaud IAIS' work addressing protection gaps and emphasizing insurer's roles providing climate risk clarity for consumers. Cross-connecting insights across initiatives will facilitate adoption. While focused on climate issues, many of the conduct risks around things like clear communication, fair treatment of vulnerable consumers, and avoiding mis-selling are relevant for other evolving risks as well. The approaches outlined could inform wider supervision of products exposed to unfamiliar risks. Overall, this application paper appears

		well-positioned to put forward supplemental best practices for supervisors balancing conduct oversight with intensifying climate challenges. We look forward to continuing progress translating principles into action.

International Actuarial Association (IAA)	International	Regulations of climate risk market conduct issues are not the independent regulation scheme, but basically in the scope of the existing regulation. It would be better to make this clearer. The climate change risks, and their measurement, mitigations and adaptations are moving fast. In addition, the climate change impacts of each region show much different figures, which must be considered in treating regional project related financial products. Considering these to decide one standard now might discourage various new, good products and actions against climate change. The IAA will continue to cooperate with the IAIS and stand ready to provide technical support on the climate change area as required.

E3G	United States	General comments Among the most important steps that the insurance sector could take to address market conduct concerns would be to have supervisors require insurers to make, and disclose, their own commitments and climate-safe transition plans. They should then move promptly to assess their portfolio's companies' alignment with these goals, and lever up engagement with companies on these issues. See U.S. Treasury Department Principles, and developments in other jurisdictions. The IAIS should also work with its members to ensure broad take up of ISSB disclosure standards and to mandate transition plans. As we note later in the paper, supervisors must do more than merely "encourage" insurers to report on progress in meeting their own sustainability related commitments – they should mandate the use and disclosure of transitions plans by insurers as the best reliable, consistent and comparable way for supervisors, as well as insurers, to chart progress and avoid potential greenwashing pitfalls. Insurance companies' longstanding expertise in risk assessment, risk mitigation, and risk management makes them indispensable for the transition to a resilient & climate-safe economy, including for the public sector. Continued misalignments in insurance company investment portfolios contribute to intensifying physical risks and heightened transition risks, that can then make certain markets, geographies, asset classes uninsurable. Moreover, insurance regulators in California, Oregon and Washington State have found that insurance sector investments' are failing to keep pace with what is required to meet a timely transition to a Paris aligned, low carbon economy need to be internalized by supervisors and policy makers.

The Sunrise Project, Financial Regulation and Policy Program	European Union	We support efforts to identify and address instances of potential unfair treatment of consumers that can emerge in relation to sustainability-focused products or NatCat protection products. Our detailed comments below focus primarily on suggested changes for the final application paper rather than on areas of agreement. Authorities with general consumer protection or market conduct powers to address unfair, deceptive, misleading or abusive acts or practices may have jurisdiction over certain conduct of insurers. Insurance supervisors should cooperate with such authorities, to the extent permitted by law, on the matters covered by the Application Paper.

The Geneva Association	International	- On behalf of The Geneva Association, I would like to extend our gratitude to the International Association of Insurance Supervisors (IAIS) for the opportunity to provide feedback on the draft Application Paper (AP) on climate risk market conduct issues in the insurance sector. Independently of sustainability considerations, it is in re/insurers interest that insurance buyers are aware of the risk of natural catastrophe (NatCat) events and that coverage for such risks is available in an affordable fashion. In the same vein, it is of utmost importance to insurers to have freedom and flexibility to use risk-based pricing. Risk-based pricing provides important signals to markets, societies and policymakers. It is important that these signals are not distorted, e.g. by policymakers in order to provide adequate information to steer mitigation decisions. Also, insurance is based on trust, and therefore insurers have a great interest in avoiding greenwashing. But it is not all under insurers' control. Mandating to publish information that cannot (yet) reliably be collected can lead to greenwashing risks, particularly considering the considerable uncertainty surrounding climate change. The IAIS and its member authorities should be mindful of these unintended implications of regulation. - We align with the assertion that greenwashing does not represent a new risk category, and in particular that it is an element of existing conduct principles and related risks and hence jurisdictions should consider whether existing requirements are sufficient to tackle greenwashing in their market. It seems to us that several of the potential conduct issues raised by the IAIS in this AP are similar to traditional reporting and can thus be addressed in traditional reporting frameworks, and that the IAIS's proposal of an extensive catalogue of additional recommendations and required actions would undermine jurisdictional flexibility. Therefore, we advocate for a principles-based approach and urge the IAIS to more explicitly promote the use of existing tools and frameworks before advocating for introducing new actions. Furthermore, the AP's ambiguity regarding its focus, i.e. what parts exclusively apply to the consumer/retail market and to what extent it also covers commercial insurance and reinsurance —necessitates clarification.

Consumer Federation of America	United States	On behalf of Consumer Federation of America, I am submitting testimony provided to the United States Senate Committee on Banking, Housing, and Urban Affairs in September 2023. While it does not address the draft application paper on a point by point basis, the testimony is directly focused on many of the ideas and concerns raised by the paper, particularly with respect to Natural Catastrophe Considerations (Section 3). Due to the comment submission mechanism provided by IAIS, footnotes, charts, and formatting are lost herein. A complete and formatted copy of the testimony is available here: https://consumerfed.org/wp-content/uploads/2023/09/Testimony_DouglasHeller_CFA.pdf Thank you for considering our views. Testimony of Douglas Heller Director of Insurance, Consumer Federation of America before the United States Senate Committee on Banking, Housing, and Urban Affairs "Perspectives on Challenges in the Property Insurance Market and the Impact on Consumers" September 7, 2023 Summary of Testimony As residents of Florida, Georgia, the Carolinas, California, Hawaii, and Vermont attempt to put their lives and neighborhoods back together after major, and some quite unexpected, disasters this summer, a broader concern about the ability of homeowners, renters, and other property owners to sufficiently protect their assets is rightly in the spotlight. We appreciate the opportunity to share the research and perspective of Consumer Federation of America (CFA) with this Committee. The failures we see in property insurance markets today are a result of several reinforcing factors. First, insurers ignored climate risk for decades. When a few state insurance commissioners started development of a climate risk assessment and disclosure for insurers in the early 2000s the property-casualty insurers and trade associations opposed the effort and continued to oppose climate risk assessment and disclosure until just a few years ago. Instead of preparing for climate risk by working with policyholders, businesses, and communities with loss prevention partnerships, the insurers hollowed out policies with exclusions and higher deductibles, shifting risk onto consumers.

		Highlighting newly released data from the National Association of Insurance Commissioners (NAIC), The Washington Post reported this week that several insurers, have told regulators that extreme weather patterns caused by climate change have led them to stop writing coverages in some regions, exclude protections from various weather events and raise monthly premiums and deductibles….[saying] they will cut out damage caused by hurricanes, wind and hail from policies underwriting property along coastlines and in wildfire country… As a starting point of any discussion on this issue, we must acknowledge that insurance companies reducing their exposure to property losses in order to protect their profitability does not address, and only worsens, the threats posed by climate change to American homeowners, renters, and other property owners. For decades, insurance companies have taken consumers' premiums and provided critical protections, giving people the comfort in knowing that their long-term investment in a home and community was reasonable, at least from an insurability perspective. So, it makes no sense to homeowners, and should raise deep skepticism among regulators and policymakers, that insurers are suddenly leaving or dramatically increasing premiums so as to make quality coverage effectively unavailable for far many Americans who long relied upon and trusted those insurers, which accepted the risk and collected the premiums. If we want to effectively address the challenge brewing at the intersection of climate change and insurability, it cannot happen simply by transferring the increasing climate risk back to American homeowners, renters, and small businesses. Consumers, insurers, and government need to be allied in the effort to prevent or minimize losses, strengthen the sources of protection against catastrophic risk for both consumers and insurers, and work together to make smart and equitable decisions about where and how we build and rebuild communities in light of the consequences of climate change. As an overarching summary of our testimony, we highlight the following points: • Severe rate hikes by insurers and sudden announcements to limit sales in communities that companies have served for decades wreak havoc on homeowners and other property owners in Florida, Louisiana, California, Colorado, Texas, and a growing list of other states. • Two primary drivers of premium increases and regional availability crises are the interacting effects of climate change and the exploding cost of risk transfer in the unregulated, global reinsurance market. Additionally, the increasing use of drone imagery, scoring algorithms, and predictive models are giving insurers a magnified and, in some cases, exaggerated picture of existing and prospective customers' risk profiles. • To address affordability and availability, we must focus on providing and incentivizing more investments in

		risk reduction and loss mitigation. • To stabilize the insurance market, we need to incorporate mechanisms that supplement the unregulated reinsurance market, such as a public mega-catastrophe reinsurance facility, to offload some of the extreme climate-change driven risk. • Arguments that the problems stem from consumer protection laws that provide regulatory oversight or legal accountability for bad actors in the insurance industry are a distraction from the fundamental forces creating the availability and affordability problems. • Rather than shifting more of the risk burden to consumers through much higher deductibles and hollowed out coverage, policymakers should be encouraging the sales of more comprehensive all-risk policies that will provide more protection for homeowners, will more effectively spread risk, and will result in less reliance on post-disaster emergency aid. • The problems in the insurance market must be considered in a larger framework that also includes public policy related to climate change, land use, building codes, and housing affordability and equity. Detailed Testimony of Douglas Heller, Director of Insurance, Consumer Federation of America Property insurance provides an essential service and financial protection to its policyholders. In its best form, insurance allows people to transfer much of their risk of loss to an entity supported by a pool of others who also pay a premium so that when a risk becomes a reality, whether in the form of a family's kitchen fire or a catastrophic storm, there are financial resources available to support the repair and rebuilding process. This best version of an insurance market also helps communities and property owners better understand risk and supports, through investment and incentives, strategies for minimizing and preventing losses. This risk intelligence and harm reduction aspect of insurance lowers the long-term costs of home ownership and enhances community and personal safety. In short, insurance can be a tool that improves financial security and stability, increases neighborhood resilience, and leads to safer homes and communities. For several reasons, though, the nation's homeowners, renters, and other property owners, including small businesses, farm owners, and nonprofits, find themselves facing an insurance market that is not achieving those goals or meeting consumers' needs. Beyond the fact that insurance is a financial necessity for most homeowners, it is a mandatory purchase for the vast majority of Americans, because their mortgage lenders require significant coverage in order to receive and maintain the loan. Since home insurance is ¬– much like state-mandated auto insurance coverage – akin to a utility that homeowners cannot live without, the homeowners insurance product, the companies that sell it, and the market for it need to be well-regulated and, as this committee is doing by conducting this hearing, subject to oversight and review to determine critical and

systemic problems and identify opportunities for improvement and reform.

With this testimony, CFA presents an overview of the home insurance crisis facing millions of Americans and threatening even more. We also identify and discuss some of the key factors driving the crisis, and we present opportunities for addressing these challenges as well as point to aspects of the issue for which continued research and discussion among all stakeholders are needed.

Affordability and Availability of Quality Property Insurance – a Bedrock of Modern Homeownership – Is in Jeopardy (or Worse) for Millions of Americans

Insurance rate increases are unsustainable for homeowners, renters, and other property owners

We begin with an important piece of data: In 2022, Americans paid $125 billion for homeowners Insurance, according to the National Association of Insurance Commissioners (NAIC). That is 9.6% more than 2021 and 35%, or $32.6 billion, more than just five years prior. After accounting for the estimated increase to the number of insured houses in 2022 compared with 2017, the increase in home insurance premiums rose about 40% faster than inflation as measured by the Consumer Price Index. It is no surprise, then, that the premium increases showing up in consumers' renewal notices are so alarming and earning so much public attention.

The rate increase data, however, can be misleading. NAIC data show that the average premium for homeowners insurance in 2017 was $1,211. While granular 2022 data are not yet available, it is reasonable to estimate that, after accounting for increases in the number of insured homes, the average premium for home insurance in 2022 was in the range of $1,500 to $1,550. However, both the average premium charged to policyholders and the average rate increase imposed on customers are not evenly distributed around the country or even within states and counties. As one might expect, the premium increases for homeowners in more catastrophe prone areas are substantially above the average rate hikes we are seeing. The $1,500 annual homeowners insurance premium, while itself a burden for many Americans, would be financially transformative to those facing premium quotes in the range of $500 or more per month in communities with either a history of, or new predictions for, climate related disasters.

It is worth noting, as a reminder that the problem of high insurance rates is not just a coastal problem, that the most expensive states for homeowners insurance are inland – often with severe tornado and hail risk. Oklahoma, Kansas, Nebraska, Colorado, Arkansas, and Kentucky are the states with average premiums above $2,000 per year for $250,000 in coverage, according to a June 2023 Bankrate.com study. A different study

published on Insurance.com reported substantially higher average premiums using a different methodology but found similar results for highest priced states, except that it included Texas, South Dakota, and Mississippi in the group of the very highest home insurance premiums nationwide. The Wall Street Journal further reports that since January 2022, "Arizona, Texas, North Carolina, Oregon, Illinois and Utah had the biggest total of approved increases, ranging from 20% to 30%."

Beyond the geographic, topographic, and climate factors driving increasingly untenable annual premium quotes around the country, it is important to note that, in most states, homeowners insurance premiums often vary substantially based on a customer's credit history. Similar to the doubling of premium that low-credit, but safe, automobile drivers see in the United States, homeowners are charged higher premiums when they have lower credit, even if they have never filed a claim. According to the insurance website ValuePenguin.com, using data from three major insurers in Texas, homeowners with fair credit scores (this equates to a 710-740 FICO score, according to the report) see a 46% increase on their premium over similar homeowners with excellent credit. For those with a FICO score in the low 600s, homeowners insurance premiums more than double. This credit penalty amplifies the impact of the recent spate of rate hikes across the country.

While the use of credit to price homeowners insurance is itself worthy of further investigation –especially as insurers have no credit risk with their policyholders who will be canceled if they fail to make a payment – we highlight it here to point out that the homeowners insurance crisis is not spread evenly through our society. As Federal Reserve research has illustrated, "we find substantial overlap between the geography of subprime-scored households and racial segregation…[and] the creditworthiness of households is intertwined with economic adversity at the neighborhood level." In another report, Federal Reserve data show,

Scores tended to be lower among LMI [low- and moderate-income] borrowers (those with incomes of less than 80 percent of area median family income) and those living in or moving into LMI neighborhoods (census tracts with median family income less than 80 percent of area median family income) or predominantly minority neighborhoods.

Similarly, the Urban Institute shows the credit scoring disparities graphically, and the implications are clear: Black, Latino, and Native American homeowners and renters will face higher insurance premiums irrespective of their claims or loss history because of the use of credit-based insurance scoring.

Notably, the intersection of credit scoring and insurance premiums is further amplified by the geography and demography of effects of climate change. Citing research on flood risk in particular, Carolyn Kousky and Karina

French highlight, in Inclusive Insurance for Climate Related Disasters,

"Research has found that some natural disaster risk — today and even more so in the future as the climate changes — is higher in neighborhoods with populations with lower average income, higher proportion of people of color, and/or formerly red-lined communities."

Relatedly, The Federal Reserve Bank of New York has published research indicating that flood mapping itself has created unintended burdens on lower-income Americans. The report examines a problem in which "flood maps may have inadvertently clustered those households financially less able to bear the consequences of a disaster into areas that may still pose a significant flood risk."

Putting the two elements together, it becomes clear that socioeconomic conditions that generate lower credit-scores for communities of color and tether those communities to neighborhoods more vulnerable to climate-related disasters—meaning the current insurance crisis is having an outsize impact on the most financially vulnerable Americans.

For those homeowners receiving renewal notices with 20, 30, and 40 percent premium increases, especially those with fixed- or low-incomes, the affordability problem becomes indistinguishable from the availability problem we discuss below. For families who struggled to pay a $200 per month premium, a sudden jump to $280 per month can be devastating. As the price hikes get more and more extreme, the likelihood increases that people either slash their coverage by taking on more of the risk themselves through lower quality coverages, decide to go without coverage (if they do not have a mortgage), or find that they can no longer afford to own their home. As we discuss below, these options have their own consequences and reflect a public policy weakness around property insurance markets.

The insurance availability crisis exposes a need for more industry oversight

The second aspect of the homeowners insurance crisis facing consumers, one that seems to have earned even more of the headlines than the price increases, is the refusal of insurers to write new business in certain states and the complete withdrawal from some markets. The speed with which insurers have pulled out of regions and states under the banner of climate risk is understandably confusing and distressing to insurance policyholders. For two decades, insurers and their trade associations resisted requirements for insurers to perform and report a climate risk disclosure. But quite abruptly, after ignoring the growing climate risk for years, insurers are telling us that they now understand the scale of the risk and have no option but to withdraw without

warning from neighborhoods they have covered for decades. Whether the decisions to walk away from markets comes in the form of media-focused announcements or quiet reconfigurations of internal underwriting rules, the problem of suddenly curbed sales plays out the same for homeowners, renters, and other property owners who cannot get the coverage that is required by their lender and needed for their own security.

Florida and California markets have gotten the most attention for insurers' decisions, but residents of several other states, including Colorado, Georgia, and Louisiana, among others have also seen companies implement or attempt similar withdrawals or limitations on sales. In fact, a 2021 NAIC survey of homeowners found that,

More than one-third of respondents in Pacific (36%; Alaska, California, Hawaii, Oregon and Washington), West South Central (34%; Arkansas, Louisiana, Oklahoma and Texas) and Middle Atlantic (33%; New Jersey, New York and Pennsylvania) states reported challenges in getting or renewing homeowners insurance because of natural disasters.

As California is so often highlighted, an important correction to the insurance industry's claims are in order. Insurers and their regulation-averse partners often claim that companies are reducing sales in California due to regulations that prevent companies from getting the rate increases they need. The facts, however, tell a much different story than the industry wants the public to believe. According to publicly available data, between 2021 and August 2023:

• California home insurance companies requested 109 rate increases;
• 71 insurance companies were approved to increase rates to precisely the level they requested;
• 20 were approved to increase rates, but at a lower level than originally requested;
• 18 companies withdrew their rate hike requests; and
• On average, insurers requested rate hikes of 13.2% and received increases of 12.5%, excluding the withdrawn filings, meaning that insurers received 95% of the increases they sought.

Those increases were a boon to California insurers. Even though insurers are making the insurance market terribly difficult for many Californians, the state's homeowners have provided insurers with a market that has been significantly more profitable than the nation as a whole over the last three years for which data are available, according to National Association of Insurance Commissioners data. The pullback from California appears to be an act of political bullying in an effort to gain traction for the industry's deregulatory agenda – see the reinsurance pass-through discussion below, for example. While the target of this bullying may be regulators and policymakers, the victims are California homeowners who, like so many Americans living in increasingly

exposed communities, are encountering an insurance market that is failing them.

In Florida, the other target of much attention, the declining availability of coverage has been more extreme. Floridians are facing complete withdrawals of brand name insurers such as Farmers (affecting a reported 100,000 policyholders) and AAA, and an estimated 15 insurers have stopped writing new policies over the past 18 months, according to the Insurance Information Institute, as reported by The Washington Post. Additionally, the same reporting highlights, seven Florida insurers have become insolvent in that period. In Louisiana, another oft-noted market in freefall, 11 have become insolvent while 50 insurers have ceased offering policies in some parishes, according to the Post's reporting.

When their voluntary market options shrink, consumers are often left with unsustainable alternatives. For some, shopping around may provide a standard market path to coverage, but shopping has not produced robust choices in the hardest hit regional markets. Too often, over the past year, we hear from homeowners and homebuyers seeing their private market options shrink to zero. Then, consumers face lower-quality, higher priced choices, or no choice at all.

The residual market: insurers of last resort

The most common option for those shut out of the voluntary insurance market is the residual market, or insurer of last resort. These generally come in two forms: 1) the more common FAIR plans that are managed and backed by the insurers selling voluntary policies in a state and 2) the state-managed Citizens Insurance companies in Florida and Louisiana. About two-thirds of the states use one of these mechanisms for last-resort options, with Colorado creating a FAIR plan for its stressed homeowners market just this year. Even though these last-resort options tend to be very expensive, the policies generally provide more restricted coverage than many people need from their homeowners insurance. The policies typically do not cover theft, liability, or water damage, and they often cap the amount of coverage available for both rebuilding and for personal property. This means that, in addition to the weight of the high-cost FAIR plan or Citizens policies that homeowners must buy, consumers also need to shoulder the cost of a Difference in Conditions, or wraparound, policy to fill the gaps.

Nationally, about 2.2 million homes are covered by these insurers of last resort, with more than half of those homes covered by Florida's Citizens. There are an additional half million windstorm policies sold through the residual markets for people who cannot get hurricane coverage in the private market. All told, Americans spent over $6 billion purchasing home and windstorm insurance through the state residual markets in 2022. The

number of homes covered by the residual market mechanisms has surged by 67% since 2019, and it appears poised to grow more. In Louisiana, Citizens issued 154,507 policies in 2022 compared to 47,093 in 2021. In Florida, despite legislative policies promised to reduce the number of Floridians forced to rely on the state's Citizens Property Insurance Corporation, the state-backed insurer's 2023 operating budget predicts that by the end of this year it will be serving an additional half million residents, with 1.7 million policyholders who turn to it because the private market has failed to provide an option.

Troubling as it is that so many Americans are forced into these last-resort programs, efforts to "depopulate" the residual market programs around the country create additional and unnecessary burdens on homeowners. In Florida, homeowners are not eligible if there is a policy available to them that is up to 20% more expensive than that state's Citizens company would charge. In Louisiana, state law requires that the Citizens premium be set either 10% more expensive than the costliest premium in the local market or 10% higher than its own actuarial indication, whichever is costlier. (That state is now offering payment of more than $50 million from taxpayers to insurers as part of their depopulation effort, but there are serious concerns that the money is flowing to financially unstable insurers that may not be able to survive a disaster even with their government subsidy.) The idea behind both states' Citizens pricing rules is to prevent the last-resort insurer from competing with the private, voluntary market. In California, the same insurers forcing more customers into the FAIR plan by restricting their owns sales tried to block, through litigation, the Insurance Commissioner's orders to improve the quality of coverage in the FAIR Plan.

It is bad enough for consumers that private insurers will not offer the critically important homeowners insurance people need, but it makes no sense for the same carriers to litigate and lobby to make the last resort policies poorer quality than is needed and more expensive than is actuarially required. Put differently, if private insurers do not want to provide coverage in some communities, the policy response should focus on ensuring availability of quality and affordable options and not be spent worrying about the insurer-of-last resort being too competitive with the uninterested insurers.

Surplus lines insurance

Another market to which some homeowners turn when the voluntary homeowners insurance market fails to provide coverage is the non-admitted, or surplus lines, market. These policies do not face the same regulatory oversight that the much more common "admitted" home insurance companies receive and, importantly, they are not participants in state guarantee funds that serve as a claims-paying backstop if an insurer becomes insolvent. CFA is very concerned that, with the tightening of the home insurance market, more homeowners

are being placed with surplus lines carriers without understanding the risk that there will be no financial protection if their insurer becomes insolvent and they have outstanding, unpaid claims for their home.

Force-placed insurance

Finally, some consumers who can no longer afford the premium hikes confronting them and cannot identify an affordable option find themselves canceling coverage. If they own their home outright, they now also own all the risk of loss, whether from a catastrophic storm or a burst pipe. For those with a mortgage, their lender will cover the home with a force-placed, sometimes called lender-placed, insurance policy, with the expensive premium added to their monthly mortgage payment. Often, these force-placed policies only pay claims to the lender – even though the premium is charged to the homeowner ¬– so the consumer who couldn't afford their own insurance is now stuck paying for a high-priced policy that provides them no benefit whatsoever.

Nonprofit organizations also face a property insurance availability crisis

Related to the withdrawals confronting Americans seeking to insure their homes, we briefly want to highlight the crisis facing many nonprofit organizations. These community serving groups rely on the commercial property insurance market for their coverage, but, for several years, there has been a diminishing number of carriers willing to sell insurance to nonprofits. Many nonprofits turn to a special insurance alternative known as Risk Retention Groups (RRGs) for their liability coverage, a mechanism created by federal legislation in response to the liability insurance crisis of the 1970s and 1980s. However, RRGs are currently prohibited from underwriting property insurance coverage. As nonprofits find themselves unable to obtain property insurance within the traditional commercial insurance market, we would urge an expansion of the risk retention law, as contemplated in the Nonprofit Property Protection Act, to allow the sale of property insurance to these organizations. CFA raised alarms about this problem and testified in support of this proposal in 2020, and, as the problem only gets worse in light of climate risk, we recognize and appreciate Chairman Brown's attention to this aspect of the issue.

The hollowing out of homeowners insurance policies brings the crisis to those who still have voluntary market options

Before we move to discussing productive strategies for tackling the problem of climate risk for insurance markets, we need to recognize the unfairness and disutility of the current approach to this problem that many insurance companies are implementing around the country. This third element of the homeowners insurance

crisis has received less attention than affordability and availability, but has broad impacts. Specifically, the insurance industry is reducing its exposure to climate-related risk by providing less coverage in their policies, rather than focusing on working with consumers and communities to reduce the actual risk and danger of disasters. A.M. Best's News & Research Service's recent reporting on Hanover Insurance's strategy provides a good example:

Hanover Insurance Group Inc. is increasing and adding deductibles for perils and moving to actual cash values on homeowners' roofs, while raising rates by strong double digits, President and Chief Executive Officer John "Jack" Roche said recently. Product changes will have a significant impact on reducing Hanover's future catastrophe vulnerability, he predicted.

Even when insurers continue to sell coverage, they are slashing the value of the protection, hollowing it out, and increasing the deductibles homeowners face such that consumers are forced to retain more and more of the catastrophic risk associated with owning a home. It means that even for homeowners who can meet their lenders' requirements for coverage, their insurance policies are not meeting what the family relies on to protect their most valuable asset.

As our colleagues at United Policyholders explain,

A glaring example is the trend of policy language that limits payouts for roof damage to the depreciated (Actual Cash) value of the roof at the time of the loss – and doesn't pay to fix the roof. The practical impact of this trend is that people of moderate to modest means can't properly fix their roofs when they're damaged in a tornado, hurricane, hailstorm or storm.

One area in which we have seen a particular weakening of coverage is for those policies covering manufactured and mobile homes. Most are now Actual Cash Value policies and those that still provide replacement coverage have rules that tend to limit the recovery to less than what is needed. To receive the full benefit, policies may require policyholders to "replace" in the current location, limiting their recovery if the park in which they resided does not reopen. Often, the HVAC systems are subject to contents coverage limits rather than the larger dwelling coverage limits, and foundations may not be covered by the insurer at all. In short, those living in mobile home communities are finding themselves bearing much more of the risk despite the fact that, as Consumer Reports recently reported, the policies can be twice as expensive as traditional homeowners insurance policies.

		The insurance industry is also relying more on scoring algorithms, predictive models, and drone imaging of properties to reduce their exposure. These models and scores, which can cut people off from access to coverage, are not receiving the necessary regulatory scrutiny. Nor are there protections when insurers make underwriting and pricing decisions based on drone flyovers that may lead to misunderstood characteristics and incorrect assumptions about risk. It is difficult for homeowners to get redress when these techniques overestimate their risk level or they are not given the information or opportunities to address hazards that lower their score, and the result is higher premiums, more non-renewals, and refusals to sell coverage. Another tack taken by the insurance industry to diminish its exposure to disaster claims has been to focus on limiting consumer rights to hold insurers accountable when they deny, delay, or underpay claims. Indeed, in Florida, just as reports were surfacing that many Hurricane Ian survivors were being defrauded by their home insurers, as the Washington Post later reported in grim detail, the Legislature and Governor adopted legislation to diminish the legal rights of mistreated policyholders. It was as though the ability of defrauded customers to demand justice from rogue insurers was having more of an impact than the billions of dollars of actual damage done when the Category 5 Hurricane Ian slammed into Florida, leaving 150 people dead, and tearing a swath of destruction across the state. Again, consumers are stuck with less protection, but the risk remains. This second tack to addressing the growing risk of disasters suggests a head-in-the-sand attitude about the realities of climate change. As our colleague, Birny Birnbaum of the Center for Economic Justice noted, If you're not going to accept climate change as a reality, then you're left with making up false villains, like litigation, as the driver of higher rates… [Florida's recent tort overhaul is] not going to do anything to reduce insurance premiums because it's not doing anything to reduce claim costs. The other approach by the industry

Public Citizen	United States	To address greenwashing, the IAIS should provide more detail on how supervisors should monitor progress on meeting sustainability commitments by outlining best practices for transition plans. Insurers play an outsized role in contributing to climate change through their investments and underwriting, and more than 45 insurers have made some type of climate commitment. Yet most insurers do not appear to be aligning with long-term climate commitments. The results of a recent stress test by several U.S. insurance supervisors shows that insurers have not made sufficient progress in aligning either their fossil fuel investments or their renewable energy investments with Paris goals. Additionally, our research on underwriting shows that insurers with bold climate commitments, including European companies like Swiss Re, are continuing to insure U.S. coal mines, in some cases using loopholes or appearing to violate their own commitments. As the industry-led Net Zero Insurance Alliance has proven insufficient to hold insurers accountable, supervisors must recognize that they must step in with stronger requirements to proactively address greenwashing concerns, not just as a prudential imperative but also as a market conduct concern. While a full paper dedicated to transition plans would be welcome, the IAIS should start by adding additional detail to this paper about how supervisors should determine whether insurers are serious about meeting their own stated commitments.
General comments on section 1 Introduction		
FSCA	South Africa	No additional comments

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	As mentioned initially, we support the proposal in general, so now we include 5 key missing points (all of them related to the investments portfolio): 1. Need of location-specific information of invested companies and, where relevant, their value-chain and disclosure of this information Currently, most insurers/investors do not require location-specific information regarding the operations of the companies they invest in. This prevents completely the assessment of climate physical risks, as well as of other environmental and social risks, such as biodiversity risks (co-related to climate change mitigation and adaptation - see, for example: IPCC and IPBES joint report on Climate Change and Biodiversity: https://files.ipbes.net/ ipbes-web-prod-public-files/2021-06/20210609_workshop_report_embargo_3pm_CEST_10_june_0.pdf and World Conservation Monitoring Center (UNEP/University of Cambridge). Strengthening synergies: how action to achieve post-2020 global biodiversity conservation targets can contribute to mitigate climate change; water risks (co-related to climate change adaptation); risks and impacts to local communities (also co-related to climate risks, once tribal people are forest guardians, as many UNEP studies show (See, for example: https://www.unep.org/news-and-stories/story/indigenous-peoples-and-nature-they-protect, 2020, and https://www.unep.org/news-and-stories/story/unsung-heroes-conservation-indigenous-people-fight-forests, 2023), and forests provide climate change mitigation). This also prevents climate change mitigation related to natural assets, once this is also based on location. It is crucial to acknowledge that, for some industries, climate risks are actually originated in the value-chain: it is the case of food/agriculture, for example, with GHG emissions arising from deforestation, use of chemical fertilizers, animal manure management, entherical fermentation of livestock and so on. In such cases, it is important to recognize the value-chain location as well. 2. Need of consideration of compliance with environmental/climate regulations and of industry specific key-performance indicators Another potential issue is if compliance with regulations is verified or if only best practices (or climate/ESG performance according to KPIs) are considered – and to which extent. It is quite common in the financial sector to check only GHG emissions, when actually what matters is the GHG balance in the atmosphere. Hence, it is essential to comply with environmental regulations, because several natural ecosystems (forests, mangroves, wetlands, oceans) sequester carbon from the atmosphere, affecting the final balance. If we do not preserve and even restore them properly, the speed and intensity of climate change will certainly be affected.

		However, it is also essential to recognize that the risk level is far different for each industry and that is the reason why IFRS S2 standards, for example, included sector-specific recommendations. Ideally, KPIs should be assigned a different weight for each industry, according to their materiality level. For example, for sectors that are intensive in the use of electricity or fuels, energy consumption and mix should be assigned a high weight. For sectors that are intensive in the use of water, water sources and efficiency should receive a high weight (water scarcity is the most relevant climate physical chronic risk globally). For sectors with high deforestation risks (even in the value-chain), this topic should receive a high weight. Then, according to the company performance on each KPI (their strategies for mitigate the risks, for example), they should receive a final rating by insurers that have their bonds or equities in their portfolios (or are considering to purchase them). 3. Need of disclosure of portfolio companies and their climate/ESG risk level (and criteria for assessment) Also, insurance companies should be required to disclose their climate/ESG criteria for risk assessment regarding investments. And the result of the assessments (at least aggregated information) should be disclosed as well: percentage of high risk, medium risk and low risk companies, for example. This information is useful for insurers clients, investors (who have bonds or securities of insurance companies in their portfolios), insurers regulators/supervisors and other stakeholders. If the companies that integrate the portfolio are also disclosed, stakeholders can also contribute with the insurer/investor adding relevant information if a channel to receive them is created. 4. Need of regulatory definition of minimum level of due diligence Considering the low-level of maturity on climate risks due diligence in the financial sector in general, regulators/supervisors should define the minimum sources of information and diligences to be developed: official sources of data for compliance information and the definition of industries who require specific KPIs, for example, must be considered. Ideally, even the list of sector-specific KPIs, based in already existing recognized standards, could be included in the regulatory guidance. 5. Investments for climate change mitigation and adaptation: need of disclosure In their investment activities, insurers can also choose to invest in positive impact projects . The percentage of investments with these characteristics could be disclosed as well, once risk management is not enough to address the climate emergency: we also need investments in the transition.

		Of course, in such cases, the insurer must refer either to an official taxonomy or publish its own framework to define climate positive impact investments, with qualitative and quantitative indicators that are used and the process to verify and monitor them for each company or project invested. 6. Need of disclosure of voting and engagement policies with invested companies and their results Another essential topic regarding insurers investment activities is their risk mitigation efforts, which basically encompass their engagement policies and actions towards invested companies and projects. As investors, insurers must monitor climate risks with a frequency and depth appropriate to the intensity of the climate risk level of each company. Based on this monitoring, engagement actions must take place, either regarding participation in general-assemblies (voting and propositions on climate issues) or also routine interaction with the companies' superior management or technical departments in charge of climate-related topics. These actions are expected to produce relevant outcomes, such as feasible and appropriate transition plans of companies, with corresponding targets and timelines. An appropriate transition plan should consider the company baseline, based in the location of its operations (and/or value-chains, where appropriate), its current performance regarding industry KPIs and technological development in the industry, as well as its financial situation. It must be at the same time ambitious and feasible. Final remarks It is important to clarify that we do not consider that these suggestions are complete enough for the challenge that lies ahead. Other aspects could be added and further detailed. But we are sure that they are useful and able to bring a relevant impact in the insurance industry contribution and resilience to the climate crisis that was generated by the traditional way our economies use(d) to work: low transparency, low consideration of environmental and social impacts. We need a paradigm shift.

Ceres	United States	Overall, the Introduction clearly lays out the context, objectives, and scope for the paper, and effectively explains the increasing risks around greenwashing and natural catastrophes that are driving the need for guidance in this area.
The Sunrise Project, Financial Regulation and Policy Program	European Union	n/a
Public Citizen	United States	The introduction states greenwashing could lead to “a lack of confidence in the role the sector could play in financing the transition.” Currently, that lack of confidence is warranted. The latest available research suggests insurers are falling far behind their own commitments to facilitate the energy transition, for both fossil fuels and renewable energy. While there is indeed risk to individual companies from a loss of confidence, there is an even greater risk that misleading commitments will lead to overconfidence from supervisors and policymakers in the industry’s commitment to the energy transition, delaying further regulatory or policy intervention.
Comments on section 1.1 Context and objective		

APCIA	USA	Paragraph 1.1 2. lays out the basic concerns relating to greenwashing, which while important, fails to recognize the much greater climate related challenges faced by insurers and the public. Paragraph 1.1 3. puts the entire increase in costs resulting from nat cats on climate change. The reality is that the climate related costs and insurance issues are driven not just by extreme weather events but by patterns of development in vulnerable areas, recent inflation in insured goods and services, supervisory failure to allow for adequate rates, unnecessary additional costs created by litigation and the society wide failure to achieve resilience. Paragraph 1.1.4. This paragraph attempts to impose a one-size-fits all approach. As our general comments above indicate, some of the issues covered are not within the supervisors' mandates or would be contrary to law and best practices, an example being the regulation of advertising, or commercial free speech that is protected against such regulation in some jurisdictions. Paragraph 1.1.5. The application of the supervisory restrictions and mandates proposed in the document would discourage, rather than encourage, voluntary disclosures, an example of how the restrictions and mandates in the document actually work against good public policy.
National Association of Insurance Commissioners (NAIC)	United States of America	• Paragraph 2: the third sentence seems somewhat overstated; suggest: If not adequately identified, monitored and mitigated, such reputational and legal risks could have a substantial impact beyond individual insurers and intermediaries, affecting the insurance sector as a whole.

FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	Supervisors must provide a clear and transparent taxonomy that will apply to the assessment of greenwashing claims. Paragraph 2. ■ Lays out the basic concerns relating to greenwashing, which while important, fail to recognise the much greater climate-related challenges faced by insurers and the public. (e.g., the impact of extreme and severe climate events, the loss of lives, increased economic loss, and insurance losses, and protection gaps). Paragraph 3: GFIA believes that disproportionate statements about NatCat cover are made in this paragraph. ■ This paragraph appears to GFIA to indicate that the entire increase in costs resulting from climate change are limited to NatCat. The reality is that climate change generally is likely to have a high impact or an extremely high impact on coverage availability and underwriting assumptions. Furthermore, climate-related costs and insurance issues are driven not just by extreme weather events but by patterns of development in vulnerable areas, recent inflation in insured goods and services, supervisory failure to allow for adequate rates, unnecessary additional costs created by litigation and the society-wide failure to achieve resilience. ■ There should also be acknowledgement of the doctrine of proximate cause particularly with the rise of the incident of secondary perils, e.g. landslips occurring due to rain and whether a landslip in river flows is included as flood damage or landslip damage. It does not seem relevant to refer to claim processing delays when a catastrophe occurs – they are inevitable when there is a sudden, unexpected surge in claims and resource shortages or even access to damaged areas is limited. The existence of delays under these circumstances cannot be assumed to be the result of poor conduct. The focus should rather be on how to prioritise the most vulnerable customers. Paragraph 4. ■ This paragraph attempts to impose a one-size-fits-all approach. As GFIA's general comments above indicate, some of the issues covered are not within the supervisors' mandates or conflict with existing laws and best practices. An example is advertising, or commercial free speech that is protected against such regulation in some jurisdictions. ■ Furthermore, finding a balance between ensuring affordability and availability and managing financial stability is extremely challenging. Paragraph.5. ■ The application of the supervisory restrictions and mandates proposed in the Paper may lead to a lack of innovation and, consequently, in fewer new products in the market.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	No further comments

Ceres	United States	This section clearly establishes the key context and objectives driving the need for guidance around climate-related conduct risks. Strengths include: the effective outlining of recent trends increasing focus on sustainability in insurance and the accompanying surge in related disclosures and marketing which are catalyzing risks; clarity of "greenwashing" as a concept and concise summary of the potential wider impacts beyond individual insurers; the risks around natural catastrophes and existing product issues are succinctly described thereby further framing the need for guidance; and expectation setting with the stated goal of not establishing new standards but rather providing supplemental guidance for implementing existing ICPs. In terms of potential improvements, references to life and non-life insurance could be incorporated to provide more context around applicability of the risks across insurance products, and especially around greenwashing dynamics with certain investment-linked life products. As climate risk impacts intensify, escalating health and mortality impacts from extreme heat, spreading diseases, worsening air quality and other unfolding damage make assessing and disclosing physical and liability risks critical for health and life insurers seeking to support population resilience and business model sustainability. Overall, this section provides helpful high-level framing of the issues that sets necessary context on why supplemental guidance in this complex area intersecting conduct risks and climate issues would be valuable.

The Sunrise Project, Financial Regulation and Policy Program	European Union	n/a
Comments on section 1.2 Related work by the IAIS		
FSCA	South Africa	No additional comments
Global Federation of Insurance Associations (GFIA)	Global	GFIA expresses no objection to this.
Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	No further comments

Ceres	United States	We at Ceres took interest in the recent IAIS report on supervision strategies for catastrophe protection gaps. Protecting consumers by elevating risk awareness and promoting insurer transparency on natural disaster protections is imperative for community resilience. We applaud the IAIS connecting insights from this prior report to the broader application paper guidance. Cross-pollinating climate risk learnings will accelerate knowledge transfer for supervisors developing localized solutions. Moreover, emphasizing supervisors' role formulating regulatory requirements for clear catastrophe coverage communications shows promise. As climate change fuels disaster severity, complex exclusions or ambiguous policy terminology could leave consumers stranded. Insurer transparency and accessibility must improve in lockstep with intensification of physical risks.
The Sunrise Project, Financial Regulation and Policy Program	European Union	n/a
Comments on section 1.3 Proportionality		

General Insurance Association of Japan	Japan	We agree that it is important to consider the proportionality principle in insurance supervision with respect to market conduct issues, and that flexibility is ensured to respond to market conditions in each jurisdiction. In addition, among consumers, individuals (retail), small businesses, and large businesses, will inevitably differ in their level of knowledge and awareness. This difference should be taken into account in supervision.
APCIA	USA	Paragraph 1.3. We strongly support the reference to proportionality. However, we are concerned that the definition in the footnote fails to state that regulation should reflect " the nature, scale and complexity" of the insurance operation.
FSCA	South Africa	No additional comments
Global Federation of Insurance Associations (GFIA)	Global	GFIA agrees that it is important to consider the proportionality principle in insurance supervision with respect to market conduct issues, and that flexibility must be ensured so that each jurisdiction can respond to its unique market conditions. This principle must ensure that the measures taken by IAIS are not excessive or disproportionate to the situation at hand and that there is a correct balance between the restriction imposed by the proposed corrective measures and the severity of the nature of the prohibited conduct. In addition, among consumers, individuals (retail), small businesses, and large businesses, will inevitably differ in their level of knowledge and awareness. This difference should be taken into account in supervision. GFIA is concerned that the definition in the footnote fails to state that regulation should reflect "the nature, scale and complexity" of the insurance operation.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	No further comments
Ceres	United States	As an organization experienced in applying sustainability insights across diverse financial sectors, Ceres appreciates IAIS' proportionality emphasis when translating principles into practical guidance. Empowering supervisors to calibrate solutions for their unique regulatory frameworks and market conditions will maximize adoption. Such flexibility, anchored to definitive outcomes outlined in the Principles, becomes especially crucial given insurance oversight's intrinsically multidimensional nature across solvency and conduct policy realms. Moreover, enabling case-by-case calibration responds to rapid sustainability policy innovation amongst public authorities. As various jurisdictions continually raise ambition on climate risk reporting, emissions-targeting, and green taxonomy development, supervisory interpretations must keep pace, so implementation remains attainable no matter where insurers operate.
The Sunrise Project, Financial Regulation and Policy Program	European Union	n/a

The Geneva Association	International	The paper goes rather far in terms of potential conduct issues related to climate change, introducing new, recommendations that are not necessarily linked to the mandate of regulators and supervisors or substantiated conduct issues. We would like to stress the importance of finding a balanced and principles-based approach and provide sufficient flexibility for supervisors to address the discussed issues within existing frameworks. Additionally, considering our feedback on greenwashing and natural catastrophe issues, we urge the IAIS to provide substantial evidence supporting the severity of the conduct issues raised, which would validate the extensive range of recommendations in the paper.
Comments on section 1.4 Scope		
FSCA	South Africa	No additional comments
Global Federation of Insurance Associations (GFIA)	Global	GFIA agrees that ICP 19 should be most in scope. In the current situation where we are in emerging regulation, it is difficult at this stage to speak of fraud.
Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	No further comments

Ceres	United States	Ceres supports the IAIS targeting conduct risks that breed consumer mistreatment. Where sustainability claims mislead or exclusions bewilder, supervisory scrutiny into insurer and intermediary transparency becomes necessary. Emphasizing conduct oversight foundations through ICP 19 orients solutions toward unfair treatment prevention. Yet we also endorse framing the fullest reach via ICP 21 for scenarios surpassing misconduct into fraudulent terrain. As greenwashing accusations mount, supervisors must approach cases armed with layers of enforcement options to reflect proportionate remedies. Overall, orienting scope on conduct risks as sustainability complexities build spotlights supervisors' consumer protection obligations regardless of institutional sustainability maturity. Deterrence through detection thus grows essential across oversight institutions to uphold accountability on climate commitments.
The Sunrise Project, Financial Regulation and Policy Program	European Union	n/a

The Geneva Association	International	The IAIS draft application paper on climate risk market conduct issues covers a broad range two quite distinct areas: first general greenwashing issues (in section 2) and second specific conduct considerations around nat cat covers (in section 3). It is questionable if it is adequate to treat these issues in one paper. Importantly, the IAIS should specify more clearly which recommendations are relevant for what firms, e.g. it is unclear how far the recommendations in the paper and in particular the section on nat cat considerations also apply to reinsurance firms. In addition, if on the direct insurance side, only personal lines for consumers are in focus, this should also be stated more clearly.
Comments on section 2 Greenwashing considerations		
General Insurance Association of Japan	Japan	Greenwashing is an extremely serious issue for consumer protection and a sound insurance market. Some jurisdictions are actively taking measures to address it, including movement toward legislation. However, it is not necessarily appropriate to determine that "greenwashing is widely recognised by...society in general" (as stated in Paragraph 10). In addition, the detailed definition of greenwashing and the nature and extent of responses to it are likely to vary from jurisdiction to jurisdiction. Therefore, insurance supervisors should give due consideration to the laws and regulations and market conditions of each jurisdiction.
FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	Greenwashing is an extremely serious issue for consumer protection and a sound insurance market. Some jurisdictions are actively taking measures to address it, including enhancement of the relevant regulations. However, we believe that it is inaccurate to state that "greenwashing is widely recognised by...society in general" (as stated in paragraph 10). In addition, the detailed definition of greenwashing and the nature and extent of responses to it are likely to vary from jurisdiction to jurisdiction. Therefore, insurance supervisors should be allowed to give due consideration to the laws and regulations and market conditions of their respective jurisdictions.
Ceres	United States	As staunch proponents for ethical business practices, Ceres strongly supports guidance to curb greenwashing, which erodes confidence in the insurance sector's sustainability efforts. We approve defining greenwashing and outlining characteristics like misleading disclosures. Recommendations for substantiated sustainability claims using common taxonomy and methodologies also exhibit promise. However, this section could better emphasize supervisors mandating consequences for misleading consumers and enabling policyholders to seek accountability. Stronger language on enforcing proportionate sanctions for verified greenwashing coupled with policyholder empowerment measures would bolster protection. The guidance targeting fair, truthful sustainability marketing is practical under a principles-based approach. We endorse supervisors globally adopting these tools to unify understanding of greenwashing and harmonize mitigation expectations. Renewing trust among insurers and policyholders will accelerate the sustainability transition.

E3G	United States	Section 2 Greenwashing considerations, Recommendations 26-28 We support the IAIS's acknowledgement that 'greenwashing' – whether in connection with product claims or the operations and management of insurers can result in increased information asymmetric. Moreover, these 'conduct' risks can result in the unfair treatment of customers, and reputational, regulatory and legal risks. Knock on effects include loss of consumer trust "that can reduce capital flows towards the transition to a more sustainable economy. " In addition, the IAIS is right to include in its focus, instances where sustainability representations may portray in a leading way: the environmental or social benefits of an insurer. • For example," … a life insurer may falsely advertise that its policies will only make investments that contribute to mitigation of climate change." • The operations and management of an insurer. For example, by highlighting that the insurer does not underwrite oil extraction or coal mining activities, although this may not be fully executed in practice. An important 2023 report from Public Citizen noted that "Four of these five companies have adopted coal underwriting restrictions, and yet they are still among the top insurers of thermal coal mines. In aggregate, this data exposes the weaknesses of insurers' current coal restriction policies."

Lloyd's Market Association	United Kingdom	Many of the matters raised with respect to Greenwashing are not unique to Greenwashing and we consider to be adequately catered for in existing regulations. Existing expectations in ICP 19 around clear, fair and not misleading claims would be appropriate when considering Greenwashing. We also note that other agencies such as national advertising standards agencies may have a significant role to play in anti-greenwashing. We welcome consideration of specific risk arising in the context of products with sustainability features and the desire to avoid greenwashing as a phenomenon. However, we are concerned about the following: 1. There being limited evidence of a conduct risk crystalising in the non-investment insurance market justifying specific changes by regulators. It is important that rules are kept proportionate to ensure undue regulatory costs are not passed on to customers, therefore there should be greater focus on what activities this paper relates to and the underlying evidence; 2. The language used in the application paper recommendations, such as recommending new reporting requirements, is inconsistent with the purpose of the paper i.e. Application papers do not include new requirements, but provide further advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material may be implemented; and 3. a proliferation of guidelines around ICP 19 being complex and leading to inconsistencies in application of expectations by regulators would be difficult for international insurers. With respect to paragraphs 26-28 we are concerned about the development of definitions or lists as we consider that the setting of any new definitions or terminology in conduct could limit the ability of firms to update as understanding evolves and in line with other regulatory initiatives and taxonomy such as sustainability reporting. We make the same comment about benchmarking. It is clear that measurement is only at an early stage in insurance. We consider that this should be more mature before regulators can start to use this to impose sensible benchmarks. In the context of insurance this also requires more maturity in terms of how the customers themselves are measuring benefits. With respect to paragraphs 33-36 we strongly disagree if it is being suggested that regulators should be involved in day to day approval of individual products. This should be dealt with in the existing insurer product approval process. We would be concerned that over-regulation will lead to stifling of innovation and restriction of the speed that insurers are able to respond to demand.

The Sunrise Project, Financial Regulation and Policy Program	European Union	n/a
The Geneva Association	International	In paragraph 10, the AP characterises greenwashing as involving misleading representations (e.g. para 21 and 22). These are issues also present in “traditional” reporting. Therefore, the same principles-based approach should be adopted. However, the recommendations from the IAIS in paragraphs 26-28, 33-41, 43-44, and 49-55 appear to advocate a highly prescriptive approach. Several of these recommendations seem excessive and should be reconsidered. While the Application Paper would benefit from a discussion on the challenges of assessing greenwashing incidents, the Application Paper's Annex presents the EU framework as an example that “may support supervisors that want to adopt similar supervisory practices”. However, the EU approach is notably complex and is constrained by data limitations, not to mention the absence of robust methodologies to prevent greenwashing. We caution against the uncritical adoption of this framework as a best practice example.

Public Citizen	United States	This section should more clearly identify the need for transition planning as a tool to protect against greenwashing and include an expanded section on the issue of insurers' promoting their own sustainability profile. The strongest approach to prevent insurers from issuing or benefitting from misleading commitments is to require them to provide credible plans to shift their investments and underwriting. When paired with transition plans, scenario analysis can also be a tool for examining insurers' climate commitments. A recent exercise by three U.S. supervisors shows that insurers' investments are not aligned on fossil fuel investments, creating the potential for billions in transition risks, but they also show that insurers are not increasing their investments in renewable energy in line with Paris agreement goals. While scenario analysis presents numerous limitations highlighted in our response to the IAIS's scenario analysis paper, supervisors could explore scenarios in which insurers meet their stated commitments, to explore whether management fully understands their commitment.
Comments on section 2.1 Introduction on greenwashing		

General Insurance Association of Japan	Japan	Each jurisdiction already has consumer protection regulations and appropriate supervision in place based on these regulations. For greenwashing, we agree with the approach of first considering how to respond within the framework of existing regulations and supervision, and then examining whether new tools, policies, or regulations are required. In addition, we suggest adding objective facts and data regarding "An increase in consumer appetite for products with sustainability features" in Paragraph 9 to make the description more persuasive. It should be noted that the degree of any such increase may differ by region.

National Association of Insurance Commissioners (NAIC)	United States of America	• Para 10: last sentence, “englobe” is not the best wording and the rest of the paper refers to sustainability representations that are environmental or social, so for consistency, can remove governance; suggest: This paper uses the term “greenwashing” to cover all misleading sustainability representations (ie environmental and social). • Para 16: last sentence, suggest for clarity and consistency: It is also worth noting that the suggestions in this paper can apply to both supervisors that do and do not have specific sustainability-related mandates, as most jurisdictions have general requirements that insurers and intermediaries treat consumers in a fair, clear and not misleading manner, which would apply also to sustainability related representations. • Footnotes 3 and 6: these are identical – given the text in para 11 describes what ICP 19 says whereas the para 15 talks about what ICP addresses more broadly, suggest footnote 6 could be deleted. • Para 15: as subection 3.2 is on natcat issue, not greenwashing, assume the reference here should be to subsection 2.2 and suggest additional edits for clarification (in particular to avoid confusing principles in general with principles as in Insurance Core Principles): Sub-section 2.2 highlights potential conduct of business issues in the event of misleading information on the impact of a product, an insurer or an intermediary. It also includes recommendations on how supervisors, insurers and intermediaries could address such issues. In particular, it explores the relevance of existing concepts related to ICP 19 (Conduct of Business) and greenwashing. Greenwashing is not necessarily a new risk category but rather a new form of an existing category which may be addressed by of existing conduct concepts. Hence, jurisdictions should consider whether new tools, policies, or regulations are required to address greenwashing or whether existing requirements, such as providing fair and not misleading information or preventing mis-selling, are sufficient to tackle greenwashing in their market.

CRO Forum	Global	The CRO Forum is supportive of IAIS position that greenwashing risks are not a new risk categories but an element of existing conduct principles and related risks and hence jurisdictions should consider whether existing requirements are sufficient to tackle greenwashing in their market (Paragraph 15). The recommendations should be drafted in a way to leave supervisors sufficient flexibility to address greenwashing in their market with existing requirements, if they are deemed sufficient.
FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	Jurisdictions have differing consumer protection regulations and supervision in place. It is unclear to what extent current insurer risk models are up to the challenge of capturing and testing climate-related risks. Accordingly, GFIA agrees with the approach of first considering how to respond within the framework of existing regulations and supervision, and then examining whether new tools, policies, or regulations are required. For instance, the Canadian Life and Health Insurance Association, (CLHIA), has recently advocated to Canadian supervisors that existing market conduct guidelines and codes of conducts are sufficient to capture climate-related market conduct issues. Paragraph 9: ■ GFIA suggests adding objective facts and data regarding "An increase in consumer appetite for products with sustainability features" to make the statement more persuasive. It should be noted that the degree of any such increase in appetite may differ by region. Paragraph 10: ■ This expansion of the term “greenwashing” is unprecedented and uses the undefined terms “environmental, governance and social” thereby creating a paper of broad and undetermined scope. Social and governance issues are not necessarily the same as climate issues and deserve more focused attention than being included by one paragraph in an environmental greenwashing paper. GFIA suggests greater clarity on terminology and scope used in this proposal. Paragraph 11: ■ Generally speaking, a generic, principle-based approach should be sufficient rather than specific greenwashing tools and regulations. ■ ICP 19 (Conduct of Business) and ICP 21 (Countering Fraud in Insurance) are discussed in the Paper as being relevant to the issue of greenwashing (page 6). GFIA supports using these existing principles to manage market conduct issues related to climate. However, ICP 19 should be most in scope given that greenwashing is an emerging field of regulation, and that it is difficult at this stage to speak of fraud. Paragraphs 12-14. ■ These paragraphs set out a subjective list of potential problems without reference to any documented scope and magnitude of such problems in insurance that would justify the measures and regulatory burdens that would be imposed by supervisors implementing the Paper. Paragraph 14:

		■ This encourages supervisors to stretch the envelope on fraud enforcement “when relevant and necessary”. GFIA would like to recall that it belongs to jurisdictions to define what is relevant and necessary in coherence with proportionality principle. Paragraph 15 ■ It states that “Greenwashing is not a new risk category but rather an element of existing conduct principles and related risks; hence, jurisdictions should consider whether new tools, policies, or regulations are required to address greenwashing or whether existing requirements, such as providing fair and not misleading information or preventing mis-selling, are sufficient to tackle greenwashing in their market.” GFIA supports supervisors using existing tools, policies, and regulations to manage market conduct issues related to greenwashing.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	We can add that the most serious type of greenwashing is the one that hides harmful consequences of the invested/financed/insured activity. And the best way for regulators to address that is to define sustainability risks and impacts of each industry clearly, which means, defining sustainability KPIs for each industry, assigning a weight to each of them and requiring that financial institutions (including insurers) get information from each company on these KPIs. Also, location information (including value-chain, when relevant, according to KPIs) should be required.
Ceres	United States	Clear explanations of greenwashing dynamics and potential wider erosion of trust provides grounded context, and guidance indicating supervisors should review whether existing regulations sufficiently address greenwashing risks is sensible under a principles-based approach. However, we suggest including a measure of overt confirmation that strong enforcement is equally crucial. The EU taxonomy requires screened economic activities “do no significant harm” across other environmental objectives; this raises considerations around appropriate supervisor guidance for managing possible greenwashing when simplified claims mask unassessed adverse impacts elsewhere. As conceptions of “sustainable” evolve, supervisor expectations should compel substantiating that sustainability offerings cause no spillover detriments, alongside verifying green claims match realities. Renewing consumer and investor confidence requires tangible deterrence and corrections.

International Actuarial Association (IAA)	International	In para 10. a minor comment but it is suggested that “englobe” is replaced with “encompass”. In para 13 “”to positively impact sustainability factors” could be changed to “to ensure sustainability”
The Sunrise Project, Financial Regulation and Policy Program	European Union	n/a
The Geneva Association	International	Paragraphs 12-14 describe various externalities of greenwashing. While the prevention of greenwashing is important, it should not be misconstrued as the ultimate goal. The primary objective should be to facilitate a green and sustainable transition. In this regard, the paper seems to overemphasise the avoidance of greenwashing, rather than promoting a balanced approach.
Comments on section 2.2 Clear and robust sustainability-related definitions and criteria		

General Insurance Association of Japan	Japan	In responding to greenwashing, it would be useful to clarify its definition and characteristics, to create common criteria to determine if a product has sustainable features, and to describe additional concrete examples. On the other hand, as part of the process, it would be desirable to fully consider the legal system and market characteristics of each jurisdiction. In promoting the development of a definition of greenwashing and a list of its common characteristics, it is necessary to cooperate with other financial and non-financial sectors across industry boundaries rather than the insurance sector alone. It would be better to establish a set of high-level principles, etc. at the global level, on which each jurisdiction's definition is based, and then develop a definition appropriate to each jurisdiction, taking into account the specific circumstances. Supervisory authorities should also work with stakeholders, including the insurance industry, when promoting the development of standards. Consideration should also be given to the possibility that different standards could be set depending on type of insurance product. As for the three examples of what sustainability representations may portray in a misleading way (in Paragraph 24), the second and third points should be revised in line with the first point, by using expressions such as "deceivingly advertising" and "incorrectly highlighting", etc. to clarify that they are misleading. Furthermore, we suggest adding "with no supporting information" to the second point. In addition, we suggest deleting the reference to "carbon neutral" in the second point, as it may be taken as a misleading example.

Principles for Responsible Investment (PRI)	United Kingdom	The PRI welcomes the IAIS's recommendation that supervisors should promote the development of a definition of greenwashing and a list of common characteristics of greenwashing in their jurisdiction. The PRI also agrees that supervisors should promote the development of common criteria used to determine if a product has sustainable features and pay particular attention to sustainability labels. The PRI recommends the IAIS guide supervisors in adopting a balanced approach towards developing a definition of greenwashing and a list of common characteristics of greenwashing to avoid structurally disadvantaging responsible investors or certain sustainable investment strategies. A possible approach could be to provide more clarity around the following definitions: ■ Passive greenwashing vs positive greenwashing The PRI recommends that supervisors adopt a greenwashing definition that is broad enough to cover both positive and passive greenwashing and consider establishing a minimum level of sustainability-related expectations and disclosure requirements for all insurers and all financial products. Most definitions of greenwashing focus on positive greenwashing involving practices of misrepresenting sustainability-related practices or the sustainability-related features of investment products. However, limited attention has been paid to passive greenwashing where investors by holding back information about sustainability-related risks and impacts of their investment would lead clients to believe that their investments are not exposed to sustainability-related risks or have no principal adverse impacts on the environment and society. Only emphasizing positive greenwashing may risk structurally disadvantaging investors who publicly set sustainability-related objectives/pledges at the entity or product level and disclose sustainability-related information. That is because most assets are exposed to financially material sustainability-related risks regardless of their objectives, especially investments with long-term horizons. In addition, financial investments drive real-world outcomes whether the impacts are intended or not. Clients and policyholders should have access to material sustainability-related information (including risks and impacts) for them to fully understand the sustainability characteristics of the insurer or the product no matter whether the insurer has actively engaged in promoting the sustainability features of their performance or their products. While there are legitimate and good reasons to subject positive greenwashing to heightened scrutiny, passive greenwashing should also be subject to a certain level of minimum regulatory and disclosure requirements to strengthen the objective of investor and policyholder protection and to establish a level playing field in the financial industry. Otherwise, it may lead to green hushing which would cause further concerns of investor protection. In addition, it may also discourage insurers from considering climate-related risks and opportunities

		at all even in cases where they are legally required to do so. ■ Intentional vs. unintentional greenwashing Some national financial regulators have noted that greenwashing can occur and spread either intentionally or unintentionally. The PRI believes that an understanding of the drivers and features of unintentional greenwashing will also be important for supervisors and policymakers in addressing the wider causes of the issue. When applying the definition to enforcement measures (particularly sanctions), regulatory actions should focus on instances where greenwashing is deliberate and intentional. Particularly in cases where insurers failed to meet their sustainability-related commitments/targets or where insurance products (with specific climate-related objectives for their investment) failed to obtain sustainability-related objectives, it is important to differentiate intentional and unintentional greenwashing when it comes to implementation of greenwashing rules. Otherwise, it may discourage insurers from setting ambitious sustainability objectives at the entity or product level for fearing failure to obtain sustainability-related objectives. It may also inadvertently lead insurers to shy away from taking innovative and ambitious strategies to drive real-world green transition through stewardship because such strategies would be more risky (less predictable) in terms of achieving sustainability objectives than – for instance – greening the portfolio by tilting portfolio composition towards sustainable companies. Navigating unintentional greenwashing presents a nuanced challenge for insurer supervisors, requiring a delicate balance between safeguarding clients and policyholders while fostering market innovation and promoting the acceleration of the green transition amid uncertainties. Striking this balance is crucial to ensure responsible practices, policyholder protection, and implementing global sustainability goals. The application paper recommends insurer supervisors pay particular attention to sustainability labels. Financial regulators have crucial roles to play in ensuring that sustainability labels enhance transparency and credibility. The PRI recommends that the IAIS support insurer supervisors in clarifying general principles in establishing or monitoring the sustainability labels or product categories if this is within their mandates. The following considerations may form the basis for the development of such principles. These are relevant to the investment aspects of insurance products. ■ Clarify the intended audience of the product categories. It should be clear whether retail or institutional investors are the intended primary audience of the product categories. Whilst the categories could apply to both retail and institutional clients, it is particularly important that the product categories are simple and easy to understand, as retail clients are less likely to grasp the

		nuance of the corresponding disclosures. ■ Avoid hierarchies between the product categories. Hierarchies based on current levels of sustainability performance could unintentionally discourage investments in sectors that urgently need funding to transition away from harmful levels of performance. Moreover, clarity is needed around how different product categories contribute to the overarching objective of mobilizing capital towards sustainable activities. The FCA's Sustainability Disclosure Requirements and investment labels regime have been designed in a way that does not propose a hierarchical framework. Each type of product is designed to deliver a different profile of assets, as well as different risk appetites and values to meet different consumer preferences: this approach is welcomed as it supports investor choice. ■ Link product categories to the sustainability preferences of end investors or policyholders. It will be important to link any new product categorisation system with the existing rules for integrating client sustainability preferences. Moreover, the categorisation system should be designed to enhance the advisory process and improve retail investor understanding of the sustainability-related strategies and objectives of financial products. ■ Work to enhance global interoperability of sustainable product categories. Supervisors should continue to engage in global forums to work towards greater interoperability with sustainability-related product categories from other markets. To simplify global distribution and reduce costs for financial market participants, supervisors should work with IAIS to ensure a baseline of disclosures and principles for the cross-border compatibility of sustainability-related product categories. In order to establish a common terminology system for addressing greenwashing, supervisory efforts might need to go beyond defining greenwashing and product criteria or labels. The PRI recommends that the IAIS support and guide insurance supervisory bodies to consider the following actions. ■ Supporting the establishment and implementation of a taxonomy of sustainable economic activities to define activities that contribute to sustainability objectives. It is equally important to integrate the taxonomy into the development of sustainability disclosure at the entity and product levels to ensure consistency in terminology and technical criteria. A sustainable finance taxonomy can be defined as a classification system to help investors and other stakeholders understand whether an economic activity is environmentally and socially sustainable (or, more precisely, meets the social and environmental criteria defined by the taxonomy). Sustainable finance taxonomies provide a common language for investors, issuers, project promoters and policy makers. They help investors assess whether investments meet robust sustainability standards and align with policy commitments such as the Paris Agreement on Climate Change, the Sustainable Development Goals (SDGs) and national sustainability and climate change goals.

		■ Supporting the development of common sustainable finance-related terms and definitions to ensure consistency throughout the industry. the PRI, the GSIA, and the CFA Institute have been working on an initiative looking at Definitions for Responsible Investment Approaches. It aims to unify the industry around a set of common definitions so that users and preparers of information can communicate effectively with harmonised, well-understood language. The paper describes the concepts that define each responsible investment approach, rather than criteria for product labelling or categorization. This could form a basis for the IAIS's work in providing further clarity in the application paper. *further information: 1. For more details about key components and principles of developing a taxonomy for sustainable economic activities, see PRI Implementation Guide — Taxonomies of Sustainable Economic Activities. 2. the PRI, the GSIA, and the CFA Institute, Definitions for Responsible Investment Approaches (2023)

APCIA	USA	Paragraph 2.2. This is one of the most objectionable and counterproductive paragraphs in the entire paper. Much of the paper is focused on preventing “misleading” statements without the necessary intent, which makes a reasonable and rational definition of “misleading” critically important. The definition of “misleading” in this paragraph is vague, subjective and inconsistent with law and never to our knowledge been a subject of consultation. In our view, the definition of “misleading” should be: “a demonstrably false statement communicated with the intent to deceive.” Paragraph 2.2 describes ways in which representations can be misleading. “Misleading” representations can apply broadly, not just to sustainability topics. But then the paragraph gives the puzzling example of a “failure to consider the target market sustainability preferences and objectives when offering a product.” If a group of customers is highly sustainability-oriented and a company fails to consider that orientation, then these customers will simply buy products from other carriers. This is poor marketing, not unethical behavior.

National Association of Insurance Commissioners (NAIC)	United States of America	• Para 22: It is not clear whether the description of “misleading” meant to require intent or not; suggest clarifying. The way it’s being used in paragraph 28 and 31 for example could suggest intent making it more related to ICP 21. Additionally, the last sentence example of misleading could be made clearer; suggest: One example is a failure to consider the target market’s known sustainability preferences and objectives when offering a product being promoted as sustainable. • Para 23: The first sentence is confusing, as all insurance products benefit society as a public good. This is why insurance is a regulated industry. Suggest clarifying what this means in this context. • Para 25: the first sentence, suggest improving the readability: Greenwashing can occur at all stages of the life and non-life insurance an insurance product’s life cycle.

CRO Forum	Global	The IAIS recommends supervisors to set clear and robust sustainability-related definitions and criteria with a view to avoid greenwashing. One of the main legal risk for firms in the context of greenwashing steers from the current fragmentation in definitions and regulatory approaches. Differing approaches to regulate greenwashing can lead to a situation that what is considered green/sustainable in one jurisdiction is not accepted in another. This is a real risk for insurance firms which is currently not recognized/discussed in the paper. The CRO Forum believes that the IAIS has an important role to help align and to protect firms against increasing fragmentation instead of recommending a more prescriptive approach. Hence, it is less about the introduction of new/better/clearer definitions but rather for the IAIS to urge jurisdictions to align on definitions and to remain sufficiently principle-based to avoid litigation risks for firms subject to differing definition of sustainable/green products and services. The CRO Forum would recommend to come up with one single precise definition of greenwashing. Greenwashing is about not reporting/disclosing transparently, fact-based, clear and simple. This risk already exists in the traditional reporting. Therefore, the CRO Forum would recommend to apply the same principle's rather than rules-based approach. Additionally, CRO Forum would recommend to consider any commitments and decisions taken or products sold that can potentially lead to financial reporting risks as well as to mis-selling risks caused by various external challenges e.g. evolving disclosure requirements, differing sustainability preferences of stakeholders, third party dependencies and internal challenges related to inadequate strategic decisions, poor execution or unaligned disclosures in the greenwashing risk definition. (Paragraphs 21 & 22) The CRO Forum would encourage to precise the definition, use and scope of the benchmark, as a benchmark may be complex to elaborate considering the different aspects in which sustainability can be supported. The CRO Forum would suggests to keep the indications at principles level rather than introducing very strict rules. Especially, it is worth to note that benchmark can change overtime, requiring to keep changing the assessment of products, operations, investment etc. with a potential counterproductive challenges in the communication and perception towards the policyholders. (Paragraph 27)

FSCA	South Africa	The recommendations are sensible. However, a particular challenge with introducing sustainability definitions and criteria is that these tend to fall outside the scope of traditional financial regulatory concepts. Often it requires close collaboration with other relevant stakeholders in an economy who develop science-based approaches to definitions and criteria.

Global Federation of Insurance Associations (GFIA)	Global	GFIA agrees clear and robust definitions are needed, and these should be developed by IAIS in consultation with insurers. In responding to greenwashing, it would be useful to clarify its definition and characteristics, in an effort to create common criteria to determine if a product has sustainable features, and to describe additional concrete examples. On the other hand, as part of the process, it would be desirable that the legal system and market characteristics of each jurisdiction are taken into account. GFIA is of the opinion that it would be better to establish a set of high-level principles that define greenwashing, at a global level, allowing each jurisdiction to develop its own definition appropriate to the specific circumstances in that jurisdiction. In promoting the development of a definition of greenwashing and a list of its common characteristics, it will be necessary to cooperate with other financial and non-financial sectors across industry boundaries than the insurance sector alone. The authorities should also work closely and consult with stakeholders, including the insurance industry, in the development of standards. Consideration should also be given to the possibility that different standards could be set depending on type of insurance product. That being said, GFIA considers that the concept of greenwashing as described in this paper is not objective nor does it have a concrete definition on which to build a standard across jurisdictions. Therefore, we would like to highlight the following points: Paragraph 22: ■ GFIA recommends that this paragraph be clarified. Indeed, the definition of misleading is not yet aligned with any legal framework or legal terminology which could be the topic of another consultation. As GFIA understands that the Paper is focused on preventing misleading statements, GFIA is concerned by the lack of universal legal definition of greenwashing which should be proportionate. ■ Taking the last sentence of the paragraph “One example is a failure to consider the target market sustainability preferences and objectives when offering a product”: GFIA considers the inclusion of the expectation that insurers conduct market research to determine sustainability preferences of the “target market” goes too far. Consumer preferences are wide and variable, even within target markets, continually changing and with differing levels of knowledge on the subject. ■ In GFIA’s view, the definition of “misleading” should be: “a demonstrably false statement communicated with the intent to deceive”, meaning to deliberately mislead a consumer”. As it is perfectly possible to mislead

		someone without intending to deceive them, it is important to highlight that the act of deception is the intention to create the error or false statement. ■ The qualification of misleading claims should only be considered in the context of a commercial relationship that may lead to distorted economic behaviours of consumers. As such, a sustainability claim should only be qualified as misleading if it has been used as a selling point or as a means to gain a competitive advantage. Paragraph 23: ■ GFIA would like to highlight that sustainability benefits like many other benefits, come at a cost. There does not appear to be any consideration of the lengths and costs involved in establishing every sustainability claim. Proportionality should encompass cost-benefit considerations. ■ Regarding sustainability drivers, GFIA suggests adding further clarity in this regard and proposes that this section be reframed by the IAIS to incorporate both benefits and challenges. Paragraph 24: ■ As for the three examples of what sustainability representations may portray in a misleading way, the second and third points should be revised in line with the first point, by using expressions such as "deceivingly advertising" and "incorrectly highlighting", etc. to clarify that they are misleading. ■ Furthermore, GFIA suggests adding the wording "with no supporting information" to the second point. In addition, GFIA suggests deleting the reference to "carbon neutral" in the second point, as it may be misleading. ■ “For example, a life insurer may falsely advertise that its policies will only make investments that contribute to the mitigation of climate change.” GFIA considers this example is not relevant and regrets that the paper suggests that it is a usual practice for insurers. Paragraph 27: ■ GFIA considers it is not in the mandate of supervisors to define a “benchmark for measuring the level of environmental or social benefit.” Paragraph 28: ■ GFIA would like further clarity such as an example to support the following sentence “Particular attention should be paid to sustainability labels as customers often associate labels with specific features.”

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	Very good. No further comments.
Ceres	United States	Ceres strongly supports the advice urging supervisors to promote clear sustainability definitions and decisive greenwashing criteria as ambiguous language risks diluting accountability. We approve the recommendation supervisors foster shared jurisdiction-wide understanding of constructive terminology surrounding "sustainable," "ESG," and "impact," while steering firms from embellished assertions lacking substance. Greater clarity minimizes room for selective disclosures crowding out materially relevant adverse impacts. It also arms policyholders with specified factors signifying intentionality in product design and documented progress in monitoring insurer operations. However, leading with currently voluntary guidance risks greenwashing prohibition appearing supplementary rather than integral. We suggest explicitly expecting supervisors mandate transparency frameworks, not merely encourage. Market forces alone have not precipitated urgently needed disclosure standardization and enforcement. Overall, this guidance markedly progresses the sustainability substantiation rigor needed to realize credible claims, align incentives, and impact accountability. Establishing clear boundaries distinguishing truthful representations scaffolds an accountability infrastructure.

International Actuarial Association (IAA)	International	The IAA agrees that it is important to consider the target market sustainability preferences and objectives when offering a product. However, it will also be important for supervisors to work with insurers to educate the target market in these topics to enable them to be in a better position to form their preferences and objectives and so make more informed decisions. Given the ongoing development of sustainability criteria, for example by fund managers, the market conduct requirements should take into account the uncertainty associated with current fund/investment ratings. The natural/technical/social developments around climate change and local variation of climate change figure should also be considered. The example given in Para 22 does not seem to be an example of either greenwashing or being misleading. For Para.24, the second example "advertising that the business processes are sustainable." would be better if changed to "... sustainable with no supporting information." In Para 26, given the definition of greenwashing earlier in the paper, it does not seem necessary to look at other jurisdictions.
The Sunrise Project, Financial Regulation and Policy Program	European Union	Efforts to define greenwashing, identify common characteristics of greenwashing, and develop criteria for whether a product has sustainable features should be undertaken in consultation with stakeholders who have expertise in these areas. Supervisors must not defer to industry. They also should not adopt criteria from other jurisdictions without first evaluating the appropriateness and robustness of the criteria, including with respect to local context. Weak definitions and criteria would exacerbate the problems the IAIS is aiming to address.

The Geneva Association	International	- Paragraph 22 outlines various scenarios where representations may be misleading. It is clear that the term “misleading” can be applied widely, extending beyond the realm of sustainability. However, the paragraph introduces a surprising example of a “failure to consider the target market sustainability preferences and objectives when offering a product”. Should a company overlook the strong sustainability preferences of certain cohorts of customers, these individuals are likely to seek alternatives from competing providers. This scenario represents poor marketing but does not constitute unethical behaviour. It should be revised or removed. - Paragraph 24 describes various types of greenwashing. Some of these, however, fall outside the typical jurisdiction of insurance supervisors or regulators and instead lie with other government bodies, like competition authorities. The recommendations within the AP should better reflect the limitations of the statutory authorities of insurance supervisors. - Paragraph 24 cites an example of a misleading representation concerning sustainability: “For example, a life insurer may falsely advertise that its policies will only make investments that contribute to the mitigation of climate change”. This suggests that such misleading practices are commonplace among insurers, which seems improbable. This example should be removed. - Paragraph 26 recommends that supervisors “promote the development of a definition of greenwashing”. In practice, however, definitions of sustainability frequently fall short in their comprehensiveness, primarily focusing on specific ESG aspects without conducting a holistic risk assessment. Potential trade-offs exist, and it is not a matter of simple dichotomies. Consequently, it is important that definitions and approaches adopt a principles-based approach, enabling firms to effectively support the transition through a comprehensive approach. For example, while renewable energy sectors like wind and solar are promoted as green, their environmental and social impacts, such as the intensive use of energy and scarce minerals for infrastructure, pollution, and social issues related to mining, challenge this classification. Additionally, the operational inefficiency of these technologies, with wind turbines functioning only about 25% of the time, necessitates reliance on fossil fuels, complicating the energy mix. This incomplete approach to renewable energy contributes to greenwashing by failing to acknowledge the intertwined nature of renewable and fossil fuel investments. The AP should acknowledge these challenges.

Comments on section 2.3 Offering products with sustainable features that meet certain policyholder requirements

General Insurance Association of Japan	Japan	The contents of "Recommendations" in this section are descriptions of specific products in some jurisdictions, and do not seem to apply to products in general in jurisdictions around the world. Therefore, we suggest clarifying that Paragraphs 35 - 41 are aimed at introducing the fact that there are jurisdictions that are taking such measures, by positioning these paragraphs in a column/box separated from the Recommendations. While Paragraph 33 states "Supervisors should review whether there is a risk of greenwashing in any stage of the product design process", when regulations and supervision are already appropriately in place to protect consumers, excessive time should not be spent verifying sustainability. While Paragraph 35 states "Insurers should assess whether the product's sustainability features are in line with the sustainability preferences or objectives of the target market", it is difficult to measure sustainability preferences, so we oppose any restrictions on product development and design on this basis. In the first place, insurance companies are required to offer products that meet customer needs, not only from a sustainability perspective, and act in accordance with this principle. In addition, it should be noted that, in commercial lines, insurers may be required to develop products in an agile manner for niche needs, and especially in specialty and miscellaneous casualty insurance, etc., best practices may not exist in some cases, which could make insurance companies' response difficult. What "governance" specifically means in the context of Paragraph 36 should be clarified. As for Paragraph 37 ("...the product assessment should ensure that both the sustainability preferences and investment risk appetite are aligned with the target market's needs, objectives and characteristics. For example, the investment strategy chosen to address the sustainability preferences may impact the overall level of risk of the investments of a product"), please indicate whether this description refers to investments in relation to products in separate accounts of life insurance companies and in savings accounts of non-life insurance companies, or whether it refers to investments including general accounts as well. Also, please provide more specific examples to facilitate understanding.

Principles for Responsible Investment (PRI)	United Kingdom	The PRI welcomes IAIS's recommendation that supervisors should review whether there is a risk of greenwashing at any stage of the product design process. The PRI also supports the recommendation that where relevant, supervisors should assess whether insurers take into account the target market's needs, objectives, and characteristics in relation to sustainability factors in the different stages of the product lifecycle. In the report, A Legal Framework for Impact, authored by Freshfields Bruckhaus Deringer and commissioned by the PRI, the United Nations Environment Programme Finance Initiative and the Generation Foundation, the levels of assets committed to sustainability impact investment approaches were found to be lower than what might be expected based on preferences expressed by individual investors in a significant portion of studies. There may be various reasons for this, including a common difference between what people say and do. However, there is also a possibility that beneficiaries and clients are not prompted to consider in initial conversations with investment managers whether their money could be managed in ways that achieve positive sustainability impacts. There is another possibility – that investment decision-makers are not given adequate information about policyholders' sustainability impact preferences or prompted to consider policyholders' sustainability aspirations when selecting investments. To support and guide insurance companies to integrate the sustainability preferences of the targeted market into different stages of the product lifecycle, the PRI recommends supervisors may consider clarifying that the targeted market's sustainability preference can be taken into account and encourage such behaviours. For that purpose, supervisors may consider adopting the following measures. ■ Clarify that insurance companies may take the targeted market's sustainability preference into account when considering setting sustainability objectives. ■ Explore ways to address market impediments, such as any challenges insurance companies may face in establishing the sustainability aspirations of targeted markets. ■ Develop guidance to help insurance companies take account of sustainability preferences of the targeted market. ■ Clarify the scope of the information to be obtained. ■ Develop processes that insurance companies could use to establish targeted market's sustainability preferences.

APCIA	USA	Comments on section 2.3 Offering products with sustainable features that meet certain policyholder requirements Paragraphs 29-31. These paragraphs are simply a list of potential issues without documenting whether they are actually occurring and at the frequency that would justify the supervisory recommendations in the paper. We are especially concerned with recommendations relating to monitoring. Paragraph 31 gives an example of greenwashing if "products with no sustainable features are marketed and sold to consumers with sustainability preferences, using unclear of misleading advertising." It indicates that this is a violation of ICP 19.5. First, the paragraph misquotes ICP 19.5. Second, this might be "greenwashing" only if the "misleading advertising" pertains to the sustainability characteristics of the product. Finally, even customers with sustainability preferences will have other (and usually more fundamental) financial objectives, and therefore a customer with sustainability preferences will almost certainly balance those preferences with other objectives when purchasing an insurance product, and the customer may even choose to forego those sustainability preferences to fulfill other objectives (e.g., low fees). Paragraphs 34 and 35. Like paragraph 22, these paragraphs are a critical example of potential supervisory overreach. In essence they would potentially substitute the view of supervisors for the interactions of customers and insurers competing in the private market. It is the market, not supervisors, which should determine whether the market's needs, objectives and characteristics are being satisfied. Paragraph 35 indicates that insurers should "consider policyholders' sustainability preferences when developing and designing new products…" At least in the U.S., most insurance customers do not have sustainability preferences, and some customers will have different (non-sustainability oriented) value orientations. Insurance supervisors should not require insurers to cater to a specific niche market. Paragraph 36. This is an example of unproductive vagueness and subjectivity leading to a nearly unlimited scope of supervision and uncertainty if impossibility of compliance. This is exemplified by the language that insurers need staff to "understand ANY sustainability objectives that POTENTIAL policyholders MIGHT have…" (capitalization provided). Paragraphs 37, 38 and 40. These paragraphs recommend imposing significant new and ongoing monitoring burdens to comply with vague and subjective standards of conduct. There is no evidence provided that such steps are justified, necessary or productive.

National Association of Insurance Commissioners (NAIC)	United States of America	• Even though performance metrics, sustainability benchmarks start appearing in 2.5, this section would benefit from including them and how they could be considered throughout the product's life cycle. • Paragraph 35: The EU example in the text stands alone as all other examples from jurisdictions are found in the Annex. These examples are quite helpful in illustrating the context or recommendations being made. Rather than have all the examples separate in an Annex, recommend incorporating them throughout the paper in the relevant places by using the blue-boxes that other IAIS supporting material papers use. • Paragraph 35: suggest clarifying that the insurer should know policyholders' preferences if they are designing products specifically to meet them. Additionally, how insurers would go about such an assessment is not clear – for example what data or quantification is used to determine "sustainability preference"? Clarification or elaboration here would be useful. Insurers should consider policyholders' known sustainability preferences when developing and designing new products that will be promoted as sustainable, for example, by following industry best practices or by carrying out an assessment of the target market. • Paragraph 38: While preferences should be considered, a consumer may select or an intermediary may recommend a product due to other factors, such as cost, and/or financial strength or claims settlement practices of a company. Suggest deleting the last sentence: Intermediaries should consider a potential consumer's sustainability preferences when delivering the product. In doing so, if required under the jurisdiction's law or if consumers express having sustainability preferences, intermediaries should gather information on the consumer's sustainability preferences and advise on appropriate products.

CRO Forum	Global	The CRO Forum would suggest to add a section related to the training towards distribution network. (Paragraphs 38 – 40)
FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	Paragraphs 29-32: ■ These paragraphs are a list of potential issues that are not sufficiently documented (frequency of occurrence) to justify the supervisory recommendations in the Paper. GFIA is especially concerned with recommendations relating to monitoring, as insurers may not have sufficient resources or budget for continuously monitoring sustainability. ■ GFIA suggests the IAIS provides qualitative and quantitative examples on the potential risks of greenwashing. Paragraph 31: ■ It gives an example of greenwashing if “products with no sustainable features are marketed and sold to consumers with sustainability preferences, using unclear or misleading advertising”. It indicates that this is a violation of ICP 19.5. ■ This might be “greenwashing” only if the “misleading advertising” pertains to the sustainability characteristics of the product. ■ Finally, even customers with sustainability preferences will have other (and usually more fundamental) financial objectives, and therefore a customer with sustainability preferences will almost certainly balance those preferences with other objectives when purchasing an insurance product, and the customer may even choose to forego those sustainability preferences to fulfil other objectives (e.g. low fees). Paragraph 33 ■ It requires that "Supervisors should review whether there is a risk of greenwashing in any stage of the product design process". When regulations and supervision are already appropriately in place to protect consumers, excessive time should not be spent verifying sustainability. Paragraph 35: ■ With paragraphs 34 and 35, GFIA is concerned that these paragraphs contain potential supervisory overreach. In essence they could substitute the view of supervisors for the interactions of customers and insurers competing in the private market. It is the market, not supervisors, which should determine whether the market’s needs, objectives and characteristics are being satisfied. The specific interests that insurers take account of when designing products should be the domain of the competitive market and an insurer-by-insurer approach. It is obvious that insurers will take account of their target customers when designing products and prescriptive regulation of what insurers should consider during this exercise may be overreach. ■ It indicates that insurers should “consider policyholders’ sustainability preferences when developing and designing new products”. Customers’ sustainability preferences are different between and within markets and

		differ going from none to a high appetite and some customers will have different (non-sustainability oriented) value orientations. Hence, insurance supervisors should not require insurers to cater to this market. ■ As it is difficult to measure sustainability preferences, GFIA opposes any restrictions on product development and design on this basis. In the first place, insurance companies are required to offer products that meet customer needs, not only from a sustainability perspective, and act in accordance with this principle. In addition, it should be noted that, in commercial lines, insurers may be required to develop products in an agile manner for niche needs, and especially in specialty and miscellaneous casualty insurance, etc. best practices may not exist in some cases, which could make insurance companies' response difficult. ■ In this perspective, the IAIS should define how sustainability preferences could be considered in addition to other consumer preferences to make it clearer that the approach is not to make decisions solely on sustainability considerations, to avoid the risk to segment markets solely based on sustainability preferences that could lead to additional costs for consumers including those who have no preferences. And then there are the additional costs associated with monitoring, etc. ■ Supervisors should use existing tools, such as product review/approval, to achieve the recommendations in this section. Those standards are tied to current law and standards that may be objectively observed and applied. ■ Furthermore, this paragraph and paragraph 36 assume some level of homogeneity around consumer sustainability preferences which is not the case. ■ Considering this, GFIA considers this section should be substantiated and supports the inclusion of a definition of sustainability. Paragraph 36: ■ What "governance" specifically means in the context of this paragraph should be clarified. ■ This paragraph illustrates the lack of definition and clarity mentioned above. That might lead to unlimited scope of supervision and uncertainty if there is an impossibility of compliance. We would appreciate the clarification of the terms "to understand any sustainability preferences and objectives that potential policyholders might have." Paragraph 37: ■ It is unclear which products are in scope of paragraph 37, as most P&C products for consumers last 12 months. ■ Regarding this sentence: "...the product assessment should ensure that both the sustainability preferences and investment risk appetite are aligned with the target market's needs, objectives, and characteristics. For example, the investment strategy chosen to address the sustainability preferences may impact the overall level

		of risk of the investments of a product", GFIA would like some precision on whether this description refers to investments in relation to products in separate accounts of life insurance companies and in savings accounts of non-life insurance companies, or whether it refers to investments including general accounts as well. GFIA would also welcome more specific examples to facilitate understanding. ■ In addition, GFIA would like to substitute the word “testing” in the beginning of the first sentence by the word “researching” or “developing” as it is more relevant. ■ Paragraphs 37 and 40 recommend imposing significant new and ongoing monitoring burdens to comply with standards that are not sufficiently defined. There is no evidence provided that such steps are justified, necessary or productive. Overall, the contents of "Recommendations" in this section are descriptions of specific products in some jurisdictions, and do not seem to apply to products in general in jurisdictions around the world. Therefore, we suggest clarifying that paragraphs 35 - 41 are aimed at introducing the fact that there are jurisdictions that are taking such measures, by positioning these paragraphs in a column separated from the Recommendations.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	We agree with everything that is there, but add that, for item 41, that insurers must disclose the framework they use (which indicators, with which weigh) and the source of data/information used to classify the product as sustainable.

Ceres	United States	In sum, this section provides practical advice on mitigating greenwashing risks across the product lifecycle from design to delivery to ongoing monitoring. The guidance targeting specific stages is constructive for helping supervisors implement oversight tailored to their market's maturity. In terms of strengths, outlining how misalignment with customer sustainability preferences risks greenwashing in product development, marketing, and post-sales monitoring covers high potential areas across the value chain; reference to existing EU regulations requiring incorporating sustainability preferences demonstrates precedents for supervisors considering similar rules; encouraging intermediaries to gather information on and advise based on consumers' sustainability objectives reinforces policyholder-centricity; and promoting initial and continuous external control mechanisms for verifying products do indeed meet sustainability claims is prudent advice. Potential improvements and clarifications include: more details or examples on what "appropriate knowledge" entails for staff explaining sustainability features could be helpful for practitioners; advice could be included for manufacturers to engage customer viewpoints during design rather than just considering preferences; and stronger language urging supervisors to mandate that products align with marketing claims throughout the product lifecycle could raise accountability. In summary, this covers the key stages well, drawing helpful connections to existing regulations and providing constructive advice to supervisors navigating evolving green taxonomy complexity.

International Actuarial Association (IAA)	International	Para 37 requires insurers to consider whether a product will meet, over its lifetime, the identified sustainability-related objectives when testing an insurance product. Given ongoing developments, the IAA does not think this is feasible with any certainty so it might be better to say "...may meet... " rather than "will".
The Sunrise Project, Financial Regulation and Policy Program	European Union	Insurers should do more than consider policyholder sustainability preferences and assess whether the product's sustainability features are in line with the sustainability preference or objectives of the target market, as contemplated by paragraph 35. As also contemplated by paragraph 35, insurers should not design or offer products that are inconsistent and fall below the sustainability preferences and objectives of the target market. Moreover, supervisors should ensure that such products are not made available to the target market. There is no reason to allow insurers to offer products that do not meet market sustainability preferences and objectives, as paragraph 35 recognizes, and the IAIS should clarify that ultimate responsibility rests with supervisors.

The Geneva Association	International	- Paragraph 31 highlights a case of greenwashing when products with no sustainable features are marketed and sold to consumers with sustainability preferences, using unclear or misleading advertising The term 'greenwashing should only apply if the 'misleading advertising' directly relates to the sustainability attributes of the product. Additionally, it is important to recognize that customers with an interest in sustainability also consider other, often more critical, financial goals. Thus, a customer prioritizing sustainability will likely weigh these preferences against other financial objectives when choosing an insurance product. In some cases, the customer may prioritize other factors over sustainability, such as the product's cost structure. - Paragraph 35 suggests that "insurers should consider policyholders sustainability preferences when developing and designing new products…" However, it is essential to acknowledge that in various markets, a significant portion of insurance customers may not have strong sustainability preferences. Moreover, some customers may prioritize different values that are not oriented towards sustainability. Consequently, it would be inappropriate for insurance supervisors to mandate insurers to exclusively target a particular niche market, intertwining insurers' commercial autonomy with conduct concerns.
Comments on section 2.4 Insurers promoting their own sustainability profile to attract clients		

General Insurance Association of Japan	Japan	While Paragraph 44 encourages insurers to report on progress in meeting their sustainability-related commitments to prevent overstatement of sustainability-related initiatives, such a report itself could induce overstatement to make their initiatives look better. Therefore, we suggest revising the sentence, for example, as follows: "...may encourage insurers to report on progress, backed by fact-based supporting information, in meeting their sustainability-related commitments".
Principles for Responsible Investment (PRI)	United Kingdom	As noted in our response to question 1, We recommend IAIS clarify and establish expectations for insurers adopting different climate-related target in respect of (a) the development and implementation of practices, policies, strategies, and procedures relating to sustainability-related objectives (including managing sustainability related risk and achieving sustainability impacts); (b) related disclosure; (c) criteria or guidance to assess the credibility of investment strategies and actions adopted for achieving sustainability objectives. For more details, please see the comment on Question 1.
APCIA	USA	Paragraphs 42. Again, this is a totally speculative statement without documentation. More importantly, it would put the supervisor in the role of controlling company free speech and judging whether information has been “omitted” or is “incomplete”. This is a broad invitation for supervisory overreach. Paragraph 43. The paragraph uses the term “misleading” which has the subjective and vague meaning given the term by paragraph 22.

CRO Forum	Global	Insurers sustainability profile will more heavily depend on commitments made (future actions) rather than progress made (past actions) so a clear roadmap to meet these commitments should be necessary to validate this sustainability profile (rather than being an example of how to report on progress). (Paragraph 44)
FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	GFIA suggests the IAIS provides further detail around how it expects an organisation to monitor information that is made public and where the responsibility of this should lie. GFIA believes that this is adequately addressed in the existing prohibition on misleading and deceptive behaviour. In addition, ICP 19.0.2 already requires that developing, marketing and selling products must pay due regard to the interests and needs of customers; that customers are provided with accurate and clear information which is not misleading and that the risk of sales which are not appropriate to customers' interests and needs must be minimised. Paragraph 42: ■ GFIA believes that this paragraph needs in-depth clarification because it is so broad that any comment or statement could be misconstrued. Paragraph 43: ■ The paragraph uses the term "misleading" which has the subjective and unclear meaning given to the term by paragraph 22. Paragraph 44: ■ While it encourages insurers to report on progress in meeting their sustainability-related commitments to prevent overstatement of sustainability-related initiatives, such a report itself could induce overstatement to make their initiatives look better. ■ Therefore, GFIA suggests revising the sentence, for example, as follows: "...may encourage insurers to report on progress, backed by fact-based supporting information, in meeting their sustainability-related commitments".

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	Very good. No further comments.

Ceres	United States	The draft application paper ably highlights the risk of misleading claims and exaggeration when insurers tout the environmental and social credentials of their company and operations. This “halo effect” greenwashing erodes confidence in top-down commitments. As such, the suggested requirement for clear and truthful sustainability advertising provides shrewd advice. Likewise, the recommendation that companies transparently showcase measurable progress through published roadmaps counters green puffery with milestone accountability. Yet opportunities exist for boosting deterrence mechanisms and methodologies supporting such proposals. Guidance on instituting standardized key performance indicators could drive metrics comparability, and further details on suitable transparency parameters for milestone progress disclosures might assist regulators assessing sufficiency amidst a maze of disjointed global reporting frameworks. Questions probing if existing regulation disincentivizes misleading advertising enough could catalyze re-examination for status quo enforcement. Overall, directly targeting greenwashing in the space of corporate-level sustainability reputation management provides practical steps and is thus valuable. Refining the guidance through additional details on how to optimize oversight mechanisms- such as effectively setting sustainability milestones, choosing robust progress metrics, and enhancing deterrence to misleading claims- would further strengthen industry adoption. At the same time, the draft paper aptly recognizes the pivotal tension around rebuilding urgent public trust in insurers’ climate commitments. This urgency rightly demands rapid implementation of initial safeguards while allowing for ongoing collaborative improvements.

E3G	United States	Recommendations 33-41:We generally support these recommendations about supervisors and insurer's taking into account target markets in product design; that insurers' staff must have necessary knowledge skills training and expertise to understand policy holders' objectives and provide sufficient pre and post contractual information for customers. Transition plans can be useful tools for integrating these recommendations into enterprise risk management.
The Sunrise Project, Financial Regulation and Policy Program	European Union	Paragraph 44 states, "To mitigate misleading information, supervisors may encourage insurers to report on progress in meeting their sustainability-related commitments." Without regular reporting on progress in meeting clearly defined sustainability-related commitments pursuant to a credible transition plan, the risk of misleading customers would be unacceptably high. The final application paper should state that supervisors should ensure that insurers adopt and disclose transition plans, as well as report on their progress in meeting sustainability-related commitments.

Public Citizen	United States	The phrase “may” should be changed to “should.” Supervisors that do not at least provide expectations on transition plans and evaluate insurers progress for those insurers who have already made commitments are essentially inviting greenwashing from executives who can easily claim long-term climate goals they have no incentive to make progress on in the short-term. More detail should be provided on what constitutes a credible plan to meet an insurers’ climate commitment. In addition to mentioning milestones over short and medium-term horizons, item 44 should highlight that credible emissions reduction plans must include science-based, near-term milestones and metrics to reduce financed and insured emissions, including absolute reduction goals, a commitment to not finance new fossil fuel projects, and limits on carbon offsets and negative emissions technology. This section should also highlight that a credible plan for an insurer must rely on reducing financed and insured carbon emissions, as insurers’ direct emissions are trivial in comparison with these indirect emissions. Allowing insurers to announce net-zero commitments exclusively for their operations, omitting the vast majority of their emissions, guarantees that supervisors and consumers miss the forest for just a handful of trees. Additionally, while insurers may rely on a client engagement strategy for reducing emissions, a credible client engagement strategy requires the ability to say no. If insurers plan to reduce financed or insured emissions through client engagement, supervisors must require insurers to produce and follow realistic plans to deal with clients who do not make progress on emissions reductions.
Comments on section 2.5 Substantiation of sustainability representations presented to policyholders		

General Insurance Association of Japan	Japan	It is extremely important to explain the rationale for sustainability representations and to provide relevant information in a timely manner so as not to mislead consumers about insurance products and insurers' activities with respect to sustainability. To this end, it would be useful to develop a common framework and standards at the jurisdictional level in which the legal system, regulations, and market characteristics of the jurisdiction in question should be fully considered. In Paragraph 50, sustainability disclosure requirements for all investment products are included as one of the elements of a common sustainability normative framework. The scope ("all investment products") is too broad, and should be limited to products claiming sustainability. While Paragraph 52 states "Supervisors should also require that any sustainability-related information is provided", the scope is too broad. We suggest replacing "any" with "material". While Paragraph 55 describes information to be included in investment fund brochures related to insurance products, in light of the nature of an application paper, the description is excessively detailed. In addition, it seems to relate to cases in some jurisdictions and is not considered to be applicable to all jurisdictions in the world. Therefore, we suggest revising the second sentence of the paragraph as follows: "Taking each market feature into account, supervisors could require that investment fund brochures include information which is considered critical for sustainable investment, for example:". Subsequently, it should be clarified that the following four bullet points are intended to show examples.

Principles for Responsible Investment (PRI)	United Kingdom	The PRI strongly supports the recommendation that supervisors should encourage the development of fact-based methodologies, using a common sustainability normative framework for their jurisdiction. Such frameworks may consist of a combination of several key elements, including a classification scheme for sustainable investments, sustainability disclosure requirements for all investment products and financial market participants, as well as requirements for all securities issuers to publish sustainability data on their economic activities. As noted above, to prove greenwashing cases or substantiate sustainability-related claims, supervisors and insurers need to go beyond disclosure and terminology frameworks. An assessment of whether disclosed practices are credible enough to obtain sustainability-related objectives is indispensable. For the normative framework to be effective, the PRI recommends the IAIS include the following elements. ■ Establish and clarify a set of minimum baseline expectations on what sustainable investment practices (including ESG incorporation and stewardship) would be needed to achieve varied sustainability objectives, and ■ Clarify criteria as to what elements will be considered in assessing the credibility of sustainable investment practices. Taking greenwashing issues related to stewardship as an example which has been explicitly mentioned in the application paper. To fully substantiate relevant sustainability representations, insurers need to prove that the stewardship strategies adopted are credible to obtain not only short-term but also long-term sustainability-related objectives. Without a clear standard or criteria in place to specify a common ground understanding of what constitutes a credible stewardship strategy to achieve sustainability-related objectives, both investors' efforts to substantiate their claims and supervisors' assessment of greenwashing may easily get challenged.

APCIA	USA	Paragraph 46. This paragraph is loaded with vague and subjective terms such as “accurately and sufficiently” or “sufficiently and adequately”. In essence it places the supervisor in the position to make decisions that should be made by the market and insurers. Paragraph 49. While the paper provides little if any evidence the problems to which it is addressed are so significant as to justify the extensive and burdensome supervisory recommendations, it demands that insurers provide “adequate and sufficient level of evidence”. This is yet another example of the paper’s statements of vague and subjective standards. Who determines and according to what criteria is evidence “adequate and sufficient”? Paragraph 51. Applying the vague and subjective standards of the paper to “marketing and promotional” material, the recommendation may exceed the legal authority and free speech protections of many jurisdictions.
National Association of Insurance Commissioners (NAIC)	United States of America	• Paragraph 50: It is not clear who is being encouraged to develop such methodologies as well as who would use them. The second sentence seems to go beyond the scope of an insurance supervisor’s authority, for example, setting requirements for all securities issuers. Suggest clarifying or deleting.

CRO Forum	Global	While consistent labelling, following common standards enables clarity and transparency in communication to customers, as it is already the case for example in Europe with EU Taxonomy and SFDR regulation, the CRO Forum encourages the introduction of such standards to properly take into consideration the following dimensions: (i) the availability and maturity of underlying data and methodologies needed, (ii) the timing needed for their embedding within products design and/ or review, taking into considerations products lifecycle timespan. (Paragraphs 50 & 51)
FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	It is extremely important to explain the rationale for sustainability representations and to provide relevant information in a timely manner so that consumers are not misled about insurance products and insurers' activities with respect to sustainability. To this end, it would be useful to develop a common framework at a global level and standards at the jurisdictional level in which the legal system, regulations, and market characteristics of the jurisdiction in question are fully considered. GFIA agrees that the substantiation of claims is where the focus should be. rather than 2.3. Paragraph 46: ■ GFIA would like to underline the lack of clarity and the use of subjective terms such as “sufficiently and adequately”. In essence it places the supervisor in the position to make decisions that should be made by the market and insurers. GFIA suggests that the IAIS amplify this context section with examples. Paragraph 49: ■ While the Paper provides little if any evidence of the problems it suggests are so significant to justify the extensive and burdensome supervisory recommendations, it demands that insurers provide “adequate and sufficient level of evidence”. Who determines and according to what criteria is evidence “adequate and sufficient”? GFIA suggests the IAIS expands on sufficient levels of evidence required to substantiate sustainability-related information. In overall, paragraphs 49-55 propose various forms of disclosure that would be required only for sustainability-related information. It seems inappropriate to give customers with a specific value orientation a significantly greater level of disclosure than customers with alternative value orientations. Moreover, a greater disclosure burden for certain types of products would deter insurers from developing and marketing such products. Paragraph 50: ■ Sustainability disclosure requirements for all investment products are included as one of the elements of a common sustainability normative framework. The scope ("all investment products") is too broad and should be limited to products claiming sustainability. Paragraph 51: ■ Applying the unclear and subjective standards (see comment above) of the Paper to “marketing and promotional” material, the recommendation may lead to supervision overreach. Paragraph 52: ■ It states, "Supervisors should also require that any sustainability-related information is provided", the scope is

		too broad. GFIA suggests replacing "any" with "material". Paragraph 55: ■ It describes information to be included in investment fund brochures related to insurance products, in light of the nature of an application paper, the description is excessively detailed. In addition, it seems to relate to cases in some jurisdictions and is not considered to be applicable to all jurisdictions in the world. Therefore, GFIA suggests revising the second sentence of the paragraph as follows: "Taking each market feature into account, supervisors could require that investment fund brochures include information, which is considered critical for sustainable investment, for example". Subsequently, it should be clarified that the following four bullet points are intended to show examples.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	We agree with everything, specially item 47, and that is why we propose that regulators/ supervisors should define the minimum sources of information and diligences to be developed: official sources of data for compliance information and the definition of industries who require specific KPIs, for example, must be considered. Ideally, even the list of sector-specific KPIs, based in already existing recognized standards, could be included in the regulatory guidance.

Ceres	United States	The draft guidance targets the critical priority of mandating substantiated sustainability claims if insurers are to earn policyholder and broader stakeholder trust. Binding disclosures verified against common yardsticks coupled with warnings around premature labelling counters the dangerous variability stymieing accountability today. Furthermore, the emphasis on ensuring customers receive adequate sustainability information in a timely manner prioritizes comprehension alongside availability. Yet shoring up the foundations through collaborative efforts could strengthen the proposed measures. Engaging securities regulators on standardized methodologies while calling out the risks of taxonomy gaming keeps advancement ethical. Additionally, minimum evidence thresholds warranting sustainability label usage boosts credibility. More details guiding industry on the sustainability strategy risks requiring disclosure enhances utility for practitioners; the advice moves the needle materially regarding the caliber of sustainability representation and performance transparency needed to realize ethical alignment of pledges with impacts. But, as with any transition, visions must be matched with deliberate, collective actions to transcend intentions into outcomes. As such, the suggestions around tightening substantiation processes and furnishing clearer implementation parameters demonstrates meaningful strides while allowing space for continuous improvements as markets mature.

E3G	United States	Section 2.5 Substantiation of sustainability representations presented to policyholders. Recommendation 50: The final application paper should state that supervisors “should encourage the development of fact-based methodologies.” That would be consistent with paragraph 51, which describes steps supervisors should take based on “such [fact-based] methodologies.” Recommendation 53: The final application paper should strengthen this recommendation remove the “also consider” language. Supervisors should develop standardized sustainability disclosures, although it is critical that these materials meet the standards of [understandability; don’t hide material terms and conditions etc]. While supplemental material may be warranted in some circumstances, minimum standardized disclosures are necessary for comparability.

The Sunrise Project, Financial Regulation and Policy Program	European Union	The last sentence in paragraph 47 ("To mitigate potential greenwashing, insurers using such labels should adequately explain what they mean.") is a recommendation. For clarity, it should be moved to the recommendations subsection in the final application paper. Paragraph 50 begins "Supervisors could encourage the development of fact-based methodologies, using a common sustainability normative framework for their jurisdiction." The final application paper should state that supervisors "should encourage the development of fact-based methodologies." That would be consistent with paragraph 51, which describes what supervisors should require based on "such [fact-based] methodologies." Paragraph 53 states: "To facilitate comparability of sustainability representations, supervisors should also consider developing standardised sustainability disclosures, which may include concise side notes to help introduce to the consumer key sustainability-related information and concepts." The final application paper should strengthen this recommendation. Supervisors should develop standardized sustainability disclosures. While supplemental material may be warranted in some circumstances, minimum standardized disclosures are necessary for comparability. For these reasons, paragraph 54 should state that "supervisors should develop minimum standards for labels," not just consider developing minimum standards. Failure to provide minimum requirements for labels will reduce their effectiveness. Finally, paragraph 55 should be revised to read "supervisors should establish disclosure requirements for the underlying investment funds." Disclosure requirements are necessary to ensure communication of sufficient information for informed decision making and market discipline.

The Geneva Association	International	Paragraphs 49-55 outline proposed requirements for disclosures exclusively related to sustainability. It appears unsuitable to afford customers with particular value orientations a markedly higher degree of disclosure than is available to customers with different value preferences. Furthermore, imposing a heightened disclosure obligation on certain product categories could discourage insurers from creating and offering such products.
Comments on section 3 Natural catastrophes considerations		
FSCA	South Africa	No additional comments
Global Federation of Insurance Associations (GFIA)	Global	Market conduct expectations related to climate risk differ substantially for life and health insurers and property and casualty insurers. For example, Section 3. Natural Catastrophes considerations (beginning on page 13) is material for P&C insurers; however, it is not material for L&H insurers.
Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	Very good! No further comments.

Ceres	United States	The draft guidance shines an important light on the mounting consumer protection perils driven by climate risk's amplification of natural disaster impacts. As extreme weather events become more frequent and destructive, gaps in financial resilience through insurance coverage grow increasingly exposed. Tackling issues like unclear policy language, unaffordability, and claims delays helps elevate crisis prevention and response. In particular, the paper outlines pragmatic recommendations to strengthen safeguards across product comprehensibility, disaster readiness, transparency, and anti-discrimination. Testing exclusions for understanding, planning for surge capacity, simplifying disclosures, and balancing pricing access exhibit promising protections. However, effective application requires calibrating guidance to supervision mandates. Codifying core concentration areas versus ancillary ambitions allows tailored adoption by clarifying regulator remits. Likewise, citing external frameworks has merits but risks fragmentation. Focusing harmonization around emergent leading practices may better equip localized innovation and standardization. Overall, this section effectively underscores the mounting policyholder climate vulnerabilities demanding urgent governance upgrades and supervision modernization. As exposures widen, accessible and responsible products become paramount. The guidance offers supervisors a practical toolkit to deploy in defending those financial resilience safety nets. Though work remains, progress musters when urgency and empathy align.

E3G	United States	Section 3 Natural catastrophes considerations Recommendations 65-70 The recommendations are sound, but as acknowledged by the IAIS in its Call to Action, supervisors need to be more rigorous in applying them. The U.K. Government's 2020 report noted the lack of awareness about risks, insurance and mitigation options. As climate change events increase in intensity and occurrence, so should supervisors' efforts to make sure that insurers are rising to the challenge. Recommendation 71 notes that "Discrepancies between advertising, marketing material and contractual documents may also limit clarity on coverage." However, none of the recommendations in section 3.3 directly address this issue. The final application paper should confirm that supervisors should ensure the insurers eliminate discrepancies between (1) advertising and marketing materials and (2) contractual documents. In addition, any discrepancies should be read to the benefit of the policyholder.

Lloyd's Market Association	United Kingdom	Insurance has a significant role to play in providing economic resilience for individuals and businesses impacted by NatCat events. However, this is part of the wider system of national resilience and cannot be seen as a single solution. It is not clear why the Conduct risks considered are specific to NatCat and if there is anything that is materially different to the issues already considered through the ICP's. Introducing papers for specific lines of business or for areas of insurance could lead to unhelpful proliferation or inconsistencies. We believe it would be more appropriate to maintain opinions and guidance on conduct in general. A lot of the issues identified are in relation to asymmetry of information and/or lack of customer demand. It is difficult and expensive for individual firms to make material shifts in market outcomes or conduct wider educational awareness. Some NatCat should be considered "fundamental risk" which is uninsurable on any terms; or cannot be accepted by firms on economic terms practical to the customer. This means effective risk pooling would not be available, and this should not automatically be considered market failure. This challenge is only likely to increase as climate change leads to more intense weather events. It is not clear or appropriate that this is considered a conduct risk for individual firms to manage. This moves into areas of public policy, outside individual firms' sphere of influence and remit of many regulators. Regulators should be encouraged to engage with other state bodies on aspects of planning, building control and social policy which results property being built in unsuitable locations without appropriate mitigation, designed resilience or construction methods. For historical building stock, some states leave coverage to the market and choice, others have state schemes which are collected through levies or predicated taxes. State intervention has been required even in more mature and benign markets where NatCat is generally a standard cover for retail products. For example see FloodRe in the UK, which is a private public partnership to provide cover for high risk properties, funded by a levy. It should be noted that this does not cover all residential properties and excludes small businesses. Our final general comment is that there does not appear to have been any consideration given to the role of the broker/ insurance intermediary in assisting clients with information and understanding products.

The Sunrise Project, Financial Regulation and Policy Program	European Union	The final application paper should recommend additional data collection and analysis by supervisors to better understand how natural catastrophes contribute to protection gaps. Critically, this work cannot only rely on historical data, which will not provide accurate predictions going forward due to climate change. Instead, this work must be forward-looking and include input from climate scientists.
The Geneva Association	International	The IAIS should clearly define what type of insurers the recommendations in this section apply to. In our view this section has a clear retail focus, and we thus assume it does not apply to reinsurance and commercial lines. The paper would also benefit from specifying which recommendations they consider necessary to address identified market issues and which ones are “nice to have”.
Public Citizen	United States	Attention to coverage reductions and claims delays is welcome, as post-disaster periods have revealed concerning patterns in climate-vulnerable areas in the United States and the emphasis on testing to evaluate consumer impacts is an important addition. There are additional topics from the recent IAIS protection gap paper that appear increasingly relevant as well, including the need for comprehensive data collection and oversight of catastrophe modeling. While both data collection and modeling are important tools to evaluate and predict protection gaps, they are also essential to protect consumers from unfair discrimination.
Comments on section 3.1 Introduction on NatCat considerations		

General Insurance Association of Japan	Japan	In this section, some examples are cited as emerging conduct risks for consumers because of NatCat. Many are thought to be related to low awareness and limited understanding among consumers. Improving consumer awareness is extremely important, and the private insurance sector has a great role to play in this, but it is an issue that should be addressed by multiple stakeholders, including the public sector. Furthermore, we consider low consumer awareness itself does not necessarily constitute a conduct risk. Sudden price increases due to the increased frequency and scale of NatCat events is also cited as a conduct risk. However, external factors such as the reinsurance market also play a major role, and if the risk is properly reflected, it does not necessarily fall under the category of conduct risk. We recognize that this issue is also one that must be resolved by multiple stakeholders in the public and private sectors.
APCIA	USA	Overall, this section fails to recognize that nat cat protection gaps are the result of society-wide failure to pursue resilience and economic conditions that are not created by insurers. Only society-wide actions, with help from insurers in cooperation with supervisors, can close those gaps. Paragraphs 74-78. These paragraphs recommend the imposition of a new obligation on insurers—behavioral testing, without evidence that is needed or would be cost effective. It is understood that activists seeking the most perfect supervisory system might advocate for that, but at what cost and what benefit? Any new requirement such as this should be caveated with the phrase: “if explored with insurers in advance and proven to be cost-effective.”

FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	In this section, some examples are cited as emerging conduct risks for consumers because of NatCat. However, GFIA would like to question the scope of what is considered as market conduct in this section. ■ Some emerging conduct risks are thought to be related to low awareness and limited understanding among consumers. We consider that low consumer awareness itself does not necessarily constitute a conduct risk. Consumer education, outside of existing objective standards, is not a market conduct risk that insurers should be told to consider. If there is misrepresentation in the offer of insurance, jurisdictions already have laws in place to handle misrepresentations or unfair and deceptive acts. Improving consumer awareness is extremely important, and the private insurance sector has a great role to play in this, but it is an issue that should be addressed by multiple stakeholders, including the public sector. The linkage between NatCat and market conduct is not strong enough to warrant entirely new standards and rules. ■ Sudden price increases due to the increased frequency and scale of NatCat events is also cited as a conduct risk. However, external factors such as the reinsurance market also play a major role, and if the risk is properly reflected, it does not necessarily fall under the category of conduct risk. GFIA recognises that this issue is also one that must be resolved by multiple stakeholders in the public and private sectors. Paragraphs 74-78: ■ These paragraphs recommend the imposition of a new obligation on insurers—behavioural testing, without evidence that is needed or would be cost effective. Any new requirement such as this should be caveated with the phrase “in consultation with insurers and having due regard to cost-effectiveness.” Finally, GFIA agrees with the list of emerging risks for consumers. In addition, it reiterates that some risks are out of insurers’ control, e.g. government interventions setting expectations for consumers and creating moral hazards. Moreover, price increases can reflect inflationary pressures, which are also out of insurers’ control. Overall, this section fails to recognise that NatCat protection gaps are the result of society-wide failures to pursue resilience and economic conditions that are not created by insurers. Only society-wide actions, with help from insurers in cooperation with supervisors, can close those gaps.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	Very good! No further comments.
Ceres	United States	The draft guidance effectively establishes the intensifying consumer protection peril driven by climate risk's amplification of natural disaster severity and frequency. The contextual foundation centered on rising personal financial fragility in the face of surging external shocks underpins the entire paper's value proposition and citing IPCC projections on broadening climate impacts including flooding, fires, and extreme weather responsibly grounds the advice in scientific consensus. Likewise, noting increasing un-insurability and shrinking affordability of coverage at the very time risks are compounding spotlights the urgent need for measures defending social resilience. The summary of policyholder blind spots around personal risk awareness, product scope comprehension, and price accessibility provides a concise yet sweeping overview of the systemic gaps jeopardizing communities. Tying these vulnerabilities directly to the conduct oversight remit through ICP 19 smartly orients the guidance to deployable supervisor toolsets for targeted mitigation. Emphasizing the ultimate stakes in the worsening trajectory of current path dependency builds an imperative for intervention today to change outcomes for tomorrow. Overall, the introductory framing forms a compelling platform for the subsequent practical policy recommendations aiming to bend the arc through upgraded safeguards and disclosures toward durability.

International Actuarial Association (IAA)	International	As in the comments on Section 2.2, it will also be important for supervisors to work with insurers to educate the target markets on NatCat related insurance matters. Many of the examples in Par.60 would be addressed through consumer education.
Lloyd's Market Association	United Kingdom	Whilst lack of NatCat cover is a general risk to economic resilience, it is not clear why educational awareness of products or an understanding of risks posed to the individual in general is a conduct risk for individual firms.
The Sunrise Project, Financial Regulation and Policy Program	European Union	n/a

The Geneva Association	International	- Paragraphs 57 and 58 describe increasing protection gaps related to natural catastrophes (extreme weather events). There exists a shared objective among insurers, supervisors, policymakers, and insureds to narrow protection gaps and ensure the affordability of NatCat insurance offerings. However, we have concerns regarding the potential impact of increased supervisory burden placed on insurers in this area. Overburdening insurers with regulatory requirements will add to the cost of insurance and eventually lead to higher prices, which goes against the goal of maintaining affordability. The currently assumed link between conduct issues and affordability and protection gaps seems to go in the opposite direction, e.g., we are seeing that insurers are withdrawing from certain markets not because of climate change as such, but due to flawed regulation that prevents them from charging premiums that are adequate in relation to the underlying risk. Such situations widen, rather than narrow, protection gaps. In addition, governments should use the signals of risk-based pricing to develop policies and regulations that contribute to mitigating risks, such as around proper land use management and building codes. Considering this, the AP would benefit from more balanced discussion of the dynamics that lead to protection gaps which are in our view not related to conduct issues in the first place. - Similarly, paragraph 60 describes the lack of affordability or sudden price increases (related to the increased frequency and severity of NatCat events) as an “emerging conduct risk”. This perspective seems to oversimplify the issue. These challenges are more aligned with actuarial and pricing considerations than market conduct. The determination of premiums is inherently tied to the assessment of risk, which is linked to the potential impact of NatCat events. Given the considerable uncertainty surrounding these events, it is not surprising that insurers face difficulties in setting risk adequate premiums in certain markets. In addition, if an insurer deems it unsustainable to establish a market premium sufficient to cover the underlying risk, this decision is likely rooted in sound risk assessment. Mischaracterising classic actuarial and pricing challenges as conduct issues might lead to misguided regulatory responses that fail to address the underlying complexities of NatCat insurance markets.

Comments on section 3.2 Provide easy to understand products, using plain language		
General Insurance Association of Japan	Japan	In order to narrow protection gaps, it is important to improve consumer understanding of insurance products and coverage. To achieve this, it is useful to provide easy-to-understand products using plain language. As what is explained in Paragraph 66 is overly prescriptive, the second and subsequent sentences of the paragraph should be deleted. While Paragraph 67 states that supervisors should monitor to ensure that vague terms such as "similar events" are not used, in practice, many clauses use wording such as "...and similar thereto" after listing various elements. It is not realistic to mechanically eliminate all of these. It is the responsibility of insurance companies to use terms that are not misleading to consumers. We understand this paragraph to mean that what is done appropriately within the framework of existing consumer protection regulations and supervision should also be done in the context of natural disasters. The introduction of new exclusions to limit risk exposure is described as “risk", but controlling exposure is an extremely important function of insurer risk management, and from the standpoint of insurers, the act itself does not constitute risk. Therefore, we suggest revising the first sentence of Paragraph 64, for example, as follows: "At the same time, there are some cases that insurers may...".
FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	To narrow protection gaps, it is important to improve consumer understanding of insurance products and coverage. To achieve this, it is useful to provide easy-to-understand products using plain language. Paragraph 64: ■ GFIA agrees with paragraphs 62 and 63 but more clarity and understanding are required around paragraph 64. It is common practise after an earthquake for example to put a freeze on accepting new business for prudential and reinsurance reasons. Insurers cannot be expected to accept new business in an area that is suffering periodic and significant aftershocks or where a wildfire is burning out of control. Also, how do insurers deal with “potential customers”? ■ The introduction of new exclusions to limit risk exposure is described as “risk", but controlling exposure is an extremely important function of insurer risk management, and from the standpoint of insurers, the act itself does not constitute risk. Therefore, GFIA suggests revising the first sentence of this paragraph, for example, as follows "At the same time, there are some cases that insurers may...". GFIA supports the clarity of policy language proposals in paragraphs 65-70. Paragraph 66: As what is explained in this paragraph is overly prescriptive, the second and subsequent sentences of the paragraph should be deleted. Paragraph 67: ■ While it states that supervisors should monitor to ensure that vague terms such as "similar events" are not used, in practice, many clauses use wording such as "...and similar thereto" after listing various elements. It is not realistic to mechanically eliminate all of these. It is the responsibility of insurance companies to use terms that are not misleading to consumers. GFIA understands this paragraph to mean that what is done appropriately within the framework of existing consumer protection regulations and supervision should also be done in the context of natural disasters.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	Very good! No further comments.
Ceres	United States	Ceres applauds the emphasis on the critical consumer challenge of penetrating opaque policy language limiting natural catastrophe comprehension. Emphasizing simplified communication materials that directly address community knowledge gaps builds much-needed awareness, and centering reader-friendly contract terms, advertising alignment, and transparent model standardization responsibly targets known areas of obscurity identified in focus group responses. Likewise, monitoring consistency in vocabulary describing exclusions or blanket “full coverage” declarations counter overgeneralization risks. The advice on upfront consumer testing also proactively surfaces misunderstanding early when revisions remain feasible. If any area warrants added counsel, it would concern setting guidelines around novel exclusion introductions balancing financial sustainability with social impacts. But overall, the concentration on unpacking complexity through plain communication channels achieves real progress clarifying climate vulnerabilities and demystifying fine print that too often enables avoidance of accountability.
International Actuarial Association (IAA)	International	To completely delete words like “similar event” would be practically impossible. The IAA believes that completeness and understandability are a trade-off.

Lloyd's Market Association	United Kingdom	In line to our answer to question 13, this is a standard conduct risk and therefore does not appear to be specific to NatCat. We therefore believe there should be justification as to why further guidance is required. It is important that customers are given information at an appropriate time and are not overwhelmed. It therefore seems unreasonable and inappropriate that cover for NatCat would be included in all financial promotions. It would also be disproportionate and could lead to poor behavioural outcomes to spell out exhaustive scenarios in documentation. It would be better to concentrate on simplicity and clarity of language. We are concerned that many of the proposals set out suggest that regulators should become involved in micro management rather than a principles led approach which could result in slower bringing of products to market and responding to changing demands. Most of the points made should be dealt with by existing product approval processes within the insurer's existing POG process. This comment also applies to Q16, 17 and 18.

The Sunrise Project, Financial Regulation and Policy Program	European Union	While providing easy to understand products, using plain language, and testing to confirm consumer understanding are important, financial literacy is no substitute for financial regulation. Basic terms may be easy to understand, but insurance products often are not simple. Indeed, they are likely to remain complex as long as legally permissible. Supervisors should not rely solely on financial literacy to address market conduct concerns related to NatCat issues. Instead, financial literacy efforts are just one piece of the puzzle and are secondary to effective regulation. While ensuring customer understanding is important, these efforts must be paired with effective regulation. Paragraph 67 states that "Supervisors should consider whether the communication material should be free of any vague terms such as 'similar events.' " It is not enough for supervisors to consider whether materials should be free of vague terms. Instead, the IAIS should clarify that supervisors should ensure that materials actually are free of vague terms. In addition, any vague terms that are included should be interpreted to the benefit of the policyholder.
Comments on section 3.3 Test the understanding of exclusions and promote transparent advice		
National Association of Insurance Commissioners (NAIC)	United States of America	• Para 74: this recommendation seems somewhat overstated; suggest: Supervisors should consider the use of behavioural testing, that can help provide understanding of the profile of customers within a target market. If, for example, the testing indicates that coverage and exclusions are unclear, supervisors should require insurers to revise the contract and other relevant documentation.

FSCA	South Africa	No additional comments
Global Federation of Insurance Associations (GFIA)	Global	While testing consumer understanding has its merits, what those who have experienced Nat Cat events find is that each one brings a novel issue to the fore. The example of whether damage is caused by land or flood is relevant if 2m of silt from landslides lands on people's homes when landslip damage is excluded, and flood is included. GFIA underlines that the interpretation of cause of damage is not always clear, especially not pre-event and the rise of secondary perils can complicate matters.
Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	Very good! No further comments.

Ceres	United States	This section targets a pivotal pain point in the customer journey- verifying exclusions transparency across fragmented information touchpoints. Tailoring testing to representative user profile diversity also exhibits a promising innovation. Emphasizing supervision of behavioral experiments closing consumer comprehension gaps, regardless of distribution model, builds essential accountability. Additionally, the balanced layering based on contract complexity demonstrates nuance attuning requirements to risks, rather than taking a one-size-fits-all approach. A potential enhancement may involve more detailed testing methodology sharing to propagate best practices. As exclusion awareness remains a stubborn shortcoming despite prior interventions, knowledge transfer facilitating replication of validated breakthrough techniques could accelerate progress. Another consideration might highlight exclusion alignment appropriateness relative to evolving climate risk models, not just static consumer risk tolerance. As once rare events grow more commonplace, revisiting relevance should occur in tandem. The focus on substantiating exclusion transparency through supervised testing targets a major trust corrosion source. Generating evidence-based confirmation that documents match understanding defuses assumptions, and advising continuous re-evaluation against intensification builds essential flexibility to match responsibility to realities.

E3G	United States	Section 3.3 Test the understanding of exclusions and promote transparent advice Recommendations 74-78: The final application paper should recommend additional data collection and analysis by supervisors to better understand how natural catastrophes contribute to protection gaps. Critically, this work cannot only rely on historical data, which will not provide accurate predictions going forward due to climate change. Instead, this work must be forward-looking and include input from climate scientists. Paragraph 75 states that “Insurers could test product disclosures, paying particular attention to exclusions, to ensure that customers are well aware of them and, therefore, are able to make well-informed decisions.” The final application paper should clarify that insurers must test product disclosures. Insurers know they could test product disclosures. The IAIS should make clear that insurers must actually test product disclosures. Moreover, IAIS should help to develop best practices in EMEs. Recommendations 83-87 We support recommendation 83 that states that “Supervisors should require that pricing is adequate, non-discriminatory and properly communicated to consumers.” However, supervisors are currently failing to properly implement this recommendation. Price increases are forcing U.S. homeowners to “go naked,” without coverage; this can only lead to increased stress on government safety nets and is unsustainable over time. It has also been observed that it is difficult to see how the industry can carefully price and manage climate risk in some areas of its business, while simultaneously having no apparent plan to phase out its underwriting of and investment in the projects and companies generating emissions that are causing these very harms.

Lloyd's Market Association	United Kingdom	In line to our answer to question 13, this is a standard conduct risk and therefore does not appear to be specific to NatCat.
The Sunrise Project, Financial Regulation and Policy Program	European Union	Paragraph 71 of the draft application paper correctly notes that “Discrepancies between advertising, marketing material and contractual documents may also limit clarity on coverage.” However, none of the recommendations in section 3.3 directly address this issue. The final application paper should confirm that supervisors should ensure the insurers eliminate discrepancies between (1) advertizing and marketing materials and (2) contractual documents. In addition, any discrepancies should be read to the benefit of the policyholder. Paragraph 75 states that “Insurers could test product disclosures, paying particular attention to exclusions, to ensure that customers are well aware of them and, therefore, are able to make well-informed decisions.” The final application paper should clarify that insurers must test product disclosures. Without testing, there is no way for insurers to know whether their customers actually understand the relevant terms and are making informed decisions.

Public Citizen	United States	While this section provides important guidance on improving advice to consumers, it should also note that there are limits to consumer education in adapting to increasingly complex requirements, particularly in jurisdictions where consumers need to acquire a growing number of policies for different perils. In the United States, where standard homeowners insurance has excluded flood damage for nearly a century, efforts to educate consumers on the need to obtain separate flood coverage have not been highly successful. Studies consistently show that many consumers do not realize they need separate flood coverage, particularly if they do not live in a flood-prone area, and there is a notable gap between take-up rates for standard homeowners insurance and flood insurance.
Comments on section 3.4 Affordability		
General Insurance Association of Japan	Japan	The provision of affordable insurance coverage (affordability) is important to closing protection gaps. However, when the frequency and severity of NatCat events are at high levels, premiums are to be set to appropriately reflect such conditions. It is also necessary to consider the facts that there are limits to risk measurements using actuarial models due to uncertainties associated with climate change, and that there is significant impact of the external environment, such as the reinsurance market. In addition, the AP should also refer to the limitations on what insurers can do alone, and the necessity of multi-stakeholder efforts. For example, if disaster prevention and mitigation efforts by national and local governments, as well as insurance companies can reduce damages, this could result in lower insurance premiums.

APCIA	USA	Comments on section 3.4 Affordability Fundamentally the recommendations of paper will result in less, not more, affordability as the additional supervisory costs mandated on insurers would significantly increase and would necessarily be passed on to consumers making coverage less affordable. Paragraphs 79-82. These paragraphs fail to support risk-based pricing, which is essential to solvency and a competitive market. Instead, they are a listing of activists' complaints without evidence to support their validity. Not even a mention is made that risk-based pricing actually supports availability and affordability of coverage for well managed risks as well as providing critical price signals for worse risks to improve, and thereby reduce the pool of losses for everyone. Paragraphs 82 and 86 highlight "differential pricing practices." The paper never defines this term, and it is unclear how it relates to the remainder of paragraph 82. In general, jurisdictions have somewhat different standards on risk classification and the pricing of insurance products, and the application paper should not be used to standardize the practices. Paragraph. 83. The paragraph should make clear that jurisdictions should only use standards that have been established by law. For example, in the U.S. the standard is "unfair discrimination", not "non-discriminatory". This is an important issue as pricing based on risk, which is essential for insurance, might be considered "discriminatory" by some. Paragraph 85. Even positive steps taken by insurers would be micromanaged under this recommendation, thereby discouraging the very activities that supervisors should be encouraging and supporting. Paragraphs 86 and 87. The paragraph states that: "Supervisors should monitor and require that there are no differential pricing practices, which are misleading and deceptive or unfair to consumers." Considering the vagueness and breadth of this language, this paragraph is an invitation for subjective and unlimited intervention into risk-based pricing which would undermine the cornerstone of a solvent and competitive insurance market. Intended to help consumers, this paragraph could in reality greatly harm them.

National Association of Insurance Commissioners (NAIC)	United States of America	• Para 81: last sentence, it is not clear what “public interventions” refers to; suggest: It is important that consumers are fairly treated in light of their vulnerable condition, which, in some cases, may require broader public policy solutions in order to ensure sufficient coverage is available.
FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	GFIA would like to highlight that the Paper should refer to the limitations on what insurers can do alone, and the necessity of multi-stakeholder efforts. Insurers must price to reflect the risk they see and to manage their risk appetite consistent with solvency requirements. Supervisors must prioritise solvency over the affordability of products. Paragraph 79: ■ This paragraph indicates that the expected increase in frequency and intensity of some weather events may lead to products becoming less affordable, disincentivising customers from purchasing insurance for NatCat events. While cost is always a disincentive, the reality of "disaster" provides an incentive to procure insurance, despite the cost (see COVID and life insurance). The paragraph lacks balance. Paragraphs 79-82: ■ These paragraphs fail to support risk-based pricing, which is essential to solvency and a competitive market. GFIA underlines that risk-based pricing actually supports availability and affordability of coverage for well managed risks, as well as providing critical price signals for worse risks to improve, and thereby reduce the pool of losses for everyone. Paragraph 80: ■ Regarding this paragraph, care needs to be taken around insurers increasing price because of identified increased risk or reduced reinsurance capacity and the behaviours referred to. According to GFIA, granular risk-based pricing reflecting risk should not be stopped. Paragraph 81: ■ The broader interventions referenced in this paragraph should be clearly articulated as some may be undesirable and inconsistent with a sustainable insurance market. Paragraphs 82 and 86: ■ They highlight "differential pricing practices." The Paper never defines this term, and it is unclear how it relates to the remainder of paragraph 82. Paragraph 83: ■ The paragraph should make clear that jurisdictions should only use standards that have been established by law. For example, in the U.S. the standard is "unfair discrimination", not "non-discriminatory". This is an important issue as pricing based on risk, which is essential for insurance, might be considered "discriminatory" by some.

		Paragraph 85: ■ GFIA supports risk mitigation measures for consumers outlined in this paragraph. ■ However, the very high requirements underlined by this recommendation could have negative impact and discourage the very activities that supervisors should be encouraging and supporting. Paragraphs 86 and 87: ■ The paragraph states that "Supervisors should monitor and require that there are no differential pricing practices, which are misleading and deceptive or unfair to consumers." Considering the lack of clarity and precision of the formulation used here, this paragraph could lead to supervision overreach, especially into risk-based pricing which is paramount for a competitive insurance market. Fundamentally the recommendations of the Paper will result in less, not more, affordability as the additional supervisory costs imposed on insurers would significantly increase and would necessarily be passed on to consumers. The provision of affordable insurance coverage (affordability) is important to closing protection gaps. However, when the frequency and severity of NatCat events are at high levels, premiums are appropriately set to cater for the conditions. It is also necessary to consider the facts that there are also limits to risk measurements using actuarial models due to uncertainties associated with climate change, and that there is significant impact of the external environment, such as the reinsurance market. In addition, the Paper should also refer to the limitations on what insurers can do alone, and the necessity of multi-stakeholder efforts. For example, if disaster prevention and mitigation efforts by national and local governments, as well as insurance companies can reduce damages, this could result in lower insurance premiums.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	Very good! No further comments.
Ceres	United States	Section 3.4 spotlights affordability challenges and mispricing risks intensifying climate vulnerability across already marginalized demographics. Appropriately balancing supervision obligations with commercial freedoms exhibits responsible regulatory craft and emphasizing non-discrimination aligns with principles valuing equitable access. Moreover, the advice on linking premium discounts to verified mitigation upgrades proactively fosters resilience. Testing to confirm market suitability and proportional costs also displays prudent product governance. However, explicitly addressing entrenched affordability barriers requiring structural solutions may further social justice aims. While necessary, calling for sufficient catastrophe models and warning labels has proven insufficient to bridge inequities laid bare in disaster aftermaths. Perhaps enhanced detail on supervised distress testing that models policy perseverance likelihood under acute household budget shock scenarios could better inform fiscal fitness policy evaluations. Creative compliance flexibility in acute events may also warrant exploration. Most crucially, the guidance could better spotlight that truly “fair” treatment requires acknowledging no one safety net catches all in the frame. Where marginalized communities remain endangered, truly equitable protection likely necessitates bolder collective intervention.

International Actuarial Association (IAA)	International	The IAA believes the term “non-discriminatory” needs to be explained further as the nature of underwriting means that some policyholders will inevitably pay higher premiums than others or may be declined cover. It also often the case that NatCat models are not developed solely by actuaries, so the need to reflect “actuarial models” might be better replaced with, say, "adequate technical models” Para 80 says “Such pricing techniques may lead to an unjustified increase in the price for NatCat and household insurance, resulting in consumers cancelling or not buying the policy. “ It seems that, unless this happens across a market, one company losing business is not a problem, rather the concern is for the consumers who renew on the unjustifiably increased premiums. Para 81 suggests public intervention may be required. The IAA believes that any public intervention should be transparent, and principle/rules-based (and not ad hoc).

E3G	United States	Recommendations 83-87 The recommendations are sound, but there is growing evidence of insufficient supervisory oversight as climate change has a disproportionate impact on low income and minority communities. These recommendations require a more robust response from supervisors. Finally, the discussion of discrimination highlights price elasticity and lack of propensity to shop around as inappropriate grounds for charging different premiums. To ensure sufficient understanding, the final application paper should also mention other forms of discrimination based on identity and socioeconomic status (race, national origin, ethnicity, gender, income level, etc.).

Lloyd's Market Association	United Kingdom	In line to our answer to question 13, many of these issues are standard conduct risks and therefore do not appear to be specific to NatCat. We, have concerns about some of the narrative proposed. In particular there are broad assertions of various unacceptable practices with no evidence as to where these have been seen in general insurance. This section seems to be at odds in some paragraphs with Section 3.5 Access. The interplay of affordability, access and risk is an aspect that moves into public policy more than conduct risk. Individual insurers will have their own approach to risk appetite, this will also be down to their own risk and solvency modelling. By their nature NatCat's are modelled to be significant and infrequent events. However, where likely frequency or severity is too high, there would be limited availability of open market insurance. Where customers are pooling risk, it is difficult for individual customers to understand the level of risk they have as chance plays a significant role. Active promotion of cover is expensive and increases acquisition costs in the distribution chain. Therefore, where markets are immature, central governments and local authorities have a significant role to play in promoting resilience through promoting mitigation through design, land use management supported by use of insurance as access to emergency capital. Experience from the UK flood defence schemes and "Build Back Better" initiatives shows that the costs of mitigation often significantly outweigh any immediate premium reductions, taking significant time to pay-back. However, they may facilitate access to insurance that would otherwise not be available at any price. Other aspects such as flood defences or appropriate forestry management are not within the gift of individual customers to implement as mitigating factors, these must be implemented at authority or state level.

The Sunrise Project, Financial Regulation and Policy Program	European Union	The discussion of discrimination highlights price elasticity and lack of propensity to shop around as inappropriate grounds for charging different premiums. To ensure the full scope of potential bases of discrimination are considered, the final application paper should also mention other forms of discrimination based on identity and socioeconomic status (race, national origin, ethnicity, gender, income level, etc.). Paragraph 87 states that "When it is within their remit, supervisors could assess whether all costs due are proportional to the service offered and the cost borne by the provider." When it is within their remit, supervisors should ensure that all costs due are proportional to the service offered and the cost borne by the provider. Supervisors should not ignore any issues within their remit, and it is critical that costs are proportional so as to minimize risks of discrimination.

The Geneva Association	International	- Re/insurers play an important role in building resilience, narrowing the protection gap, by providing risk insights and risk capacity on climate risk mitigation. Independently of sustainability topics, it is in re/insurers interest that insurance buyers are aware of the risk of natural catastrophe (NatCat) events and that coverage for such risks is available in an affordable fashion. In the same vein, it is of utmost importance to insurers to have freedom and flexibility to use risk-based pricing. Risk-based pricing provides important signals to markets, societies and policymakers. It is important that these signals are not distorted, e.g. by policymakers in order to provide adequate information to steer mitigation decisions, they would contribute to reducing protection gaps in the long-term. - Paragraph 79 suggests that the anticipated rise in the frequency and severity of certain weather events could result in products becoming less affordable, thus discouraging customers from acquiring insurance for NatCat events. Although higher costs can indeed serve as a deterrent, the very occurrence of a "disaster" acts as a compelling reason for individuals to purchase insurance coverage, regardless of expense (as observed with COVID-19 and the increased uptake of life insurance). At least the IAIS should be mindful not to label such price increases as conduct issues. - Paragraphs 82 and 86 draw attention to "differential pricing practices." Unfortunately, the paper does not define this term, leaving its connection to the rest of paragraph 82 ambiguous. Based on the context provided on page 26, it seems this concept is introduced by EIOPA. It's important to note that regulatory standards for risk classification and insurance product pricing vary across jurisdictions. Consequently, this application paper should not serve as a means to homogenize practices specific to any single jurisdiction.

Public Citizen	United States	Public Citizen agrees that the attention to pricing practices and possible discrimination, including the example on price elasticity, is important and believes the section would benefit from an additional example on discrimination against vulnerable policyholders, including discrimination based on income and race or ethnicity. In the United States, communities that are still suffering from the legacy of discrimination by banks and insurance companies are now disproportionately at risk from climate-related hazards that can affect insurance affordability and access. Supervisors need to monitor for both unfair discrimination and the impacts of climate change In order to monitor potential differential pricing practices, supervisors should regularly collect data at a sufficiently granular level to compare with both demographic data and data on climate-related physical risks. For supervisors with limited resources to evaluate discrimination, providing data publicly while protecting the confidentiality of individual policyholders would allow independent researchers and advocates to investigate trends to assist insurance supervisors. Collecting comprehensive data will also be increasingly essential as insurers rely on complex and typically proprietary computer models to assess the risks from various climate hazards. Forward-looking tools will also be important to evaluate impacts on vulnerable communities. The IAIS should recommend that supervisors require insurers to disclose the impacts of particular risk management strategies on access to insurance, particularly for vulnerable communities, in both their scenario analyses. The recommendation on monitoring mitigation discounts is an important note. In addition to premiums, this should also note that supervisors should ensure mitigation steps are taken into account in non-renewal and cancellation decisions as well.

Comments on section 3.5 Access

General Insurance Association of Japan	Japan	As it is important to improve consumer awareness and knowledge so that they can access appropriate insurance products, efforts of multiple stakeholders, including supervisors and insurers, are required. It is important from a consumer protection perspective for insurers to provide NatCat cover in response to consumer needs. On the other hand, consideration should be given to the fact that there are limits to the exposure that insurers can retain depending on their capital, solvency, and risk profile. Furthermore, conditions in the reinsurance market can also affect the coverage they can provide. While the second sentence of paragraph 91 states "Such reviews are regularly carried out without taking into account the different types of consumer needs and objectives", it is unlikely that such regular reviews are conducted generally in jurisdictions across the world. The sentence should be deleted, as it is misleading. In addition, while the first sentence states "insurers are often required to review their terms and conditions to avoid losses due to ambiguous contractual terms", this is also not a general practice in jurisdictions across the world. We suggest changing the phrases to "to avoid further losses due to unintended interpretation of contractual terms" and "insurers may review", etc. As for Paragraph 92, when supervisors develop and use tools to make it easy to compare insurance products offering NatCat protection, it is necessary to be cautious not to recommend products of specific companies. If an appropriate comparison is not ensured, such tools should not be developed. As for Paragraph 95, while insurers need to take market needs and other factors into account when developing and reviewing their products, they also need to consider the possibility that certain risks may no longer be insurable under particular circumstances.

APCIA	USA	Paragraph 88. The paragraph ignores the reality in some circumstance where coverage limitations are essential to providing at least some affordable and/or available coverage. Paragraphs 90-91. These paragraphs again seem to be forwarding critiques without evidence to support that they are so widespread that additional supervisory actions of the kind recommended are needed. Paragraph 92. This invites unprecedented supervisory intervention into the sales of insurance. Paragraphs 93-94. These paragraphs recommend that supervisors intrude into private markets to an unprecedented degree, based on vague and subjective supervisory standards. Supervisors would oversee whether insurers have assessed "which distribution channel may be most aligned to the target market's needs, objectives and characteristics." Paragraph 96. We strongly agree with the importance of cooperation for purposes of advancing resilience.
National Association of Insurance Commissioners (NAIC)	United States of America	• Para 88-90: We recommend removing the final two sentences of para. 88 and all of paragraphs 89 and 90 as they address adoption issues and not potential consumer access to NatCat coverage. o However, if the drafting group would prefer to retain that text, suggest the subheading be changed to: "3.5 Access, awareness, and understanding"
FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	As it is important to improve consumer awareness and knowledge so that consumers can access appropriate insurance products, multi-stakeholder efforts, involving supervisors and insurers, are required. From a consumer protection perspective, it is important for insurers to provide NatCat cover in response to consumer needs. On the other hand, consideration should be given to the fact that there are limits to the exposure that insurers can retain depending on their capital, solvency, and risk profile. Furthermore, conditions in the reinsurance market can also affect the coverage they can provide. Paragraph 88: ■ The paragraph does not take into account the reality that in some circumstances coverage limitations are essential to providing at least some affordable and/or available coverage. Paragraphs 90-91: ■ These paragraphs do not provide enough evidence that additional supervisory actions of the kind recommended are needed. Paragraphs 91: ■ While the second sentence of this paragraph states "Such reviews are regularly carried out without taking into account the different types of consumer needs and objectives", it is unlikely that such regular reviews are conducted generally in jurisdictions across the world. The sentence should be deleted, as it does not reflect the reality of supervision practices. ■ In addition, while the first sentence states "insurers are often required to review their terms and conditions to avoid losses due to ambiguous contractual terms", this is also not a general issue in jurisdictions across the world. We suggest changing the phrases to "to avoid further losses due to unintended interpretation of contractual terms" and "insurers may review", etc. Paragraph 92: ■ When supervisors develop and use tools to make it easy to compare insurance products offering NatCat protection, it is necessary to be cautious not to recommend products of specific companies. If an appropriate comparison is not ensured, such tools should not be developed. GFIA considers that development of such tools, in sales of insurance, can lead to intervention of supervisors out of their mandate. Paragraph 93: ■ GFIA warns that the simplification of products may not convey to the consumers their limitations, e.g.

		excesses, sub-limits, exclusions, etc. Paragraphs 93-94. ■ These paragraphs recommend that supervisors intrude into private markets to an excessive degree, based on unclear and subjective supervisory standards. Supervisors would oversee whether insurers have assessed "which distribution channel may be most aligned to the target market's needs, objectives and characteristics." Paragraph 95: ■ While insurers need to take market needs and other factors into account when developing and reviewing their products, they also need to consider the possibility that certain risks may no longer be insurable under circumstances. Paragraph 96: ■ GFIA strongly agrees with the importance of cooperation for purposes of advancing resilience.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	Very good! No further comments.

Ceres	United States	The guidance insightfully highlights how perceived hassle factors, beyond just affordability, are restricting insurance uptake and leaving consumers dangerously exposed. Tailoring requirements based on distribution strategies is a pragmatic customization. Centering simplification, whether via standardized terminologies or consolidated purchasing flows, responsibly targets frictions limiting broader resilience. Advising regular research polling diagnosed deterrents supplements such top-down observations with grounded consumer voices. Perhaps the sole critiques might concern clarifying supervisor discretion scope on certain measures based on market development mandates. As some supervisors' remits focus strictly on conduct oversight, clearly delineating between essential consumer protection foundations versus ambitious market development enhancements could help calibrate regulatory priorates and expectations. Additionally, while risk zoning visualizations have proven educational, pairing personalized projections of tangible harms with behavioral research on messaging impact may better prompt action. Often abstract risk representations fail to motivate beyond temporary worry. Overall, simplifying policies and streamlining purchases to ease access exhibits practical people-first protection. Uniform communication guidelines coupled with continuous empirical targeting of deterrents improves availability, and flexible implementation preserves scarce regulatory resources; the approach adopts an appropriately wide lens in diagnosing the accessibility gap.
International Actuarial Association (IAA)	International	Any initiatives to aid consumers in purchasing insurance should also consider relevant government initiatives and/or government-industry relationships in this area – for example government subsidies/initiatives which could make insurance cover more affordable.

Lloyd's Market Association	United Kingdom	Please see answer to question 17.
The Sunrise Project, Financial Regulation and Policy Program	European Union	Paragraph 92 states, “When it is within their remit, supervisors could develop or promote the development of independent comparison tools to assist consumers in comparing all available insurance products offering NatCat protection.” When within their remit, supervisors should develop or promote the development of such tools. Properly designed comparison tools can help consumers identify the best option for their coverage needs. Supervisors whose remit covers such issues need to take a proactive role in ensuring that consumers have the information they need. Similarly, paragraph 96 should be revised to read that supervisors “should liaise with insurers and other relevant authorities to develop accessible tools” for consumers. However, it is critical that supervisors fully evaluate all information provided by insurers and make certain that the tools are accurate and decision-useful. Liaising with insurers must not be confused with deferring to consumers. The approach the draft application papers uses in paragraph 94 (“When supervisors have a market development mandate, they should regularly conduct consumer research to determine the main issues causing under-insurance for NatCat events and make available datasets that can provide greater insight into the extent and causes of underinsurance.”) is appropriate and should be applied consistently.

Comments on section 3.6 Timely and fair claims handling		
General Insurance Association of Japan	Japan	"Build Back Better" after a natural disaster is an important initiative to develop a resilient society, and the use of insurance is an option to promote this initiative. This issue is not a matter for the private sector alone, and the involvement of the public sector, including funding arrangements, etc., should also be discussed. Given that claim payments after a widespread natural disaster are extremely important for insurers, utilization of the latest technologies, such as digitization to improve policyholder convenience in making claims, and the use of AI to speed up damage assessment, would be beneficial.
APCIA	USA	Paragraph 109. We agree that cooperation and flexibility between insurers and supervisors is critical in nat cat recovery.

National Association of Insurance Commissioners (NAIC)	United States of America	• Para 105: suggest being broader and for consistency: It is important that insurers manage consumer expectations during the claims handling periods following NatCat events. • Para 108: suggest clarifying: Supervisors should also consider comparing claims handling experiences of extreme NatCat events to a business-as-usual period. • Para 109: suggest clarifying: Supervisors should consider whether insurers need flexibility following a NatCat event to temporarily reduce meeting certain regulatory requirements, if appropriate. Suggestions on the Annex: If the suggestion on para 35 to move the Annex examples into the text itself is not followed, there are editorial changes need in the Annex: • Header: Annex: List of Jurisdictional Examples • First para: The examples listed in the annex are provided for illustration purposes only and may support supervisors interested in learning more about existing supervisory practices. As this is a rapidly evolving area, however, these are not meant to be a comprehensive and up-to-date list of all examples across the global supervisory community. • Subheadings: use “Example of” rather than “Example about” or “Example” with no preposition. Regardless of location, there are some typos or consistency issues to fix: • Page 22: the IAIS does not use the term “corporates” – suggest using “corporations”. • Page 24: European Union There are specific product oversight and governance requirements (POG) in place... • Page 24-27: introduce the acronym EIOPA the first time “European Insurance and Occupational Pensions Authority” is used to avoid spelling it out every time. • Page 25: Some states have also developed such tools, for example, the South Carolina Department of Insurance has created a webpage explaining the key elements of an insurance policy. • Page 25: it seems prior drafting was not deleted: In the European Union access to insurance products other than household (which often does not include NatCat coverage) and motor insurance remains low with less than 20% of consumers having such insurance products. • Page 26: CCIR has already been spelled out on page 24, can just use the acronym here.

FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	"Build Back Better" after a natural disaster is an important initiative to develop a resilient society, and the use of insurance is an option to promote this initiative. This issue is not a matter for the private sector alone, and the involvement of the public sector, including funding arrangements, etc. should also be discussed. Given that claim payments after a widespread natural disaster are extremely important for insurers, utilisation of the latest technologies, such as digitisation to improve policyholder convenience in making claims, and the use of AI to speed up damage assessment, would be beneficial. However, GFIA disagrees with paragraph 103 which refers to permanently increasing capacity and resources of insurers to deal with NatCat events. These events occur reasonably rarely, so it would be a waste of resources to scale up permanently waiting for the next one to occur. GFIA is of the view that having surge plans would be more relevant and cost effective. What this section fails to acknowledge, and as explained earlier, other factors can be the cause of delays beyond insurers control regardless of how much capacity is at hand. For instance, remote regions, infrastructure failure, e.g. roads and bridges wiped away and health and safety hazards preventing entry to areas can all impact the pace of recovery. Additionally local authorities may deny insurers' access to vital information that could support the pace of claims settlement or the prioritisation of people and property. Reference to a "timely" manner suggests there is a timeframe that should be met, but each NatCat is so different in terms of the issues it gives rise to. Paragraph 109: ■ GFIA agrees that cooperation and flexibility between insurers and supervisors is critical in NatCat recovery.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	Very good! No further comments.
Ceres	United States	This section ably highlights the oft-overlooked claims process breakdown risks materializing in natural disaster aftermaths. Recommending structural capacity planning targets core resiliency weaknesses and stress testing to expose fair treatment vulnerabilities is prudent. Centering digital access and centralized inquiry contact points directly tackles policyholder hardships amplifying distress during turbulent periods. Similarly, advising transparent expectation setting, regular status updates, and benchmarking comparisons all provide actionable accountability upgrades. An opportunity for refinement concerns prompting industry scenario analyses quantifying sufficient staffing, systems, and supplies given projections. While high-level principles guide sound climate-proofing aims, detailed logistical forecasts better inform concrete preparedness planning. Likewise, explicit events response protocol detailing alternative compliance channels if overwhelmed enterprises require regulatory relief may smooth coordination. Though supervision flexibility shows needed nuance, ambiguity risks delays when urgency reigns. The focus on claims handling optimizations complements previous advice elevating crisis readiness and preventing unfairness when resources strain. Mandating insurer transparency on process proficiencies and performance upgrades shields those most exposed. When catastrophe strikes, protection comes from prevention and the push to do right.

E3G	United States	Section 3.6 Timely and fair claims handling Timely and fair claims handling is critical to for testing policy holders fairly, and also promoting financial system resiliency and stability in the face of climate change. Again, the recommendations contained in this section are laudable, but current compliance is failing in certain insurance markets, with the growing potential for financial stability implications. Recommendation 110 should be modified to reflect better what a “timely manner” is and encourage supervisors to encourage insurers to communicate a specific deadline. In addition, supervisors must monitor reductions in coverage, which raises significant risks for policyholders and financial stability. Insurance supervisors should use all tools at their disposal and work with other authorities to ensure other options are available when an insurer drops certain types of coverage or significantly raises costs.

Lloyd's Market Association	United Kingdom	Whilst a surge plan is appropriate some delays due to extreme weather events are likely to be unavoidable in the event of wide area damage. For example: 1. It may not be possible to access properties for some time after an extreme event. Flood waters may take time to recede and other infrastructure such as roads or utilities may be impacted preventing safe access for remediation works. 2. Materials may be unavailable in the market to effect rapid repairs, or sufficient tradespeople or technicians may be unavailable within the area if there is wide area damage. Recent global events and political volatility have been the significant driver of claims delays during the last few years. 3. Depending on materials used in construction properties may take time to dry before remedial works can be started. 4. Insufficient number of trained loss adjusters The recommendations such as “build back better” or having increased surge capacity, premium grace periods or guaranteed cover post claim, could have significant overall cost implications; these therefore have a material interaction with the affordability and access considerations. This therefore needs to be proportionately applied by supervisors.

The Sunrise Project, Financial Regulation and Policy Program	European Union	Paragraph 108 states, “Supervisors should also consider comparing claims handling of extreme NatCat events to that during a business-as-usual period. Supervisors can then determine whether they should advise insurers of any further changes required to their claims handling operations.” The final application paper should establish such comparisons as a clear expectation for supervisors, not just something they should “consider” doing. Failure to actually compare claims handling will prevent supervisors from identifying any changes that insurers would be required to make to the claims handling operations. Paragraph 109 states, “Supervisors should consider whether they need to engage flexibly with insurers following a NatCat event to temporarily reduce, if appropriate, the regulatory requirements to insurers.” Any reductions in regulatory requirements must not leave consumers worse off. In addition, supervisors must also consider macroprudential risks of reducing regulatory requirements. Both of these factors should be included in the final application paper. Paragraph 110 states, “If, following NatCat events, insurers decide to reduce or no longer offer coverage for certain risks, they should communicate this in a timely manner, allowing consumers to identify other options or adjust their coverage.” The final application paper should clarify what a “timely manner” is and communicate a specific deadline that provides adequate notice to consumers. In addition, supervisors must monitor reductions in coverage, which raises significant risks for policyholders and financial stability. Supervisors should use all tools at their disposal and work with other authorities to ensure other options are available when an insurer drops certain types of coverage or significantly raises costs. Paragraph 111 states, “Finally, to ensure the fair treatment of consumers when NatCat events occur, supervisors may consider monitoring whether insurers are taking actions to ensure the fair treatment of consumers.” This language is inadequate. Supervisors must ensure that insurers are treating customers fairly. This requires monitoring, and the final application paper cannot treat this as optional.

Does the draft application paper provide sufficient detail to be a useful tool for supervisors and insurers?		
General Insurance Association of Japan	Japan	We understand that this AP focuses on market conduct issues and thus emphasizes meeting consumer demand. On the other hand, on the premise of compliance with market conduct, insurers also need to conduct appropriate product design (including the setting of exclusions, etc.), pricing, risk management, and capital and solvency management. Consideration in terms of such responses made within the existing prudential framework should also be mentioned in the AP. In addition, protection gaps are a major issue that needs to be resolved by multiple stakeholders in the public and private sectors, and cannot be solved only through the conduct of insurers and insurance intermediaries. This point should also be mentioned in this AP. While this AP focuses on market conduct related to climate change, it is our understanding that each jurisdiction already has regulations in place to protect consumers and appropriate supervision based on these regulations. Therefore, a new supervisory and regulatory framework is not needed for climate risk market conduct, which is essentially within the scope of existing regulations and supervision for consumer protection.
National Association of Insurance Commissioners (NAIC)	United States of America	• The Draft Application Paper provides a comprehensive framework addressing climate risk and market conduct issues in the insurance sector. It is sufficiently detailed to be a useful tool for supervisors and insurers. However, for optimal usefulness, it could benefit from more concrete examples throughout the text as opposed to an Annex and clearer definitions. This would enhance its practicality for both supervisors and insurers in navigating these complex issues.

CRO Forum	Global	Overall the paper appears to be relative generic, leaving a lot of leeway of the local supervision to develop their own requirements.
FSCA	South Africa	No additional comments

Global Federation of Insurance Associations (GFIA)	Global	While this Paper focuses on market conduct related to climate change, it is GFIA's understanding that each jurisdiction already has regulations in place to protect consumers and appropriate supervision based on these regulations. Therefore, a new supervisory and regulatory framework is not needed for climate risk market conduct, which is essentially within the scope of existing regulations and supervision for consumer protection. In this regard, ICP 19.0.3 specifically provides that "Conduct of business, including business practices, is closely linked with jurisdictions' tradition, culture, legal regime and the degree of development of the insurance sector. For this reason, supervisory approaches to the conduct of business also tend to vary. Such diversity should be taken into consideration in implementing this ICP, and related standards and guidance material, in order to achieve the outcome of fair treatment of customers. The fair treatment of customers encompasses concepts such as ethical behaviour, acting in good faith and the prohibition of abusive practices". GFIA understands that this AP focuses on market conduct issues and thus emphasises meeting consumer demand. On the other hand, on the premise of compliance with market conduct, insurers also need to conduct appropriate product design (including the setting of exclusions, etc.), pricing, risk management, and capital and solvency management. Consideration in terms of such responses made within the existing prudential framework should also be mentioned in the AP. Protection gaps are a major issue that needs to be resolved by multiple stakeholders in the public and private sectors and cannot be solved only through the conduct of insurers and insurance intermediaries. This point should also be mentioned in this Paper. Supervisory activities to address protection gaps : 1. Assessing insurance protection gaps 2. Improving financial literacy and risk awareness 3. Incentivising risk prevention and reduction of insured losses 4. Creating an enabling regulatory and supervisory environment to support availability of insurance and uptake of coverage 5. Advising government and industry on financial inclusion and societal resilience, including on the design and implementation of public-private partnerships or insurance schemes As written, the Paper will impose new and unproductive burdens on insurers and supervisors and thereby conflict with its goal of supporting greater affordability and access to insurance.

Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	We believe further detail is needed, specially regarding climate/sustainability integration into investment decisions, as proposed on the first section (Introduction). We also think that recommendations on the integration of climate/sustainability factors in the compensation schemes of superior management of insurers would be useful

Ceres	United States	Ceres believes this draft application paper does provide sufficient detail overall to serve as a useful tool for both supervisors and insurers for the following reasons: 1) It covers the key emerging climate-related conduct risks around greenwashing and natural catastrophes with clear explanations and practical examples. This establishes a strong, relevant foundation; 2) The guidance is firmly grounded in the applicable ICPs (19 and 21) linking the advice to existing core insurance supervision principles, which assists adoption; 3) Both the principles-based guidance and real market examples provide helpful specificity for practitioners to apply the tools and oversight approaches suggested; 4) Proportionality and flexibility considerations are woven throughout, accounting for varied regulatory mandates and divergence in market maturity, expanding utility across jurisdiction; 5) The areas highlighted- clear communication, fair treatment of vulnerable consumers, improved crisis readiness- transfer widely beyond just climate risks to bolster policyholder protections more broadly; 6) Requesting industry input and giving clear timelines demonstrates responsiveness and gives stakeholders visibility to refine guidance, aiding buy-in; and 7) The scope is reasonably targeted at key conduct risks that pose widespread consumer protection concerns as climate change accelerates, preventing dilution. In summary, with practical advice grounded in longstanding supervision principles, flexibility for calibration, and targeting major looming policyholder peril points, this paper achieves an effective balance of specificity and versatility to equip regulators and industry in shoring up resilience.

The Sunrise Project, Financial Regulation and Policy Program	European Union	n/a
Is there any additional work the IAIS should be undertaking in the area of climate risk market conduct issues in the insurance sector?		
General Insurance Association of Japan	Japan	We believe that "strengthening cooperation with industries (and/or their supervisors) other than the insurance industry" is also worth considering. If soaring repair costs increase insurance claim payments, which is one of the factors that lead to protection gaps, higher insurance premiums, etc., it is not enough to take measures within the insurance industry. It is necessary to consider measures to reduce insurance claims in conjunction with supervisors in other industries.

Principles for Responsible Investment (PRI)	United Kingdom	The PRI recommends IAIS support insurer supervisors to work towards international coherence of investor sustainability reporting frameworks and terminology. The PRI recently conducted a review of ESG reporting requirements facing our signatories, across nine key jurisdictions. Findings are captured in our report: Review of trends in ESG reporting requirements for investors. We found that many jurisdictions had adopted approaches to tackling greenwashing, albeit differently across what we refer to as “medium- and high-regulation jurisdictions”. There is a need for improved regulatory coherence globally to reduce the scope of greenwashing. For instance, product-level disclosure requirements tend to vary across jurisdictions on different types of “sustainable products”, meaning investors cannot effectively compare these. There is also a need to harmonise sustainable taxonomies across jurisdictions, including the terminologies, thresholds, and sector classifications upon which these are built. The PRI recommends that the IAIS clarify guidance as to how the application of anti-greenwashing rules could be monitored as well as the next steps taken where a breach occurs. A further area of divergence across regulators is the monitoring and enforcement approaches, with some adopting stronger sanctions such as specific infringement notices (Australian Securities and Investments Commission (ASIC) Australia), financial penalties (US Securities and Exchange Commission (SEC)), or orders for business improvements (Financial Services Authority (FSA) Japan). The application paper has not indicated basic elements for monitoring the application of anti-greenwashing measures or which steps may be taken in the case of a breach. This could reduce the overarching transparency and accountability mechanism of an anti-greenwashing mechanism and destabilise the flow of high-quality decision-useful data across the investment chain. Without a clear monitoring and review process in place, there is a risk that the principles-based recommendation could fail to adequately prevent greenwashing and lose its credibility. The Australian Competition & Consumer Commission (ACCC) has similarly adopted a principles-based approach but has complemented it by setting out factors that are considered when determining whether to take enforcement action once a breach is identified.

APCIA	USA	For these reasons, we ask that the IAIS put this paper on hold and engage in a more fruitful discussion of the issues. As written, the paper will impose new and unproductive burdens on insurers and supervisors and thereby conflict with its goal of supporting greater affordability and access to insurance.
National Association of Insurance Commissioners (NAIC)	United States of America	• The IAIS could consider expanding capacity building and resources to supervisors, especially concerning implementation of the greenwashing recommendations related building a framework to help supervisors assess the design, delivery, and performance monitoring of a product with sustainable features. This can be an expansion of recommendations 33 and 34.
FSCA	South Africa	No additional comments
Global Federation of Insurance Associations (GFIA)	Global	GFIA believes that "strengthening cooperation with supervisors in industries other than the insurance industry" is also worth considering. If soaring repair costs increase insurance claim payments, which is one of the factors that lead to protection gaps, higher insurance premiums, etc., it is not enough to take measures within the insurance industry. It is necessary to consider measures to reduce insurance claims in conjunction with supervisors in other industries.
Associação Soluções Inclusivas Sustentáveis (SIS)	Brazil	Research on innovative insurance products that provide climate resilience. Research on the correlation between climate/sustainability performance (considering industry specific KPIs) and financial performance in the short, middle and long-term would be very useful to guide insurers investments.

Ceres	United States	Our suggestions for additional work the IAIS could undertake specific to climate risk market conduct issues include: 1) Issuing more detailed guidance or case studies on stress testing for climate risk impacts across product development, pricing, claims reserves, and so forth to hasten and enhance industry practices; 2) Expand guidance or tools to help insurers analyze fair treatment impacts across both insured and uninsured consumers from climate risk- a 360 view captures wider social vulnerabilities; 3) Provide forums for policyholder voices to directly engage with supervisors and insurers on where they feel most exposed or underserved by existing protections as centering these perspectives is crucial; and 4) Coordinate with securities regulators to align sustainability standards, reporting methodologies, and conduct expectations across investment funds and other capital markets activity to limit arbitrage. Smooth cross-border consistency will aid industry coherence on managing these cross-cutting, transnational risks. Our final recommendation is for the IAIS to incorporate net zero transition plans in the draft application paper guidance. To prevent greenwashing and enable transparency, insurers should consistently report and assure progress against net zero transition plans and targets annually, outlining scope, methodology, and verification. Standardized and mandated climate risk, resilience, and transition disclosures are imperative for consistent, robust, and reliable data. Methodological rigor, science-based, and transparency on target boundary setting and baselining are equally vital to combat allegations of regulatory arbitrage. Ambiguity and lack of standardization in transition plans risks hampering accountability, comparability, and clarity for policyholders. Urgent work remains reconciling fragmented reporting systems, and supervisors must reinforce expectations of substantive emission reduction commitment transparency and accountability today while collaborating toward cross-system disclosure system consolidation.

The Sunrise Project, Financial Regulation and Policy Program	European Union	n/a
Public Citizen	United States	In addition to data collection, another concept from the recent IAIS protection gap report is relevant to this application paper on market conduct: the need to understand catastrophe modeling. As insurers increasingly rely on proprietary catastrophe models as forward-looking tools to evaluate climate-related risks, there is a concern that insurers and supervisors could become overconfident in modeling that is still developing. At a time when low-income communities and communities of color are disproportionately at risk from climate disasters, the use of models whose biases cannot be scrutinized publicly is particularly concerning. In the United States, the White House recently proposed the development of a National Catastrophic Modeling platform that would address these concerns around transparency. The IAIS should make more detailed recommendations on ways supervisors can evaluate these models to protect consumers and/or assist with the development of public models.

Center for Economic Justice	USA	[DISCUSSION DRAFT] 118TH CONGRESS 1ST SESSION H. R. ll To require the Secretary of the Treasury to establish a catastrophic property loss reinsurance program, and for other purposes. IN THE HOUSE OF REPRESENTATIVES Mr. SCHIFF introduced the following bill; which was referred to the Committee on llllllllllllll A BILL To require the Secretary of the Treasury to establish a catastrophic property loss reinsurance program, and for other purposes. 1 Be it enacted by the Senate and House of Representa- 2 tives of the United States of America in Congress assembled, 3 SECTION 1. SHORT TITLE. 4 This Act may be cited as the ‘‘Incorporating National 5 Support for Unprecedented Risks and Emergencies Act’’ 6 or the ‘‘INSURE Act’’. 1 SEC. 2. CATASTROPHIC PROPERTY LOSS REINSURANCE 2 PROGRAM. 3 (a) IN GENERAL.—The Secretary of the Treasury 4 shall, not later than 4 years after the date of the enact- 5 ment of this section, establish a catastrophic property loss 6 reinsurance program (in this Act referred to as the ‘‘Pro-

		7 gram'') to provide reinsurance for qualifying primary in- 8 surance companies. 9 (b) ELIGIBILITY.—An insurer is qualified to partici- 10 pate in the Program established by the Secretary under 11 this section if such insurer— 12 (1) offers an all-perils property insurance policy 13 for— 14 (A) residential property insurance policies; 15 or 16 (B) commercial property insurance policies; 17 and 18 (2) offers a loss prevention partnership with the 19 policyholder to encourage investments and activities 20 that reduce insured and economic losses from a ca- 21 tastrophe peril. 22 (c) CONSULTATION.—The Secretary may contract 23 with reinsurance brokers and consultants to assist the 24 Secretary in the design and management of the Program. 25 (d) PROGRAM PHASE-IN TIMELINE.—The Secretary 26 shall— 1 (1) not later than January 1 of the year begin- 2 ning 4 years after the date of the enactment of this 3 section, operate the Program for the peril of flood; 4 (2) not later than January 1 of the year begin- 5 ning 5 years after the date of the enactment of this 6 section, operate the Program for the perils of wind 7 and hurricane; 8 (3) not later than January 1 of the year begin- 9 ning 6 years after the date of the enactment of this 10 section, operate the Program for the perils of severe 11 convective storm and wildfire; and 12 (4) not later than the earlier of January 1 of 13 the year beginning 8 years after the date of the en-

		14 actment of this section or the date on which the fea- 15 sibility report described in paragraph (2) of section 16 4 is submitted, operate the Program for the peril of 17 earthquake. 18 (e) NATIONAL FLOOD INSURANCE PROGRAM DIS- 19 CONTINUATION.—On the date that the Secretary begins 20 operating the Program with respect to the peril of flood, 21 the Administrator of the Federal Emergency Management 22 Agency shall— 23 (1) discontinue the issuance and renewal of 24 policies under the national flood insurance program; 25 and 1 (2) continue to operate the national flood insur- 2 ance program until— 3 (A) policies under such program issued 4 prior to the discontinuation date under para- 5 graph (1) have expired; and 6 (B) all claims on policies under such pro- 7 gram issued prior to the discontinuation date 8 have been closed. 9 (f) THRESHOLD FOR PAYMENT.— 10 (1) IN GENERAL.—The Secretary shall, after 11 consulting with the advisory committee established 12 under subsection (i), establish a financial threshold 13 at which a participating insurer may receive 14 amounts from the fund established under subsection 15 (j). 16 (2) THRESHOLD CALCULATION.—The threshold 17 established under paragraph (1) shall be an amount 18 not greater than 40 percent of the probable max- 19 imum loss of an individual participating insurer for 20 each catastrophe peril included in the Program. 21 (3) CONSIDERATIONS.—In establishing the

		22 threshold described in paragraph (1), the Secretary 23 shall consider— 1 (A) the amount of reinsurance necessary to 2 meaningfully reduce the cost to the partici- 3 pating insurer to— 4 (i) provide coverage for catastrophe 5 perils covered by the Program; and 6 (ii) encourage States to require par- 7 ticipating insurers to offer an all-perils 8 property insurance policy; 9 (B) the levels of primary insurer retention 10 and private reinsurance market capacity nec- 11 essary to— 12 (i) promote stable and competitive 13 markets for catastrophe reinsurance; and 14 (ii) incentivize the establishment by 15 private parties of capital market alter- 16 natives to reinsurance, for example the cre- 17 ation of a market for catastrophe bonds; 18 and 19 (C) the role of the Program in promoting 20 investments by participating insurers that 21 would be aimed at decreasing losses. 22 (g) PREMIUMS.— 23 (1) IN GENERAL.—The Secretary shall require 24 participating insurers to pay a premium to the Sec- 25 retary each quarter. 1 (2) PREMIUM AMOUNT CONSIDERATIONS.—The 2 amount of the premium required under paragraph 3 (1) shall reflect only the following considerations: 4 (A) The expected average annual losses for 5 the participating insurer, as calculated by the

		6 Secretary based on the exposure of such partici- 7 pating insurer. 8 (B) The administrative costs to administer 9 and manage the Program. 10 (3) CONSULTATION.—The Secretary shall con- 11 sult with the advisory committee established under 12 subsection (i) when establishing premium amounts 13 and may contract for services to assist in the estab- 14 lishment of premium amounts. 15 (4) MINIMUM PREMIUM REQUIRED.—The Sec- 16 retary may not establish any premium that is less 17 than 50 percent of the amount equal to the sum of 18 the— 19 (A) expected average annual losses for the 20 participating insurer, as calculated by the Sec- 21 retary based on the exposure of such partici- 22 pating insurer; and 23 (B) administrative costs to administer and 24 manage the Program. 1 (5) PREMIUM ADJUSTMENTS.—The Secretary 2 shall adjust premiums each quarter for each partici- 3 pating insurer to reflect material changes in the ex- 4 posure of such insurer. 5 (6) PREMIUM INCREASES.—Excluding any ad- 6 justment made under paragraph (5), the Secretary 7 may increase premiums for a participating insurer 8 not more than 7 percent annually. 9 (h) LOSS PREVENTION PARTNERSHIPS.— 10 (1) IN GENERAL.—The Secretary, in coordina- 11 tion with the advisory committee established under 12 subsection (i), State insurance agencies, and State 13 and Federal emergency management agencies, shall 14 develop a list of activities that qualify as loss preven-

		15 tion partnerships for purposes of this section. The 16 list may include the following activities: 17 (A) Participating insurers providing 18 amounts to insured parties to cover the cost, in 19 whole or in part, of activities aimed at reducing 20 losses to the insured party. 21 (B) Participating insurers making coverage 22 contingent upon the implementation of an activ- 23 ity designed to reduce the losses of the partici- 24 pating insurer loss prevention action by a po- 25 tential insured party. 1 (2) ACTIVITIES EXCLUDED FROM LOSS PRE- 2 VENTION PARTNERSHIPS.—The Secretary, State in- 3 surance agencies, and State and Federal emergency 4 management may not include the following activities 5 as loss prevention partnerships for purposes of this 6 section: 7 (A) The provision of an insurance pre- 8 mium discount for an investment by an insured 9 party or potential insured party in an activity 10 designed to reduce the losses of the partici- 11 pating insurer, absent an investment by the 12 participating insurer. 13 (B) The provision of general information 14 about loss prevention. 15 (i) ADVISORY COMMITTEE.— 16 (1) IN GENERAL.—The Secretary shall establish 17 an advisory committee to advise the Secretary with 18 respect to the Program. 19 (2) MEMBERSHIP.—The committee established 20 in paragraph (1) shall include the following mem- 21 bers: 22 (A) 5 members representing consumer or-

		23 ganizations engaged in fair housing, insurance, 24 environmental, climate, and technology advo- 25 cacy. 1 (B) 3 members selected from individual 2 primary insurance companies selling property 3 insurance policies, including one large national 4 insurer, one medium sized regional insurer, and 5 one small insurer. 6 (C) 1 global reinsurer active in United 7 States property insurance markets. 8 (D) 1 domestic-focused reinsurer active in 9 United States property insurance markets. 10 (E) 2 insurance regulators from a State, 11 Territory, or the District of Colombia. 12 (F) 2 State legislators who serve on State 13 legislative committees with oversight over insur- 14 ance matters and who are not employed directly 15 or indirectly by any person or organization en- 16 gaged in the business of insurance. 17 (G) 2 members selected from independent 18 insurance agents who serve traditionally under- 19 served areas. 20 (H) 1 representative from a mortgage 21 lender. 22 (I) 1 representative from a bank. 23 (J) 1 representative from each of the fol- 24 lowing agencies: 1 (i) The Department of Housing and 2 Urban Development. 3 (ii) The Department of Health and 4 Human Services. 5 (iii) The Federal Housing Finance	

		6 Agency. 7 (iv) The Department of Veterans Af- 8 fairs. 9 (v) The Department of Agriculture. 10 (vi) The Federal Emergency Manage- 11 ment Agency. 12 (vii) The Office of Management and 13 Budget. 14 (viii) The Environmental Protection 15 Agency. 16 (K) 1 representative from the Financial 17 Stability Oversight Council. 18 (j) FEDERAL CATASTROPHE REINSURANCE FUND.— 19 (1) IN GENERAL.—The Secretary shall establish 20 the Federal Catastrophe Reinsurance Fund (in this 21 section referred to as the ‘‘Fund’’) to hold and in- 22 vest premiums paid by participating insurers. 23 (2) ISSUANCE OF NOTES AND BONDS.— 24 (A) IN GENERAL.—If amounts in the Fund 25 are insufficient to pay obligations to partici- 1 pating insurers, the Secretary shall issue notes 2 and bonds under this paragraph, the proceeds 3 of which shall be used for payment obligations 4 to participating insurers. 5 (B) TERMS.—Notes and bonds issued 6 under this paragraph shall be in such form and 7 denominations, and shall be subject to such 8 terms and conditions of issue, conversion, re- 9 demption, maturation, and payment as the Sec- 10 retary may prescribe and shall be fully and un- 11 conditionally guaranteed both as to interest and 12 principal by the United States, and such guar- 13 anty shall be expressed on the face of each

		14 bond. 15 (C) INTEREST.—Notes and bonds issued 16 under this paragraph shall bear interest at a 17 rate not less than the current average yield on 18 outstanding market obligations of the United 19 States of comparable maturity during the 20 month preceding the issuance of the obligation 21 as determined by the Secretary. 22 (D) TREATMENT.—All notes and bonds 23 issued under this paragraph, and the interest 24 on credits with respect to such obligations, shall 1 not be subject to taxation by any State, county, 2 municipality, or local taxing authority. 3 (E) SATISFACTION.—The Secretary shall 4 utilize investment revenue from the Fund to 5 satisfy any notes or bonds issued under this 6 paragraph. 7 (k) DATA COLLECTION.— 8 (1) IN GENERAL.—The Secretary shall— 9 (A) establish a statistical plan for quar- 10 terly reporting by participating insurers of pol- 11 icy-level claim transaction data; 12 (B) consult with the advisory committee 13 established under subsection (i) and the Na- 14 tional Association of Insurance Commissioners 15 with respect to— 16 (i) the contents of the statistical plan; 17 and 18 (ii) the method of data collection; 19 (C) collect quarterly reports from each par- 20 ticipating insurer that include— 21 (i) a description of all exposures cov- 22 ered by the Program at the time of the

		23 submission of the report; and 24 (ii) a list of the type and amount of 25 all claims made in the previous quarter; 1 (D) in a manner that does not risk public 2 disclosure of personally identifiable information 3 of policyholders, provide the quarterly reports 4 received under subparagraph (C) to— 5 (i) the Director of the Office of Fi- 6 nancial Research to assess risk to— 7 (I) the financial stability of the 8 United States; and 9 (II) international financial sys- 10 tems arising from United States prop- 11 erty insurance markets, including lack 12 of available property insurance or in- 13 adequate coverage from property in- 14 surance; 15 (ii) the Director of the Federal Insur- 16 ance Office to assess the risks to the finan- 17 cial stability arising from under-insurance 18 of property insurance policies covering ca- 19 tastrophe perils, including in traditionally 20 underserved insurance markets; 21 (iii) the head of the department of in- 22 surance in each State; and 23 (iv) any other Federal, State, or local 24 government entity that, as determined by 25 the Secretary, is related to— 1 (I) catastrophe loss prevention, 2 mitigation, or recovery; or 3 (II) the promotion of competitive 4 property insurance markets; and

		5 (E) make the data collected under this 6 paragraph available online in a manner that 7 does not risk public disclosure of personally 8 identifiable information of policyholders. 9 (2) CONTRACTING WITH A STATISTICAL 10 AGENT.— 11 (A) IN GENERAL.—The Secretary shall 12 contract with a statistical agent via a competi- 13 tive bidding process to collect and review the 14 data under this subsection for accuracy and 15 completeness. 16 (B) OFFICE OF FINANCIAL RESEARCH AS 17 THE STATISTICAL AGENT.—If the Secretary is 18 unable to identify a qualified statistical agent 19 for collection of data under this subsection, the 20 Director of the Office of Financial Research 21 shall establish a data collection infrastructure 22 for collection of such data. 1 SEC. 3. GRANT PROGRAM TO PROMOTE LOSS PREVENTION 2 INVESTMENTS. 3 (a) IN GENERAL.—The Secretary shall establish a 4 grant program to provide grants to States to— 5 (1) incentivize participating insurers, policy- 6 holders, and State and local governments to provide 7 funding for investments in activities aimed at reduc- 8 ing losses to insurance providers; and 9 (2) encourage States to mandate that insurers 10 offer an all-perils property insurance policy. 11 (b) AMOUNT OF GRANTS.—When providing amounts 12 to States under the grant program established under sub- 13 section (a), the Secretary shall— 14 (1) solicit proposals from States describing the 15 ways in which States will use any amounts provided

		16 to improve the availability and affordability of all- 17 perils property insurance policies through invest- 18 ments in loss mitigation and risk management; 19 (2) prioritize grants that yield the greatest re- 20 turn on investment for loss prevention and risk miti- 21 gation which benefit or target low and moderate in- 22 come consumers and small businesses; and 23 (3) prioritize the awarding of grants to States 24 with the strongest building codes and which require 25 property insurance policies that provide coverage for 26 the catastrophe perils covered by the Program with- 1 out excessively large deductibles as determined by 2 the Secretary. 3 (c) LOW AND MODERATE INCOME CONSUMERS DE- 4 FINED.—In this section, the term ‘‘low and moderate in- 5 come consumers’’ means a consumer with an income of 6 less than 120 percent of the median household income for 7 the community. 8 (d) AUTHORIZATION OF APPROPRIATIONS.—There is 9 authorized to be appropriated to the Secretary to carry 10 out this section— 11 (1) $50,000,000,000 in 2026; 12 (2) $55,000,000,000 in 2027; 13 (3) $60,000,000,000 in 2028; 14 (4) $65,000,000,000 in 2029; and 15 (5) $70,000,000,000 in 2030. 16 SEC. 4. REPORTS ON RELOCATION FUND AND EARTH- 17 QUAKE COVERAGE. 18 The Secretary shall not later than— 19 (1) 2 years after the date of the enactment of 20 this Act, submit to Congress a report on the feasi- 21 bility of establishing a fund to relocate homes and 22 businesses that have become uninsurable due to ca-

		23 tastrophe perils; and 24 (2) 3 years after the date of the enactment of 25 this Act, submit to Congress a report on the feasi- 1 bility of including earthquakes as a peril covered 2 under the all-perils property insurance policy. 3 SEC. 5. ASSISTANCE FOR LOW-INCOME CONSUMERS. 4 (a) IN GENERAL.—The Secretary shall, as amounts 5 appropriated under this section allow, establish a grant 6 program for States to provide financial assistance to low- 7 income consumers for whom residential property insur- 8 ance— 9 (1) is required; and 10 (2) represents a significant portion of the 11 household income of such consumers. 12 (b) APPLICATION.—In applying for a grant under 13 this section, a State shall demonstrate how the State will 14 use grant amounts in the order of priority under sub- 15 section (c). 16 (c) ORDER OF PRIORITY FOR GRANT AMOUNTS.—A 17 State receiving grant amounts under this section shall 18 prioritize the use of such amounts in the following man- 19 ner: 20 (1) The use of grant amounts for risk reduction 21 as the means to reduce the primary insurance pre- 22 mium for the consumer. 23 (2) The use of grant amounts to relocate the 24 homeowner from an uninsurable property. 1 (3) The use of grant amounts as cash assist- 2 ance to pay a portion of the insurance premium. 3 (d) CONSULTATION.—When establishing the grant 4 program under subsection (a), the Secretary shall consult 5 with the—

		6 (1) Secretary of Housing and Urban Develop- 7 ment; 8 (2) Director of the Federal Housing Finance 9 Agency; 10 (3) Secretary of Veterans Affairs; 11 (4) Assistant Secretary for Housing and Fed- 12 eral Housing Commissioner for the Federal Housing 13 Administration; and 14 (5) Secretary of Agriculture. 15 (e) REPORT.—The Secretary shall, not later than 2 16 years after the date of the enactment of this section and 17 each year thereafter, publish a report that analyzes which 18 risk reduction investments under subsection (c)(1) are 19 most cost-effective, broken down by State and by type of 20 catastrophe peril. 21 (f) AUTHORIZATION OF APPROPRIATIONS.—There is 22 authorized to be appropriated to the Secretary 23 $50,000,000,000 annually to carry out this section. 1 SEC. 6. LONG-TERM POLICY PILOT PROGRAM. 2 (a) IN GENERAL.—The Secretary shall, in consulta- 3 tion with States and the National Association of Insurance 4 Commissioners, establish a pilot program for all-perils 5 property insurance policies with a policy term of at least 6 5 years (in this section referred to as a ‘‘multi-year pol- 7 icy’’). 8 (b) PREMIUM AND POLICY CONDITIONS.—An insurer 9 who participates in the pilot program established under 10 this section may— 11 (1) increase premiums based on— 12 (A) price indexes of construction costs; 13 (B) changes in home value; and 14 (C) optional coverages selected by the pol- 15 icyholder;

16 (2) not increase premiums based on a change in
17 the assessment by the insurer of the catastrophe
18 peril risks associated with the insured property;
19 (3) require property maintenance consistent
20 with the condition of the property at time of initial
21 policy issuance; and
22 (4) require loss mitigation investment partner-
23 ships as a condition for the multi-year policy.
24 (c) ACTIONS BY THE POLICYHOLDER.—
25 (1) POLICY CONTINUATION.—With the agree-
26 ment of the insurer, a consumer purchasing the

1 property during the term of the multi-year policy
2 may continue the policy for the remainder of the
3 term.
4 (2) ELECTION TO NEW INSURER.—If the policy-
5 holder elects to move to a new insurer during the
6 term of the multi-year policy, the new insurer may
7 pay the pro-rata share of the loss mitigation invest-
8 ment for the policyholder.
9 (3) CANCELLATION BY POLICYHOLDER.—If the
10 policyholder is the recipient of any funds for loss
11 prevention property improvements from the insurer,
12 Federal, State, local government, or other source
13 and the policyholder cancels the policy before the
14 end of the multi-year policy term, the policyholder
15 shall return a pro-rata share of such improvement to
16 the source of the funds.
17 SEC. 7. DEFINITIONS.
18 In this Act:
19 (1) ALL-PERILS PROPERTY INSURANCE POL-
20 ICY.—The term ‘‘all-perils property insurance pol-
21 icy’’ means a property insurance policy approved by
22 a State which includes coverage for catastrophe per-

		23 ils as such perils are added to the Program. 24 (2) CATASTROPHE PERIL.—The term ''catas- 25 trophe peril'' means the damage caused by— 1 (A) wind, hurricane, wildfire, severe con- 2 vective storm, and flood as they are added to 3 the Program under section 2(d); 4 (B) earthquake, conditioned on the report 5 under section 4(2); and 6 (C) any other peril as determined by the 7 Secretary and added to the Program. 8 (3) ENGAGED IN THE BUSINESS OF INSUR- 9 ANCE.—The term ''engaged in the business of insur- 10 ance'' means a person or entity that is subject to 11 oversight by a State insurance department. 12 (4) INSURER.—The term ''insurer''— 13 (A) means an admitted or non-admitted in- 14 surance company licensed or authorized to sell 15 primary property insurance by State insurance 16 regulators; and 17 (B) does not include a reinsurance com- 18 pany or a captive insurance company. 19 (5) PARTICIPATING INSURER.—The term ''par- 20 ticipating insurer'' means an insurer that is partici- 21 pating in the Program. 22 (6) PROPERTY INSURANCE POLICY.—The term 23 ''property insurance policy'' means a contract of in- 24 surance, through a policy form approved by a State 25 insurance department, that provides, among other 1 coverages, coverage for physical damage to residen- 2 tial or commercial property. 3 (7) SECRETARY.—The term ''Secretary'' means 4 the Secretary of the Treasury.

		5 (8) STATISTICAL PLAN.—The term ‘‘statistical 6 plan’’ means— 7 (A) a description of the data elements to 8 be reported; and 9 (B) the instructions and procedures for ac- 10 curately reporting data.

Center for Economic Justice	USA	Public Access to Market Conduct Annual Statement Data / Improving Data Collection and Related Tools for Market Analysis NAIC Market Regulation and Consumer Affairs (D) Committee December 1, 2023 Birny Birnbaum Center for Economic Justice birny@cej-online.org The Center for Economic Justice CEJ is a non-profit consumer advocacy organization dedicated to representing the interests of low-income and minority consumers as a class on economic justice issues. Most of our work is before administrative agencies on insurance, financial services and utility issues. On the Web: www.cej-online.org About Birny Birnbaum Birny Birnbaum is the Director of the Center for Economic Justice, a non-profit organization whose mission is to advocate on behalf of low-income consumers on issues of availability, affordability, accessibility of basic goods and services, such as utilities, credit and insurance. Birny, an economist and former insurance regulator, has studies insurance markets and competition for over 30 years. He performed the first insurance redlining studies in Texas in 1991 and since then has conducted numerous studies and analyses of competition in various insurance markets for consumer and public organizations. He has consulted with financial service regulators and public agencies in several states and internationally. He has served for many years as a designated Consumer Representative at the National Association of Insurance Commissioners and is a member of the U.S. Department of Treasury's Federal Advisory Committee on Insurance, where he chairs the subcommittee on insurance availability. Birny served as Associate Commissioner for Policy and Research and the Chief Economist at the Texas Department of Insurance. At the Department, Birny developed and implemented a robust data collection program for market monitoring and surveillance. Birny was educated at Bowdoin College and the Massachusetts Institute of Technology. He holds Master's Degrees from MIT in Management and in Urban Planning with concentrations is finance and applied economics. Why CEJ Works on Insurance Issues

		Insurance Products Are Financial Security Tools Essential for Individual and Community Economic Development: CEJ works to ensure fair access and fair treatment for insurance consumers, particularly for low- and moderate-income consumers. Insurance is the Primary Institution to Promote Loss Prevention and Mitigation, Resiliency and Sustainability: CEJ works to ensure insurance institutions maximize their role in efforts to reduce loss of life and property from catastrophic events and to promote resiliency and sustainability of individuals, businesses and communities. MoneySmart Australia “We believe taking control of your money can change your life for the better. “One in three Australians find dealing with money stressful and overwhelming. Everyday we all make dozens of decisions about money. “Making informed decisions leads to greater financial wellbeing. That’s where we come in.” https://moneysmart.gov.au/how-life-insurance-works/life-insurance- claims-comparison-tool MoneySmart Life Insurance Claims Comparison Tool “Compare a life insurer “Use this tool to see: • the percentage of claims a life insurance company pays out • how long an insurance company takes to pay a claim • the number of disputes consumers have lodged about claims with an insurer” • Select a Type of Insurance • Choose a Sales Channel MoneySmart Life Insurance Claims Comparison Tool

		Claims Accepted Rate Average Claim time (months) Disputes per 100,000 lives insured Policy Cancellation Rate Industry Average 91.1% 2.5 28.0 11.60% ClearView 94.4% 5.0 44.4 15.00% Hannover Re 88.9% 2.4 36.9 12.60% NobleOak 93.2% 0.9 16.7 9.10% St Andrews 94.2% 1.9 0.0 10.90% Swiss Re 84.3% 1.8 25.1 8.30% TAL 89.9% 3.0 27.2 12.50% TLIS 98.1% 1.0 14.6 10.40% Zurich 96.1% 2.2 30.0 14.30% APRA Insurer Level Data on Claims and Disputes “The Australian Prudential Regulation Authority (APRA) publishes life insurance claims and disputes statistics on a biannual basis. These statistics contains industry and insurer-level data on life insurance claims and disputes, and a selection of the published data is also made available in a consumer-friendly format on the Australian Securities and Investment Commission’s MoneySmart website.” https://www.apra.gov.au/life-insurance-claims-and-disputes-statistics Life insurance claims and disputes statistics database June 2018 to June 2023XLSX7.01 MB Published 17 October 2023 APRA Insurer Level Data on Claims and Disputes “The Life Insurance Claims and Disputes Statistics contains industry and insurer-level data on life insurance claims and disputes.” By Insurer: Policy Statistics by type of insurance and sales channel: Lives Insured, Annual Premium, Sum Insured, Lapse Rate, New Business Rate Claims by type of insurance and sales channel and type of claimant: Total Claims Received, Finalised Claims Admitted, Finalised Claims Denied, Withdrawn Claims, Undetermined Claims,

		Disputes by type of insurance and sales channel: Disputes Lodged, Disputes Resolved, Disputes Undetermined, Disputes Withdrawn, Original Decisions Maintained, Original Decisions Reversed, Average Amount Paid (by Decision) Claim Declined Reasons by type of insurance and sales channel Individual Insurer MCAS Data is Confidential? Why? The simple answer: the data are collected pursuant to market conduct examination authority which declares all information collected as confidential. But why is MCAS data collected under this exam authority instead of general data collection authority or statistical agent authority? • Data are clearly not a trade secret • Regulators and insurers are not the only entities capable of analyzing and using these data • Public access to data showing how insurers actually perform would promote more competitive markets and better empower consumers to shop on bases other than price. Data Might Be Misused? State public records law are based on the principle that the public needs access to information to monitor the actions of their governments and hold those governments accountable. It is not the role of government agencies – at least in the United States – to determine what government records should or should not be available to the public. The legislatures make those decisions through public information laws. A regulator's decision to withhold data based on the opinion that data might be misused is simply not a valid exercise of regulatory authority. Further, MCAS data can be misused by a regulator – as was the case with a report by the Florida Commissioner of Insurance – with little or no recourse because the data are available to the regulator only. It Gets Worse – Even When Some Form of Public Access is Permitted, Regulators Have Chosen Confidentiality Request to NAIC: "Please provide countrywide aggregate amounts for each of the data elements in the 2021 and 2022 Annuity and Life Insurance MCAS lines of business. For annuities, this would be the countrywide total amounts for data elements 13 to 40 by product type.

		For life insurance, this would be countrywide total amounts for data elements 11 to 47 broken out by product type. Response: [The NAIC] can't provide the data. The data itself belongs to each state. The NAIC enters into an "MCAS Terms of Use Agreement" with each state which does not allow us to disclose the data and requires us to keep it confidential. It Gets Worse (con't) The NAIC publishes some state-aggregate MCAS Data – Report Cards. For each line of insurance, the regulators have created metrics of statewide insurer market outcomes. The public Report Cards show the number of insurers within selected ranges of market outcomes for many of the ratios. Yet, market regulators have decided to withhold from public view some of the state-aggregate ratios: No public ratio data are published for Health Insurance Why? In some states there are only one or two health insurers, so publishing statewide MCAS ratios would reveal or enable one of the insurers to calculate the other insurers' outcomes. But why is this limitation extended to all states – even states with three or more insurers? It Gets Worse (con't) The Travel Insurance MCAS ratios includes the loss ratio. Regulators have decided to keep this ratio confidential, even though there is no other data source available to the public to learn the actual loss ratios of travel insurers? Why is this ratio withheld? "Travel insurance loss ratios are low and, consequently, the data might be misused." While public access to individual insurer MCAS data requires a change in the source of regulatory authority for the data collection, the issues of missing aggregate data and ratios can be addressed by regulators now without regulatory or statutory changes. The Broader Issue of Data Needed for Effective Market Regulation The inability of current MCAS data to provide sufficient raw material for effective market analysis and market monitoring has been explained by CEJ for many years: • Highly summarized data elements not sufficiently granular for market analysis or market monitoring • Annual reporting late into the year following the experience period means stale information.

The Broader Issue of Data Needed for Effective Market Regulation

Market and financial regulators have consistently rejected proposals for more granular data reporting – transaction data – on a more timely – quarterly – basis of consumer market outcomes.
Market regulators are still using mid-20th century technology for monitoring 21st century markets.
The fact that the NAIC and nearly all state regulators are unable to answer basic questions about current availability and affordability issues across various lines of insurance in the states speaks volumes about the inadequate state of market regulation data collection.

The NAIC is Criticizing FIO's Climate Risk Data Collection?

This inadequacy state insurance regulator market outcome data collection is highlighted by the NAIC now developing (another) special data call to monitor the impacts of climate risk on availability and affordability of insurance – because the Federal Insurance Office has no other option but to collect these data themselves.
Yet, despite having no data to offer the federal government – either FIO or the Financial Stability Oversight Council – about the threats to financial stability of failing property insurance markets, the NAIC and some states have criticized FIO!

The Path Forward is Relatively Simple – Modernize the Statistical Agent Reporting Infrastructure to Capture the Needed Data and Provide Regulators with Improved Analytic Tools
See the attached presentation showing how regulators can leverage the statistical agent reporting infrastructure to address the current problems with inadequate data for market analysis and market monitoring.
More granular and timely data are a prerequisite for regulators ability to employ advanced analytics and AI in market analysis.
Data visualization is not a substitute for data analytics
Why can't insurance regulators, for example, get an alert, when quarterly data reported by life insurers indicate an unusually high number of annuity replacements for a particular producer for a particular product?
Why can't insurance regulators get an alert when quarterly data reported by auto insurers show a particular insurer with an unusually higher number of claim denials for a particular type of claim in a particular part of the state?

		Thank you for the opportunity to share our concerns and proposals! Presentation to NAIC Statistical Data Working Group Modernizing Personal Lines PC Statistical Reporting May 18, 2022 Birny Birnbaum Center for Economic Justice The Center for Economic Justice CEJ is a non-profit consumer advocacy organization dedicated to representing the interests of low-income and minority consumers as a class on economic justice issues. Most of our work is before administrative agencies on insurance, financial services and utility issues. On the Web: www.cej-online.org About Birny Birnbaum Birny Birnbaum is the Director of the Center for Economic Justice, a non-profit organization whose mission is to advocate on behalf of low-income consumers on issues of availability, affordability, accessibility of basic goods and services, such as utilities, credit and insurance. Birny, an economist and former insurance regulator, has worked on racial justice issues for 30 years. He performed the first insurance redlining studies in Texas in 1991 and since then has conducted numerous studies and analyses of racial bias in insurance for consumer and public organizations. He has served for many years as a designated Consumer Representative at the National Association of Insurance Commissioners and is a member of the U.S. Department of Treasury's Federal Advisory Committee on Insurance, where he co-chairs the subcommittee on insurance availability. Birny also served as a member of the U.S. Federal Reserve Board's Insurance Policy Advisory Committee. Birny served as Associate Commissioner for Policy and Research and the Chief Economist at the Texas Department of Insurance. At the Department, Birny developed and implemented a re-engineered statistical

		agent data collection system. Birny was educated at Bowdoin College and the Massachusetts Institute of Technology. He holds Master's Degrees from MIT in Management and in Urban Planning with concentrations is finance and applied economics. He holds the AMCM certification. Why CEJ Works on Insurance Issues Insurance Products Are Financial Security Tools Essential for Individual and Community Economic Development: CEJ works to ensure fair access and fair treatment for insurance consumers, particularly for low- and moderate-income consumers. Insurance is the Primary Institution to Promote Loss Prevention and Mitigation, Resiliency and Sustainability: CEJ works to ensure insurance institutions maximize their role in efforts to reduce loss of life and property from catastrophic events and to promote resiliency and sustainability of individuals, businesses and communities. What Type of Information Is Needed For Effective Market Regulation and Development of Public Policy? Let's look at information available as the pandemic unfolded Workers' Compensation: As the pandemic unfolded, the advisory organization / statistical agent for WC in most states was able to track Covid-related WC claims – including the number and projected cost of such claims by state and by industry sector.as well as by severity of type and severity of Covid-related claims. Mortgage and Other Lending: Federal agencies and private organizations provided monthly and quarterly data on use of CARES Act loan accommodations and delinquencies by geographic area and type of loan. What about Personal Auto and Homeowners Insurance? We knew PPA claim frequency and claim costs had to decline because of business closures and stay and home orders emptying the roads, but what information was available to help insurers and regulators? On March 10, 2022, the NAIC published a report showing a 2.2% increase in average homeowners premium from 2018 to 2019.

On January 31, 2022, the NAIC published a report showing a 2.2% decrease in collision frequency from 2016 to 2018 and average premium for 2019.
There was a special data call for business interruption claims.

The NAIC Statistical Handbook says,
(Insurance regulatory) Responsibilities most relevant to statistical collection include:
• to ensure that rates meet statutory standards, i.e., that they are not inadequate, excessive or unfairly discriminatory and
• to monitor market structure and performance and act if necessary to restore competition or remedy the problems caused by market failure
Clearly, the current statistical data system fails to provide the timely and relevant data for most p/c lines to assist regulators in carrying out these responsibilities as well as other critical responsibilities such as informing public policy and examining consumer outcomes for racial bias or bias against other protected classes.
Why are timely and granular data on insurer and consumer market outcomes available for WC and lending, but not for the largest property/casualty lines of insurance and life insurance?

Statistical Reporting is Principal Source of Market Regulation Data
It may be news to many that the principal source of market regulation data comes from a statistical agency system that hasn't been updated – in the vast majority of states – in over 40 years. It is this anachronistic statistical agent system that results in the NAIC producing auto and home data three years after the beginning of the experience year and two years after the end of the experience year.
But WC is insurance – what's the difference that requires timely reporting of granular experience data and timely publication of insurer and consumer market outcomes?

WC versus PPA and HO Data Collection

There are three main differences – who collects the data for regulators, what type of data are collected and how frequently data are reported.
1. WC data collection is performed by a single statistical agent in each state. Most states designate NCCI to be that statistical agent. In contrast, most states permit insurers writing property casualty lines of insurance to pick among at least four different statistical agents.

		2. WC data collection is transaction data – insurers report each premium and claim transaction – on a monthly basis. This means that adding new data reporting – like a COVID flag – requires only adding a data field to the statistical reports. In contrast, the majority of personal lines p/c experience is reported at a summary level on an annual basis. With such summary reporting, adding any new data element or new break-out of experience requires re-writing the entire statistical plan. Transaction data is a report of individual transactions with all the characteristics of the consumer, vehicle, property and other pricing characteristics used. With transaction data, the regulator, statistical agent and reporting company don't have to pre-determine the types of analyses and data compilations that may be performed. Summary data, by definition, limits the types of analyses to summary reporting categories. While this approach may have worked in the past, it is no longer suited to current regulatory issues. 3. Advisory organizations and states that collect transaction data on a monthly or quarterly basis. More frequent reporting not only permits more frequent assessment of premiums and exposures (e.g. written and earned premium, written and earned exposures) but also permits evaluation of claims far differently than permitted under the current NAIC statistical handbook time frame. The handbook specifies how long claims must develop in order to be reported and that claim development drives the entire reporting time frame. With monthly or quarterly transaction reporting, the statistical agent can assess claims at any period of claim development requested by regulator. Or identify specific types of claims that occurred during a specific time frame. Current Personal Lines PC Statistical Reporting is Anachronistic The current personal lines statistical reporting system is long outdated. The data reported and the timelines for reporting were designed for an era in which regulators either set or approved industry-wide rates for auto and home insurers. So the systems are designed to produce industry aggregate data for industry aggregate rate analysis – essentially a slow method of accumulating the ratemaking data for industry aggregate rate analysis. Outdated Statistical Reporting Yield Little Benefit The result of this historical anomaly is the production of statistical reports with almost no value to regulators or the public today and an impediment to effective market regulation. The reports do not provide timely or relevant information for nearly all issues of concern for market regulation – like the impacts of COVID on personal auto rates in 2020 and 2021 or the ability to examine racially- biased outcomes or other algorithmic bias in insurer pricing, claims settlement and anti-fraud.

		Perhaps most bizarre, the statistical agents – agents designated and appointed by the Commissioner to collect data on behalf of the Commissioner – refuse to provide individual insurer data to the regulator, citing contractual provisions with reporting insurers. Straightforward Solution to Modernizing P/C Data Collection The solution to multiple problems – lack of timely or useful data, an outdated data collection system, unresponsive statistical agents – is straightforward with ample precedence. Use existing regulatory authority to update statistical plans, designate a single statistical agent through a competitive bidding process and establish requirements that the primary duty of the statistical agent is to serve the regulator. In terms of updating statistical plans, the statistical plans should require transaction detail reporting on at least a quarterly basis. In terms of a single statistical agent, such an approach logically produces efficiency, uniformity and accountability. It also stops insures from picking a statistical agent based on the lowest requirements for data reporting and data quality. In terms of a primary responsibility to serve the regulator, the statistical agent should be required to provide the regulator with any data collected by statistical agent in its role as the regulator's statistical agent – including individual company data whether summarized or transaction. Historical Precedence I mentioned historical precedence and we've already discussed the use of this approach for WC insurance. There is another example. In 1995, the Texas Department of Insurance was examining racial bias in auto insurance and the then-statistical agents told the Department they wouldn't provide company-specific data to the Department – just as the statistical agents refused to provide company-specific data as part of the NAIC's recent efforts to study auto insurance issues. TDI issued a Request for Interest and Qualifications ("RFIQ)" from organizations seeking to become the Department's statistical agent for private passenger auto. Similar RFIQs were issued for residential property insurance and commercial lines. Attached to these slides are the opening pages of the PPA RFIQ. Here is the first expectation of the designated statistical agent. While unremarkable, it was not the norm in Texas in 1995 and is still not the norm in other states today: The designated statistical agent is the agent of the Department. Data reported to the statistical agent are, in fact, data reported to the Department. The designated statistical agent's primary responsibility in carrying out

		the activities of the Texas statistical agent will be to the Department. Moving towards a more efficient and effective system of market regulation data collection is even more straightforward today than it was in 1995 with far greater opportunities to utilize new technologies, such as the OpenIDL blockchain being developed by AAIS and a number of insurers and regulators. Stat Agents Currently Collecting Transaction Data Are Ready In the Statistical Data WG's recent surveys of statistical agents to speed up production of the auto and home reports, the stat agents currently collecting transaction detail on a quarterly basis were able to provide experience reports within about two months or faster after the end of the experience quarter. Further, the transaction reporting stat agents have the ability to provide regulators with online access to data to enable regulators to access company-specific or industry aggregate data as needed in real time. Ask yourselves why you are even getting these printed reports instead of having online access to a database in which you can pull the data you need when you need it? As yourselves, when was the last time you used the annual statistical agent reports for any purpose? And even if you have done so, how useful were the reports? More Efficient and Effective for All Stakeholders By moving to more timely, granular, uniform and statistical data collection through a modernized statistical agent framework, regulators can • create massive efficiencies for yourselves and insurers ranging from elimination of special data calls and the current MCAS; • develop more effective market analysis that minimizes burden on companies performing well for consumers; and • develop new abilities to apply predictive models and AI to all phases of the insurance life cycle to much more quickly identify and stop practices harming consumers and promote more competitive insurance markets. Texas Department of Insurance Request for Interest and Qualifications of Organizations Interested in Designation as the Texas Residential Property Statistical Agent Issued December 5, 1995

		I. Purpose of Request for Interest and Qualification (RFIQ) The Commissioner of Insurance intends to designate a statistical agent for residential property insurance statistical data collection in Texas. The purposes of this RFIQ are to: • describe the Department's expectations regarding the services and performance of a designated statistical agent: • provide detailed instructions for interested organizations to submit statements of interest and qualifications for serving as the Department's statistical agent; and • provide information necessary for interested organizations to understand the requirements of a designated statistical agent and adequately respond to the RFIQ. 2. Definition of Residential Property Insurance Residential property insurance, for the purpose of statistical data collection, includes the following coverages: homeowners, tenant homeowners, condominium, farm and ranchowners, dwelling fire, dwelling extended coverage, farm fire and farm extended coverage. 3. Statutory Authority and Requirements for Statistical Data Collection Article 21.69, Texas Insurance Code, was modified by the 74th Legislature. 21.69 STATISTICAL DATA COLLECTION (a) The commissioner may, for a line or subline of insurance, designate or contract with a qualified organization to serve as the statistical agent for the commissioner to gather data relevant for regulatory purposes or as otherwise provided in this code. Texas Department of Insurance Request for Interest and Qualifications Residential Property Statistical Agent December 5. 1995 (b) To qualify as a statistical agent, an organization must demonstrate at least five years of experience in data collection, data maintenance, clata quality control, accounting and related matters.

		(c) The commissioner's designation-or contracting with a statistical agent under this article authorizes the statistical agent to collect from the reporting insurers any fees necessary for the statistical agent to recover the necessary and reasonable costs of data collection services provided by the statistical agent. A reporting insurer shall pay the fee to the statistical agent for the data collection services provided by the statistical agent. (d) A statistical agent designated or contracted with by the commissioner under this article shall collect data from reporting insurers under a statistical plan promulgated by the commissioner. (e) An insurer shall provide all premium and loss cost data to the commissioner or the commissioner's agent designated or contracted with under this article as the commissioner or the agent requires. (f) The statistical agent may provide aggregate historical premium and loss data to its subscribers. (g) The commissioner may adopt rules necessary to accomplish the purposes of this article. 4. TDI Expectations of a Designated Statistical Agent The Department expects the following from its designated statistical agent: 4.1 The designated statistical agent is the agent of the Department. Data reported to the statistical agent are, in fact, data reported to the Department. The designated statistical agent's primary responsibility in carrying out the activities of the Texas statistical agent will be to the Department. 4.2 The statistical agent will collect data from reporting companies pursuant to the Department's promulgated statistical plan. If requested by a reporting company, the statistical agent may collect data from reporting companies in a different format than specified in the statistical plan. However, the statistical agent must collect data in detail at least as great as specified in the statistical plan and be able to reproduce the company submission in the detail and format specified by the statistical plan. 4.3 The statistical agent will accommodate and implement changes in data collection and reporting activities resulting from promulgated changes to the statistical plan. Texas Department of Insurance Request for Interest and Qualifications Residential Property Statistical Agent December 5. 1995 4.4 The statistical agent will work with the Department to update and revise the residential property statistical plan for implementation with reporting of 1997 experience. 4.5 The statistical agent will employ a variety of activities to ensure the reliability, validity, accuracy and

		completeness of data reported to the Department, including, but not necessarily limited to, edit procedures and reasonability checks employed by the statistical agent, provision of edit packages for use by reporting companies prior to submission of data, and financial and other incentives for accurate and timely reporting. 4.6 The statistical agent will not alter reporting companies' submissions unless such activity is authorized by the Department. 4.7 The statistical agent will process reporting company submissions, develop and maintain required databases, and produce accurate reports, on both regular and ad hoc bases, for the Department. 4.8 The statistical agent will create a capability for the Department to have access to databases through on-line direct connection to the statistical agent's computer, provision of data on CD-ROMs, or other appropriate mechanism 4.9 The statistical agent will bill reporting companies for the costs of designated statistical agent activities. Such billing procedures will optimize the goals of encouraging the timely submission of reliable data and spreading the costs of statistical agent activities equitably among policyholders. 4.10 The statistical agent will implement data security procedures to ensure no unauthorized access to data reported by insurers to the Department. 4.11 The statistical agent will submit to financial and performance audits on a regular basis. The cost of such audits will be billed back to reporting companies in a manner equitable to policyholders. The statistical agent will maintain and make available to TDI staff or other individuals designated by TDI, books, records, work papers, electronic files and other materials related to services as the Texas residential property designated statistical agent. 4.12 The statistical agent will strive to meet the Department's performance standards. Texas Department of Insurance Request for Interest and Qualifications Residential Property Statistical Agent December 5. 1995 4.13 The statistical agent will provide statistical agent services in a cost-effective manner and will provide the Department with feedback on the costs of complying with Departmental requests, such as reports or data access.

		4.14 The statistical agent will not use data collected through it5 role as a statistical agent for any purposes other than authorized by the Department in designating a statistical agent, unless the Department specifically authorizes those additional purposes or the data are otherwise available pursuant to the Texas Open Records Act Advisory organizations are invited to seek designation as a statistical agent, but the roles of advisory organization and statistical agent shall be separate and distinct. Designation as a statistical agent shall not confer any special privileges to an advisory organization in its role as an advisory organization. 4.15 The statistical agent shall maintain data, databases and related programs in a manner which allows for ease of transfer to another organization in the event the Department withdraws statistical agent designation. Data, databases, statistical plans, edit and reasonability test specification, and certain programs for editing data at the company level and for generating certain reports are the property of the Department and will be provided by the

Center for Economic Justice	USA	Addressing Property Insurance Market Failures Presentation to NAIC Consumer Liaison Committee November 30, 2023 Birny Birnbaum Center for Economic Justice birny@cej-online.org CEJ is a non-profit consumer advocacy organization dedicated to representing the interests of low-income and minority consumers as a class on economic justice issues. Most of our work is before administrative agencies on insurance, financial services and utility issues. On the Web: www.cej-online.org Birny Birnbaum is the Director of the Center for Economic Justice, a non-profit organization whose mission is to advocate on behalf of low-income consumers on issues of availability, affordability, accessibility of basic goods and services, such as utilities, credit and insurance. Birny, an economist and former insurance regulator, has studies insurance markets and competition for over 30 years. He performed the first insurance redlining studies in Texas in 1991 and since then has conducted numerous studies and analyses of competition in various insurance markets for consumer and public organizations. He has consulted with financial service regulators and public agencies in several states and internationally. He has served for many years as a designated Consumer Representative at the National Association of Insurance Commissioners and is a member of the U.S. Department of Treasury's Federal Advisory Committee on Insurance, where he chairs the subcommittee on insurance availability. Birny served as Associate Commissioner for Policy and Research and the Chief Economist at the Texas Department of Insurance. At the Department, Birny developed and implemented a robust data collection program for market monitoring and surveillance. Birny was educated at Bowdoin College and the Massachusetts Institute of Technology. He holds Master's Degrees from MIT in Management and in Urban Planning with concentrations is finance and applied economics. Insurance Products Are Financial Security Tools Essential for Individual and Community Economic

		Development: CEJ works to ensure fair access and fair treatment for insurance consumers, particularly for low- and moderate-income consumers. Insurance is the Primary Institution to Promote Loss Prevention and Mitigation, Resiliency and Sustainability: CEJ works to ensure insurance institutions maximize their role in efforts to reduce loss of life and property from catastrophic events and to promote resiliency and sustainability of individuals, businesses and communities. of the Problem and Its Causes The Problem: Private property insurance – a product required by lenders and/or government agencies and essential for individual, business, community and national resilience and security. These markets are failing around the country. Insurers have cut coverage and otherwise shifted more risk onto consumers – when they have remained in the market. Residual markets have grown and concentrated risk – while punishing consumers for whom the private market has failed with inadequate coverage and artificially-inflated rates in the name of reducing the size of the residual market. The “experts” in risk assessment have failed to adequately assess risk. Insurers have assessed risk retroactively – after each major cat event, insurers “discover” risk they didn’t anticipate and cut coverage and leave markets. The result is a hollowed-out policy that fails to meet consumer expectations and is more and more likely to fail to enable recovery from a cat event. There is a profound mismatch between insurers’ again and again discovering their errors in assessing risk – “we didn’t know what we were doing when we agreed to insure your property, but trust us that now we do when we decline coverage or raise your premium astronomically” – and consumer / business long-term property investment horizon.

		One, state regulators and legislators have largely let insurers do whatever they want in terms of coverage. So, instead of investing in loss prevention partnerships and loss mitigation, insurers cut coverage and shift risk onto consumers to manage their profitability. Two, insurers did not prepare for climate change and, in fact, fought efforts to recognize climate risk. So now insurers are using climate change to justify leaving markets -- we didn't know what we were doing when we originally wrote the policy, but, trust us, we know what we're doing now. Third, unstable and volatile global reinsurance markets. Coupled with business models promoted by some states for thinly-capitalized insurers relying massively on reinsurance, global reinsurance capacity is dwarfed by the need for catastrophe reinsurance, leading to a sellers' market and price gouging with no regulatory oversight. Fourth, unaccountable catastrophe models. The promise of computer catastrophe models was rate stability. In place of the volatile 30 year historical average of cat losses – which could change dramatically as an old cat event left the 30 year period or a new cat even joined – the cat models promised rate stability through a forward-looking assessment of risk, such that the actual occurrence of a cat would not impact the assessment of risk – like the occurrence of a two heads in a row doesn't change the odds of the next coin flip being a heads or a tail. Fifth, regulators have failed to meaningfully monitor markets and refused again and again to collect the data needed to inform public policy and assess insurer performance. The fact that state insurance regulators can't answer basic questions about the state of property insurance markets – while criticizing the federal government for trying to do so – is a contributing regulatory failure The problem is not caused by regulation -- when there is any meaningful regulatory oversight. It's clear that the insurer actions in CA are driven by an anti-regulatory political campaign -- the same problems with insurers leaving the market and overreliance on reinsurance is found in LA and FL, among other states. The idea that further deregulation will bring insurers back into the market or lower premiums is as flawed as suggesting leaving health insurance to a deregulated private market will lead to better availability and affordability of insurance. More deregulation will further exclude the most vulnerable consumers as insurers utilize all manner of data and AI to hyper segment the market and exclude any property that doesn't meet the

		cat-model driven profit goal. These are problems that affect the entire nation of consumers, businesses, taxpayers and state and local government. Failure to address property insurance market problems leaves everyone on the hook. There is no insurance mechanism – public or private –that will be able to handle ever increasing frequency and severity of natural cat events The short, medium and long-term solution requires massive investment in loss mitigation and prevention. How do we get there? Mitigation and Resilience Needed to Address Climate and Cat Risk? We know these investments have a tremendous return, saving money for consumers, businesses and federal, state and local governments in the short, medium and long term. We also now the private market, given the choice, will always opt for cutting coverage over loss mitigation investments, as a way to manage their risk. Build Climate and Cat Risk Resilience and Property Insurance Markets That Function to Protect Consumers and Businesses? Insurers must provide a substantive product that meets consumer needs and focus on risk management through loss prevention partnerships with policyholders and communities instead of cutting coverage and shifting risk onto consumers. Meaningful and effective property insurance is critical to reducing taxpayer burden for disaster relief and for ensuring financial stability -- particularly in the case of an event that destroys tens of thousands of homes and wreaks havoc on the mortgage finance and mortgage guaranty sectors. Stable and reliable reinsurance for mega-catastrophe is needed. Consumers and businesses make long-term investments in their properties and the provision of stable property insurance requires stable reinsurance

		pricing and availability. Private reinsurance markets alone cannot provide a stable source of reinsurance for mega-catastrophes as evidenced by the massive and sustained price increases in reinsurance over the past couple of years -- e.g., LA Citizens. The amount of reinsurance needed dwarfs the size of private reinsurance and related capital market products. It's unreasonable for insurers to convey the message to consumers that the property is insurable only to eviscerate or withdraw coverage after a few years. 1. A federal public catastrophe reinsurance program modeled after TRIA that kicks at a high level of catastrophe loss, leaving a reinsurance tranche for the private market below the Nat Cat Re threshold. In exchange for low-cost and stable cat reinsurance, insurers would offer an all-perils policy with achievable-for-consumers deductibles. 2. Although the federal government would provide stable and low cost cat reinsurance for the extreme portion of cat risk, property insurance oversight would remain with (or in the case of flood, return to) the states. States would be encouraged to, one, promote all perils policy coverage and, two, loss prevention investment with massive matching federal funds. States would be encouraged to experiment with longer-term (5 years or more) policies to give consumers some confidence that the insurer has accurately assessed risk and invested in loss mitigation to be there for the consumer for a long time. 3. Improved data collection on property insurance exposures and claims to assist the federal Nat Cat Re Fund in developing and adjusting nat cat re payout thresholds based on a percentage of a state's exposure AND provide data necessary for state and federal agencies to effectively monitor property insurance markets for availability, affordability and systemic financial risk. 4. The Nat Cat Re Fund would have some discretion in designing the program, but the thresholds would be based on calendar accident year cat losses. Nat Cat Re Fund would be directed to set the threshold at a level low enough to provide meaningful benefit to insurers, but high enough to encourage a competitive private reinsurance market for the tranche between insurer retention and Nat Cat Re.

		5. Means-tested financial assistance for low-income consumers provided in the following order, if possible: • funding (in partnership with insurer and state/local funding) for loss prevention to reduce premium by reducing risk; • relocation from an uninsurable property to a an insurable property; • cash assistance to pay premium. Financial assistance would not be provided through compromising risk- based pricing. 6. Rethink state strategies permitting or encouraging the business model of thinly-capitalized insurers over-relying on reinsurance. The strategy addresses the actual causes of property insurance market failures. It creates a true public-private partnership in which both the public and private sectors bring something to the table and requires a product that meets the needs and expectations that consumers and businesses have of property insurance. It focuses on promoting loss prevention and risk mitigation through resilience, not evisceration and improves the risk-based pricing and messaging needed to convey risk to consumers, businesses and government. It creates a national solution to a national problem, while continuing to rely on state-based insurance regulation. 1. Bond Financing 2. Parametric Insurance 3. Public Insurer / Competitive Residual Market 4. Public Subsidies to Insurers 5. Further Deregulation? Questions? Thank you!

Center for Economic Justice	USA	Regulatory Challenges of Insurers' Use of Big Data and AI IRES Career Development Seminary 2023 August 28, 2023 Birny Birnbaum Center for Economic Justice birny@cej-online.org CEJ is a non-profit consumer advocacy organization dedicated to representing the interests of low-income and minority consumers as a class on economic justice issues. Most of our work is before administrative agencies on insurance, financial services and utility issues. On the Web: www.cej-online.org Birny Birnbaum is the Director of the Center for Economic Justice, a non-profit organization whose mission is to advocate on behalf of low-income consumers on issues of availability, affordability, accessibility of basic goods and services, such as utilities, credit and insurance. Birny, an economist and former insurance regulator, has worked on market regulation and racial justice issues for 30 years. He performed the first insurance redlining studies in Texas in 1991 and since then has conducted numerous studies and analyses of racial bias in insurance for consumer and public organizations. He has consulted with financial service regulators and public agencies in several states and internationally. He has served for many years as a designated Consumer Representative at the National Association of Insurance Commissioners and is a member of the U.S. Department of Treasury's Federal Advisory Committee on Insurance, where he chairs the subcommittee on insurance availability. Birny served as Associate Commissioner for Policy and Research and the Chief Economist at the Texas Department of Insurance. At the Department, Birny developed and implemented a robust data collection program for market monitoring and surveillance. Birny was educated at Bowdoin College and the Massachusetts Institute of Technology. He holds Master's Degrees from MIT in Management and in Urban Planning with concentrations is finance and applied economics. Insurance Products Are Financial Security Tools Essential for Individual and Community Economic

		Development: CEJ works to ensure fair access and fair treatment for insurance consumers, particularly for low- and moderate-income consumers. Insurance is the Primary Institution to Promote Loss Prevention and Mitigation, Resiliency and Sustainability: CEJ works to ensure insurance institutions maximize their role in efforts to reduce loss of life and property from catastrophic events and to promote resiliency and sustainability of individuals, businesses and communities. Insurers' use of Big Data and AI have transformed the way they do product development, marketing, pricing, claims settlement, antifraud, consumer relations and their approach to risk management. For purposes of my talk, Big Data means: • Massive databases of information about (millions) of individual consumers • Associated data mining and predictive analytics applied to those data • Scoring models produced from these analytics. The scoring models generated by data mining and predictive analytics are algorithms. Algorithms are lines of computer code that rapidly execute decisions based on rules set by programmers or, in the case of machine learning, generated from statistical correlations in massive datasets. With artificial intelligence (AI) or machine learning, the models can "learn" or change without human intervention based on new information. Examples: • Chatbots that generate responses to consumer questions or requests for assistance; • Claim settlement and anti-fraud models revised as new data are received during the claim settlement process individually or in aggregate; • Product offerings and underwriting based on current and prior internet interactions – e.g., analyzing consumer keystrokes to identify propensity for fraud; Built and Natural Environment is Raw Material for Insurance AI • Telematics – Auto, Home, Wearable Devices • Social Media • Shopping Habits/Purchase History

		• Hobbies and Interests • Demographics/Household Data/Census Data • Government Records/Property Records • Web/Mobile Phone Tracking/GPS/Data Harvesting • Vehicle Registration and Service Records • Facial Analytics • Mainstream Credit Files: Loans, Credit Cards • Alternative Credit Data: Telecom, Utility, Rent Payment • High Definition Aerial Photographs Sources of Data include consumers (via telematics or wearable devices), government, social media platforms, web sites, mobile devices, e- mail/text, data brokers, online data aggregators, aircraft/satellite photos and many others. 1. Insurers' use of Big Data has huge potential to benefit consumers and insurers by transforming the insurer-consumer relationship and by discovering new insights into and creating new tools for loss mitigation. 2. Insurers' use of Big Data has huge implications for fairness, access and affordability of insurance and for regulators' ability to keep up with the changes and protect consumers from unfair practices 3. The current insurance regulatory framework generally does not provide regulators with the tools to effectively respond to insurers' use of Big Data. Big Data has massively increased the market power of insurers versus consumers and versus regulators. 4. Market forces alone – "free-market competition" – cannot and will not protect consumers from unfair insurer practices. So-called "innovation" without some consumer protection and public policy guardrails will lead to unfair outcomes. Promise Reality Transparency Opaque Loss Mitigation/Behavioral Change Black-Box Risk

		Segmentation/Pricing Competitive Advantage via Policyholder Partnerships Competitive Advantage via Proprietary Pricing/Segmentation Transparent Risk-Based Pricing to Empower Consumers Modeling Prices on Factors Unrelated to Risk to Optimize Revenue/Profit Promote Greater Availability and Affordability Increased Prices for Most Vulnerable Consumers; Discriminatory Algorithms Cybersecurity Protections Cybersecurity Vulnerabilities Big Data Algorithms Can Reflect and Perpetuate Historical Inequities Barocas and Selbst: Big Data's Disparate Impact1 Advocates of algorithmic techniques like data mining argue that they eliminate human biases from the decision-making process. But an algorithm is only as good as the data it works with. Data mining can inherit the prejudices of prior decision-makers or reflect the widespread biases that persist in society at large. Often, the "patterns" it discovers are simply preexisting societal patterns of inequality and exclusion. Unthinking reliance on data mining can deny members of vulnerable groups full participation in society. 1 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2477899

		Virginia Eubanks, Automating Inequality: How High-Tech Tools Profile, Police, and Punish the Poor America's poor and working-class people have long been subject to invasive surveillance, midnight raids, and punitive public policy that increase the stigma and hardship of poverty. During the nineteenth century, they were quarantined in county poorhouses. During the twentieth century, they were investigated by caseworkers, treated like criminals on trial. Today, we have forged what I call a digital poorhouse from databases, algorithms, and risk models. It promises to eclipse the reach and repercussions of everything that came before. Amazon Created a Hiring Tool Using A.I. It Immediately Started Discriminating Against Women.2 All of this is a remarkably clear-cut illustration of why many tech experts are worried that, rather than remove human biases from important decisions, artificial intelligence will simply automate them. An investigation by ProPublica, for instance, found that algorithms judges use in criminal sentencing may dole out harsher penalties to black defendants than white ones. Google Translate famously introduced gender biases into its translations. The issue is that these programs learn to spot patterns and make decisions by analyzing massive data sets, which themselves are often a reflection of social discrimination. Programmers can try to tweak the AI to avoid those undesirable results, but they may not think to, or be successful even if they try.

		2 Jordan Wasserman at, https://slate.com/business/2018/10/amazon-artificial-intelligence-hiring-discrimination-women.html Statutory Foundation: Fair and Unfair Discrimination in Insurance The purpose of insurance market regulation is to ensure fair treatment of consumers. Statutes memorialize this purpose by setting out requirements for fair and unfair discrimination. Unfair discrimination is defined in rating, unfair trade practices and unfair claim settlement statutes, among others, and has two prongs: • Actuarial – there must be an actuarial basis for distinction among groups of consumers; and • Protected Classes – distinctions among groups defined by certain characteristics – race, religion, national origin – prohibited regardless of actuarial basis. Insurers' Use of Big Data and AI Increase the Potential for Transmitting Structural Racism into Insurance Consumer groups and some regulators have long been concerned with protected class unfair discrimination generated by insurers' use of data that are racially biased and which indirectly cause unfair discrimination on the basis of race. The potential for indirect racial discrimination – proxy discrimination and disparate impact – has grown exponentially with insurers' use of big data and AI. The generic response from industry – particularly the property- casualty trades – is that these controversial risk classifications and scoring algorithms are predictive and actuarially fair. They also argue protected class discrimination can only mean explicit and intentional use of prohibited characteristics. NAIC Principles on Artificial Intelligence 2020 https://content.naic.org/cipr-topics/artificial-intelligence and https://content.naic.org/sites/default/files/inline-files/AI%20principles%20as%20Adopted%20by%20the%20TF_0807.pdf Insurance-specific AI applications should be: • Fair and Ethical • Accountable • Compliant

		• Transparent • Secure, Safe and Robust Consistent with the risk-based foundation of insurance, AI actors should proactively engage in responsible stewardship of trustworthy AI in pursuit of beneficial outcomes for consumers and to avoid proxy discrimination against protected classes. NAIC Committee on Race and Insurance 2020 Following the adoption of the principles by the AI working group, George Floyd was murdered by police in Minneapolis. Along with other similar events of police violence against Black Americans, our country was confronted with structural racism – that many of our institutions and public policies reflect and reinforce racial discrimination with devastating consequences for people of color. Insurance industry leaders and the NAIC declared this as a watershed moment for action against racism in insurance – to address inherent bias and systemic racism. The NAIC created the Special Committee on Race and Insurance. Director Farmer said The committee charges included: Determine whether current practices exist in the insurance sector that potentially disadvantage minorities. Since 2020, all work on structural racism has moved to the H Committee. NAIC H Committee Collaboration Forum – December 2022 "(S)tate insurance regulators considered whether the NAIC should move forward with guidance or directives now and what form that would take in terms of a principled or prescriptive approach among other topics. (Commissioner Birrane) said there is a clear consensus that: 1) the NAIC should develop and adopt a regulatory framework for the use of AI by the insurance industry; 2) it should take the form of a model bulletin; 3) the framework should be principles-based and not prescriptive; and 4) members prefer a focus on governance requirements and the establishment of AI use protocols that rely on external and objective standards Draft NAIC Model Bulletin: Use of Algorithms, Predictive Models and Artificial Intelligence Systems by Insurers • Exposed for Public Comment on July 17, 2023 Not a "Principles-Based Approach" Guidance has been described as "principles-based" and not prescriptive. In fact, not principles-based, but laissez-faire.

		Doesn't provide any additional guidance beyond the AI Principles The guidance provide is prescriptive – directing insurers how to they should govern and manage AI systems. No guidance on how to produce good and legally-compliant outcomes or what those outcomes should be. Telling insurers to comply with existing laws and regulations is not guidance. No Actual Guidance – Governance in Place of Guidance, Expectations Relate to Process, Not Outcomes The Department recognizes that Insurers may demonstrate their compliance with the laws that regulate their conduct in the state in their use of AI Systems through alternative means, including through practices that differ from those described in this bulletin. The goal of the bulletin is not to prescribe specific practices or to prescribe specific documentation requirements. Rather, the goal is to ensure that Insurers in the state are aware of the Department's expectations . . . Little of No Progression from 2020 AI Principles: The Department recognizes the Principles of Artificial Intelligence that the NAIC adopted in 2020 as an appropriate source of guidance for Insurers as they develop and use AI systems. Those principles emphasize the importance of the fairness and ethical use of AI; accountability; compliance with state laws and regulations; transparency; and a safe, secure, fair, and robust system. These fundamental principles should guide Insurers in their development and use of AI Systems and underlie the expectations set forth in this bulletin. "Current limitations on the availability of reliable demographic data on consumers make it challenging for Insurers and regulators to directly test these systems to determine whether the decisions made meet all applicable legal standards. Therefore, while the Department continues to encourage and emphasize the use of verification and testing methods for unfair bias that leads to unfair discrimination where possible, the Department recognizes that we must also rely upon robust governance, risk management controls, and internal audit functions to mitigate the risk that decisions driven by AI Systems will violate unfair trade practice laws and other applicable legal standards." Beyond the lack of guidance for testing for unfair discrimination on the basis of race, the draft guidance falsely suggests such testing is not feasible and that governance processes can substitute for actual testing – despite over 40 years of such testing under federal laws for credit, employment and insurance!

		Three years after the murder of George Floyd and the recognition by insurers, NAIC leadership and the society at large that structural racism impacts all of institutions – including insurance – the NAIC's efforts to address structural racism have disappeared from the Special Committee on Race, were sent to the H Committee / Collaboration Forum and, based on the draft AI guidance, have now been abandoned. The draft guidance not only equivocates on testing for racial bias, but doesn't even state that practices that have the effect of discriminating on the basis of protected class status – even if unintentional – are unfair discrimination. Telling Insurers to Comply with the Law, but No Guidance on How to Measure or Ensure Appropriate Outcomes Actions taken by Insurers in the state must not violate the Unfair Trade Practices Act or the Unfair Claims Settlement Practice Act or the UCSPA, regardless of the methods the Insurer used to determine or support its actions. As discussed below, Insurers are expected to adopt practices, including governance frameworks and risk management protocols, that are designed to assure that the use of AI Systems does not result in: 1) unfair trade practices, as defined in []; or 2) unfair claims settlement practices . . .. Draft Guidance: Unhelpful Definitions / Missing Key Definitions "Bias" – differential treatment that results in favored or unfavored treatment of a person, group or attribute. Term is typically used in draft Guidance as "unfair bias that leads to unfair discrimination." Unclear why "unfair bias" is used when fair and unfair discrimination are the statutory and long-standing terms used in insurance. "Third Party" definition fails to distinguish between third party advisory organizations, whose activities are subject to regulatory oversight, and third parties not licensed as advisory organizations. No definitions for the needed guidance for assessing fair and unfair discrimination – "on the basis of," proxy discrimination, disparate impact, data source, data type. The draft Guidance envisions an auditing approach by market conduct examiners regarding insurers' AI Systems processes. At best, the draft guidance suggests a check-the-box approach for documentation and procedures. Realistically, regulators lack the resources – both quantity and specific-skills – to examine every insurer's bespoke approach to avoiding unfair discrimination or entering into dialog with every insurer about each insurer's method of testing for unfair discrimination – if the insurer's governance even features such testing. In contrast, an Outcomes-Based guidance provides a path forward for meaningful oversight. Testing and reporting requirements provide common metrics across insurers that facilitate an analytic – as opposed to auditing – approach that permits evaluation of insurers' performance quickly and consistently. CEJ's

		recommended guidance provides a path forward for specific and achievable regulatory resources and skill sets. “An AIS Program that an Insurer adopts and implements should be reflective of, and commensurate with, the Insurer’s assessment of the risk posed by its use of an AI System, considering the nature of the decisions being made, informed, or supported using the AI System; the nature and the degree of potential harm to consumers from errors or unfair bias resulting from the use of the AI System; Guidance should be that ALL of insurers’ consumer facing AI applications are high risk Whether the AI system is used for product development, marketing, underwriting, pricing, claims settlement, anti-fraud, consumer relations or consumer information, a flawed algorithm can unfairly deny coverage, charge unfair prices, unfairly settle claims or provide incorrect or misleading information that denies a consumer essential insurance coverage or the benefits of coverage purchased. Potential for Catastrophic Harm to Consumers. Which of These Harms are “Low Risk? • A marketing algorithm that systematically denies product options on the basis of race; • A policy form algorithm that generates policy language and provisions but produces misleading, deceptive, unfair or prohibited provisions; • A pricing algorithm that systematically charges people based on race; • A claims settlement algorithm that systematically offers lower claims settlements on the basis of race; • An antifraud algorithm that reflects and perpetuates historic racial discrimination in policing and criminal justice; • A chatbot that provides misleading or false information to consumers that causes consumers to not get the benefits of their purchase; 1. Focus on Consumer Outcomes, Not Process 2. AI Governance and Risk Management procedures and documentation necessary and important, but not

		sufficient. Establish standards for outcomes, not prescriptions for process. 3. Governance and Risk Management requirements should be follow testing requirements. Insurers' governance should enable testing of their algorithms and actual consumer outcomes for unfair discrimination on both the actuarial and protected class bases in all phases of the insurance life cycle and in both model development and post-deployment. 4. Regulatory guidance for bias thresholds and equity trade-offs. 5. Require AI System Outcomes to be Disputable – a broader requirement than Transparency. 6. New reporting by insurers to facilitate innovation in market regulation – greater use of analytics. 7. Encourage Third Party Providers to become licensed as Advisory Organizations Insurer Testing of Algorithms / Actual Consumer Outcomes Some have suggested an algorithmic model governance approach to addressing structural racism in insurance similar to the approach used for ORSA and preventing cyber breaches. Model governance is essential, but not sufficient. Testing of actual consumer outcomes is reasonable and necessary because there are literally millions of such outcomes in every phase of the insurance life cycle that be analyzed. Insurers test these outcomes as they develop the algorithms for marketing, pricing, claims settlement and anti-fraud. Testing for spurious correlations (proxy discrimination) and disparate impact on the basis of protected class characteristics should simply be part of model development. A "principles-based approach" to address structural racism is not necessary or desirable, because uniform methods of testing and evaluation across insurers is possible because all insurers share the same types of consumer outcomes, regardless of business model or product: • Did the insurer receive an application? • Did the application result in a policy? • If a policy was issued, what was the premium and coverage provided? • Was a claim filed? • Was the claim denied or paid? • If the claim was paid, how much? All Aspects of Insurers' Operations? While pricing / rating has gotten the most regulatory attention in terms of complex model scrutiny by regulators, it's imperative for insurers and regulators to test algorithms used in all aspects of the insurance life- cycle for

		racial bias. Antifraud algorithms are particularly susceptible to reflecting and perpetuating historic racism because antifraud algorithms can identify suspicious claims. If the identification of suspicious claims is racially- biased, so will the identification of claims as fraudulent – a claim that's not investigated will not be identified as fraud. Marketing algorithms also raise great concern – the new data sources and algorithms used to micro-target consumers have become the de facto gateway for access to insurance. Over the last several decades, much of the focus on efforts to address racial bias in insurance has been on data sources that are highly correlated with race with calls to ban those factors. While insurers should surely not be using data sources and factors that are proxies for race and not predictive of insurance outcomes, testing for racial bias must be of the entire algorithm and all the data sources used in the algorithm simultaneously. • Eliminating one factor may simply shift the racial bias to another factor instead of eliminating the racial bias. Testing of the algorithm is designed to eliminate proxy discrimination and identify disparate impact of the entire algorithm. • Multi-variate testing can remove eliminate correlations with race and reveal the factor's true contribution to explaining the insurance outcome and provide a statistical basis for addressing disparate impact. The current regulatory data collection is woefully outdated and doesn't serve the needs of regulators and policymakers generally. In particular, testing for protected class bias requires the reporting of granular consumer outcome data by insurers and analyses of those data by regulators. Absent this type of empirical analysis by regulators, we will not be able to move beyond the historical debates about race and insurance and not be able to ground our anti-racism efforts in the risk- based foundation of insurance. The collection of granular consumer outcome data must include individual applications for insurance that don't end up in policy issuance. As mentioned, marketing algorithms have become the new gatekeeper for insurance access – analysis of application data is essential to see if those algorithms systematically deny communities of color such access. Regulatory Standards for Bias Thresholds and Equity Trade-Offs While there may be some data sources and factors that lie at the extremes – pure proxies for protected classes or pure predictors of risk- based insurance outcomes – the nature of structural racism means that the vast majority of data sources will likely result in some racial disparities. Insurers need guidance on, for example, on

		• What degree of proxy discrimination should lead to prohibiting the use of that data source or factor from the deployed algorithm? • How can an insurer utilize alternate data sources to maintain the algorithm's efficiency while reducing disparate impact? • What trade-off between reducing disparate impact and weakening the algorithm's efficiency is reasonable? If we could change an algorithm to eliminate 95% of disparate impact at a cost of 5% of statistical predictive strength, would that be a fair trade? A Natural Extension of Typical Insurer Practices While proxy discrimination and disparate impact are different forms of unfair discrimination, there is a common methodology to test for both. There is a long history of and many approaches to identifying and minimizing disparate impact in employment, credit and insurance. But, the general principle is to identify and remove the correlations between the protected class characteristic and the predictive variables by explicit consideration of the protected class characteristic. The techniques to analyze proxy discrimination and disparate impact are the same techniques insurers use in developing predictive models for all aspects of the insurance life cycle. See below for more technical explanation. Insurer trades argue that anything that restricts their ability to segment the population for any aspect of the insurance life cycle will destroy the cost-based foundation of insurance, will lead to "good risks" subsidizing "bad risks" and lead to insurer financial ruin. In fact, the existence of protected class characteristics demonstrates that risk segmentation – "predicting risk" – is not the goal of insurance but a tool to help achieve the real goal of insurance – a risk pooling mechanism providing financial security for as many as possible and particularly for those with modest resources. Insurers' arguments for unfettered risk classifications are inconsistent with the goal of insurance. While some risk segmentation is necessary to avoid adverse selection, the logical extension of that argument is not unlimited risk segmentation. In fact, if unlimited risk segmentation was necessary, we would see all insurers using all risk characteristics – they don't – and collapsing markets in states where some limitations on risk characteristics exist – they aren't. Disparate Impact Analysis Improves Cost-Based Pricing With proxy discrimination, an insurer is using a factor – a characteristic of the consumer, vehicle, property or

		environment – that is predicting race and not the insurance outcome. Proxy discrimination is, therefore, a spurious correlation and eliminating such spurious correlation improves cost-based pricing. Since proxy discrimination is indirect racial discrimination, it is currently a prohibited practice. Testing would therefore both improve risk-based pricing and stop unintentional or intentional racial discrimination. There is a long history and many approaches to identifying and minimizing disparate impact in employment, credit and insurance. But, the general principle is to identify and remove the correlations between the protected class characteristic and the predictive variables. Testing identifies true disparate impact that may require a public policy that recognizes equity – such as the prohibition against using race itself as a factor. Why is it Reasonable and Necessary to Recognize Disparate Impact as Unfair Discrimination in Insurance? 1. It makes no sense to permit insurers to do indirectly what they are prohibited from doing directly. If we don't want insurers to discriminate on the basis of race, why would we ignore practices that have the same effect? 2. It improves risk-based and cost-based practices. 3. In an era of Big Data, systemic racism means that there are no "facially-neutral" factors.