

# **Consultation comments received on supporting material on macroprudential and group supervisory issues and climate risk**

**15 July 2024 to 28 October 2024**

| Organisation                                                                         | Jurisdiction | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| <b>General comments on the draft climate risk ICP 24 related supporting material</b> |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Insurance Europe                                                                     | Europe       | <p>Insurance Europe agrees that potential financial stability implications of climate-related risks should be an integral part of macroprudential monitoring, and therefore the IAIS's efforts to provide supporting material for national insurance supervisors are welcomed.</p> <p>Many of the IAIS's recommendations and examples of good practice regarding potentially systemic climate-related risks are already in place in the European Union, eg as part of the comprehensive macroprudential monitoring and analyses by ESRB, ECB and EIOPA. Further measures regarding climate-related risks will be implemented as part of the reforms agreed on with the Solvency II review.</p> <p>In dealing with potential systemic climate-related risks, it is crucial that the general principles of insurance supervision are fully adhered to. Supervisory action should be proportionate and risk-oriented in order to avoid unnecessary burdens on insurers and supervisors or potential negative side effects on the functioning of the insurance industry. With respect to financial stability implications from climate-related risks, the IAIS should place greater emphasis on the crucial role insurers play in managing risks on behalf of the broader economy thereby mitigating overall systemic risk. Additionally, climate risk also presents an opportunity for insurers, given that risk management is their core business.</p> |

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| International Actuarial Association (IAA)                | International | <ul style="list-style-type: none"> <li>• The draft paper seems to be overly focused on investment operations, especially those related to long duration products, with little that is clearly relevant to macroprudential short duration non-life markets (where the investments may have durations of 5 years or less).</li> <li>• For insurance of non-life property risks, a major factor in systemic risk may be markets of last resort – both whether they exist at all and the significance of those that do exist. Such markets would be expected to have increasing importance in many jurisdictions, and may not be included in the data collections discussed in the draft paper. The paper should address including such market mechanisms in any relevant macroprudential analysis, including how the significance of such markets may change over time as climate change implications grow.</li> </ul> <p>For example, there may be systemic risk if the non-life industry abandons markets of high windstorm or wildfire risk, such that industries or residences in those areas no longer have property damage risk protection. Even if markets of last resort exist for such areas, the structure of those markets may lead to systemic risk in times of stress.</p> |
| American Property Casualty Insurance Association (APCIA) | USA           | <p>We agree that macroprudential supervisors should be aware of climate risks and their potential impact. That said, in this area as in others, insurers are primarily mitigators of systemic risk rather than generators or transmitters of systemic risk, and supervisors should keep this in mind. Insurers have helped society price and bear the costs of climate-related risks for many years, thus absorbing the impact of losses that would otherwise be borne by the real economy. They are also leaders in risk prevention, mitigation, and adaptation activities that also smooth the impact of catastrophic losses on society. Inappropriate restrictions will only reduce the effect of these beneficial activities.</p> <p>We also believe that the IAIS's holistic framework for the supervision of systemic risk in the insurance sector is sufficient for the consideration of climate risks, and additional tools are unnecessary.</p>                                                                                                                                                                                                                                                                                                                             |

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| <p>Council on Economic Policies, Actuarial Association of Europe (answer submitted in personal capacity)</p> | <p>Switzerland</p> | <p>General comments on the draft climate risk ICP 24 related supporting material</p> <ul style="list-style-type: none"> <li>• We welcome that the IAIS is highlighting macro-prudential supervisory issues and making recommendations related to systemic risk, an important topic which is underdeveloped and under-researched in the insurance sector compared to the banking sector. This said, the paper could be more structured in its analysis, notably by clearly distinguishing between climate mitigation issues (such as the financing and underwriting of high- vs. low-carbon technologies) and climate adaptation issues (such as uninsurability and its potential knock-on effects on real estate markets, financial markets and the economy). Important examples are also only briefly alluded to in Annex 1, rather than in the body of the report itself. Further detailed feedback is provided below.</li> <li>• Paragraph 1: We suggest amending to ‘climate change is not only a source of financial risk for individual insurers; it ALSO HAS wider implications on financial stability’</li> <li>• Annex 1, examples of physical risk indicators: on two occasions, the paper makes use of the expression ‘return period (e.g. 1 in 100)’. Such terminology is potentially misleading in the context of emerging risks which are, statistically speaking, non-stationary. For emerging risks such as climate, and as noted elsewhere in the paper by the IAIS, historical data is unlikely to provide reliable estimates for the future. Therefore, it would be more accurate to use for instance ‘1%-Value-at-Risk’, and stress that this must be evaluated on a forward-looking basis and that it will not necessarily coincide with the historical return period.</li> <li>• Annex 1, examples of physical risk indicators, last bullet point: the text should reflect the impact of premium changes, e.g., as follows: ‘... as well as necessary premium changes for business continuity AND THE EXPECTED IMPACT OF SUCH PREMIUM CHANGES ON AFFORDABILITY AND INSURABILITY.’</li> <li>• Annex 1, examples of transition risk indicators, asset and underwriting risks, second bullet point: the mention of high-carbon industries is welcome, but it is such an important climate mitigation topic that it should also be referred to in the body of the report itself. The body of the report should also include an explanation that the financing and underwriting of high-carbon industries contributes to fueling physical risks that ultimately pose a threat to financial stability.</li> <li>• Annex 1, examples of transition risk indicators, asset risks, first bullet point: CO2 emission indicators should also be extended to liabilities, not just assets, i.e., this indicator should be moved up to the previous section on “asset and underwriting risks”. Insurance-associated emissions can be measured in line with the methodology which is being developed by PCAF (the Partnership for Carbon Accounting Financials).</li> <li>• Annex 1, examples of transition risk indicators, asset risks, second bullet point: Portfolio alignment indicators are already mandatory in some jurisdictions, but are relevant in all jurisdictions for the purpose of financial stability analyses.</li> <li>• Annex 1, examples of climate scenario metrics, asset-related indicators, third bullet point: the mention of uninsurable real estate is welcome, but it is such an important climate adaptation topic that it should also be referred to in the body of the report itself. It should also be accompanied by an explanation that uninsurability (and its precursor, i.e. unaffordability of insurance) is ultimately a threat to financial, economic and social stability.</li> <li>• Annex 1, examples of climate scenario metrics, underwriting-related indicators, fourth bullet point: the mention of technology mix is welcome, but it is such an important climate topic that it should be also referred to in the body of the report itself. It should also</li> </ul> |
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|  | be accompanied by an explanation that insurance has an important systemic role in supporting the development and deployment of new technologies that are needed for the climate transition. |
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| <p>The Life Insurance Association of Japan</p> | <p>Japan</p> | <p>The Life Insurance Association of Japan (the “LIAJ”) appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (the “IAIS”) regarding the fourth consultation on climate risk related to the insurance sector. The supporting material should particularly consider three points: (1) climate risks impact the life insurance and non-life insurance businesses differently; (2) insurers play a role in mitigating climate risks; (3) application of capital add-on to insurers would not be a valid measure to address climate risks.</p> <p>Firstly, the supporting material discusses how the supervisors capture, monitor and address the effects of climate risks. However, it should take into consideration the premise that climate risks have different effects on life insurance and non-life insurance businesses. The LIAJ hence believes that it would be effective to clarify whether the illustrated measures are intended for life or non-life insurance businesses.</p> <p>Secondly, the supporting material mainly focus on risks of insurers when addressing climate changes. However, when considering supervisory matters within this topic, it is important to take into account the insurers’ role in contributing to the mitigation of climate risks through the engagement with investee companies.</p> <p>Thirdly, application of capital add-on to insurers (paragraph 35) would not be a valid measure to address climate risks. Climate risks materialise over a long time horizon with significant uncertainty in the timing and degree of manifestation, which differ greatly from other traditional risks where capital requirement can be calculated based on historical data. While the LIAJ understands the reason to consider mitigation measures of climate risks where necessary, it would be difficult to determine the consistency between climate risks and traditional risks as they have different time-horizons due to the above climate risk characteristics. For that reason, it is unclear that capital add-on would be the best mitigation measure.</p> <p>As described in paragraph 71 of “the draft Application Paper on public disclosure and supervisory reporting of climate risk”, there are various issues concerning the quality of climate risk related data and calculation. Even if the add-on capital was to be calculated, the determination of the appropriate level of capital add-on would be difficult.</p> <p>To lightly suggest capital add-on without examining these issues would place an excessive burden on insurers and would damage their capacity to contribute to the mitigation of climate risks through investments.</p> <p>For the reasons above, application of capital add-on to insurers would not be appropriate for the purpose of addressing climate risks. The words “or applying a capital add-on” in paragraph 35 should be deleted or be supported by a conditional statement “only if the add-on capital can accurately be quantified”</p> |
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| Finance Watch | EU | <p>Finance Watch welcomes the draft supporting material and the recognition that climate-related risks need additional guidance to be addressed as part of macroprudential supervision under ICP 24. The IAIS has made important progress on this subject in the past years. However, there is a further opportunity to strengthen the supporting material by mentioning the specific risks related to fossil fuel exposures. ICP 24.0.2 already acknowledges the importance of proper attention to outward risk to mitigate possible systemic risks.</p> <p>Fossil fuel-related assets are well known to be subject of a higher degree of transition and stranding risk, as recognised by EIOPA in this years Consultation on the Prudential Treatment of Sustainability Risks (see also our response to the consultation: <a href="https://www.finance-watch.org/policy-portal/sustainable-finance/eiopas-report-shows-they-take-climate-risk-seriously-consultation-response/">https://www.finance-watch.org/policy-portal/sustainable-finance/eiopas-report-shows-they-take-climate-risk-seriously-consultation-response/</a>). The higher risk differential of these assets means they also carry a higher risk for systemic destabilisation.. Systematic underpricing of these risks would lead to concentrations and in the case of abrupt risk materialisation in the case of a disorderly transition will cause knock-on, contagion or spillover effects.</p> <p>A key point for the draft supporting material is that it should avoid the use of 'may' or 'could' when providing guidance and rather use 'do', 'will' or 'should'. A first example comes in the second paragraph of the paper, stating that the guidance provided may be implemented in the context of climate-related risk drivers. The draft supporting material needs to be clearer, using 'should' here-otherwise the value of the guidance in supporting more harmonised supervisory application is reduced.</p> |
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| Public Citizen | United States | <p>Public Citizen supports IAIS and insurance supervisor consideration of climate risk impacts to financial stability. In particular, we support IAIS' attention to the following areas: (1) The need for insurance supervisors to address the risks from a delayed or divergent transition and the reality that global emissions are not currently aligned with the goals of the Paris Agreement. (2) The need for insurance supervisors to consider feedback loops and second order effects when assessing climate impacts on the insurance sector, financial system, and broader economy. (3) The need for insurance supervisors to work collaboratively with other financial regulators to address the ways risks in the insurance sector can affect other parts of the financial system.</p> <p>We also support specific recommendations of this guidance that would better align supervisor assessment and mitigation of climate risk with the realities of climate change. We support (1) the preventive and corrective measures highlighted in this guidance— in particular, “prohibiting the insurer from underwriting certain climate-related risks.” and (2) the use of alternate data sources given the gaps and shortcomings of climate risk data. In particular we support the use of scientific physical risk projections to better align models on climate-related financial risk with climate science.</p> <p>To improve this guidance, IAIS should encourage supervisors to take a precautionary approach to mitigating risk in the insurance sector. Given the data gaps and shortcomings highlighted in this guidance, supervisors cannot wait for climate risks to materialize in traditional risk models. Instead, supervisors should incorporate precautionary tools including restrictions on fossil fuel underwriting, climate-related capital requirements, and mandated transition planning to mitigate risk now.</p> |
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| Ceres | United States | <p>It is a pleasure to submit comments on behalf of Ceres and the Ceres Accelerator for Sustainable Capital Markets. Ceres is a nonprofit advocacy organization with over 30 years of experience working to accelerate the transition to a cleaner, more just, and sustainable world. Our Investor Network currently includes over 220 institutional investors that collectively manage over \$44 trillion in assets. Ceres is a founding partner of the Net Zero Asset Managers Initiative and the Paris Aligned Investor Initiative, which supports investors in aligning their investments and portfolios with the goal of a net zero emissions economy by 2050 or sooner. Our Company Network includes 50 major corporations representing industries and sectors across the economy with whom we work on an in-depth basis on climate strategy and disclosure, among other issues. Our Policy Network includes some of the most well-known brands in the U.S. with whom we work on a range of state and federal policy issues.</p> <p>The Accelerator aims to transform the practices and policies that govern capital markets by engaging federal and state regulators, financial institutions, investors, and corporate boards to act on climate change as a systemic financial risk. The comments provided herein represent only the opinions of Ceres, and do not necessarily infer endorsement by each member of our Investor, Company, or Policy networks.</p> <p>Ceres has advocated for improved climate risk disclosure and management by insurers for over 15 years, including encouraging work by U.S. state insurance commissioners to improve companies' climate disclosures. We have published 10 reports focusing on insurance, with the latest one published in July 2024 on "Navigating Climate Risks: Progress and Challenges in U.S. Insurance Sector Disclosures", the second annual analysis Ceres has conducted of major U.S. insurers' climate risk strategies by examining the disclosures companies are making. Additionally, our Director of Insurance, Jaclyn de Medicci Bruneau, is an official Consumer Presentative of the US NAIC.</p> <p>Ceres appreciates the opportunity to review the IAIS draft Application Paper supporting material on climate risk and macroprudential supervision. As an organization dedicated to advancing sustainable business practices and addressing climate change, we find this paper to be a significant step forward in recognizing the importance of climate-related risks in the insurance sector.</p> <p>The draft supporting material demonstrates a clear understanding that climate change is not only a source of financial risk for individual insurers but also has potential implications for broader financial stability. This aligns well with Ceres' perspective on the far-reaching impacts of climate change on the financial system. We note the comprehensive approach taken in addressing various aspects of climate risk, including both physical and transition risks. The IAIS's recognition of the evolving nature of climate-related risks and the need for adaptive supervision is particularly pertinent given the dynamic nature of climate change and its impacts.</p> <p>The emphasis on data collection and analysis for macroprudential purposes is a crucial element of the draft guidance. Climate</p> |
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risk presents unique challenges in terms of data availability, quality, and comparability, and addressing these issues is fundamental to effective risk assessment and management. The inclusion of scenario analysis as a key tool for assessing climate-related risks is noteworthy. Given the forward-looking nature of climate risks, scenario analysis is indeed an essential component of a robust supervisory framework.

The inclusion of the need for cross-sectoral and cross-jurisdictional coordination reflects the interconnected nature of climate risks and their potential to impact multiple areas of the financial system simultaneously. This approach is crucial for effective macroprudential supervision in the context of climate change. We also appreciate the attention given to qualitative analysis methods, recognizing that not all climate-related risks can be captured through quantitative metrics alone. This balanced approach allows for a more comprehensive assessment of potential vulnerabilities. The consideration of second-round effects and the potential for climate risks to create or amplify systemic risks provide a sophisticated analysis of the complex ways in which climate change can impact the insurance sector and broader financial stability.

Overall, Ceres finds that this draft application paper provides a solid foundation for integrating climate risk considerations into macroprudential supervision of the insurance sector. It reflects a growing recognition of the urgency and complexity of addressing climate-related financial risks, which is crucial for building a more resilient and sustainable financial system.

CRO Forum  
Association &  
CFO Forum  
Association

Europe

The CRO Forum would stress the need for a more proportionate and flexible approach to address any macro-prudential issues around climate risk. Insurers' exposure to physical, transition, liability and reputational climate-related risks and the impacts of those risks can vary considerably. A clearer delineation is needed of the various dimensions of climate-related risks and their potential magnitude before determining appropriate supervisory responses to the each of these dimensions. As an example, the IAIS primarily focuses on two specific risks: asset transition risk and natural catastrophe (NatCat) risk. Recent studies, including those by EIOPA, have shown that asset transition risk for insurers is very limited in Europe, as EU insurers generally do not hold many assets highly exposed to transition risk.

As for NatCat risk, this is not a new challenge but one that insurers are actively managing and monitoring using a risk-based approach. Furthermore, the IAIS's integration of climate risks into the global data collection for the GIMAR, do not indicate anything systemic.

As is rightly pointed out in the footnote 4 on p. 10, supervisors should consider any possible negative impacts of their actions, also with view to a potential increase of the insurance protection gap. This remark should be highlighted more prominently in the text, referring to all of the contemplated supervisory measures. These need to be balanced and also consider macroeconomic effects, especially on the re/insurance market dynamics.

Quite striking is in this regard the suggested example of the supervisory measure to prohibit an insurer from underwriting certain climate-related risks. This would represent a very strong intervention in the market. If a prohibition from covering certain climate-related risks is suggested, there is immediately the question on the alternatives, leading quickly to the assumption that there would be a shift from market-based covers to state intervention. This would send the wrong signal also to affected populations/public and private policyholders that they do not need to or cannot find solutions to cover their risks, based on the assumption that governments will have to step in with taxpayer money if no insurance is available. Rather, the promotion of risk reduction measures wherever possible, in order to support/maintain the insurability of certain climate risks should be highlighted and considered to become part of the role of insurance supervisors. It is further the core function of insurance and reinsurance to provide an indication of the price/cost associated with a certain risk and to thereby signal where action is needed to keep e.g. business and social activities and private as well as public property insurable.

In addition, we would also highlight attention to the EC Climate Resilience Dialogue paper where in chapter 3 "risk reduction measures" of the EC Climate Resilience Dialogue paper it underlines the importance of risk reduction. In the summary of the proposed action in Chapter 5 climate risk reduction measures are among those which are listed for public authorities to take action on.

In conclusion, CROF would request the IAIS to focus on a proportional approach to climate change risk and avoid supervisory

overreach. We caution against disproportionate supervisory tools, such as prohibiting insurers from underwriting specific climate risks, as these may be counterproductive, especially in light of the issue of the protection gaps.

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| EDHEC Infra<br>& Private<br>Assets | Singapore | While the draft of Application Paper and supporting material have been drafted in line with the concept of single materiality (i.e., focusing on risk), we would like to remind supervisors the feedback loops between the climate, economy, and society systems. When we emphasis one aspect too much, it could lead to the outcomes we want to avoid initially. For instance, if supervisors emphasize the risks associated with stranded assets too heavily, insurers may intend to rapidly reduce their exposure to these assets within a short timeframe. Such actions could have significant shocks in the financial markets, potentially increasing risks across all asset classes. Moreover, it could lead to sharp rises in utility prices, adversely affecting public interests in the short term and thereby hindering progress towards net-zero targets. We suggest supervisors use more holistic views instead of standing on the financial risk views only when handling the challenges of climate related risks. |
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| Global Federation of Insurance Associations (GFIA) | Global | <p>GFIA agrees that potential financial stability implications of climate-related risks should be an integral part of macroprudential monitoring, and welcomes the IAIS's efforts to provide supporting material for national insurance supervisors.</p> <p>GFIA also agrees that it is important for macroprudential supervisors to be aware of climate risks and their potential impacts. However, it needs to be reminded that in this area as in others, insurers are primarily mitigators of systemic risk rather than generators or transmitters of systemic risk. GFIA suggests that supervisors take that into consideration.</p> <p>Many of the IAIS's recommendations and examples of good practice regarding potentially systemic climate-related risks are already in place in many jurisdictions around the world.</p> <p>In dealing with climate-related risks as a new source of potential systemic risk, just as with any other of the potential systemic risks the insurance industry faces, it is crucial that the general principles of insurance supervision are fully adhered to. Supervisory action should be proportional and risk-oriented in order to avoid unnecessary burdens on insurers and supervisors or potential negative side effects on the functioning of the insurance industry. Considering that supervisors already have strong principles regarding systemic risks in place, climate risks should be integrated within this existing oversight framework. With respect to financial stability implications from climate-related risks, the IAIS should place greater emphasis on the crucial role insurers play in managing risks on behalf of the broader economy, thereby mitigating overall systemic risk. Additionally, climate risk also presents an opportunity for insurers, given that risk management is their core business.</p> |
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| The Geneva Association | International | <p>We are concerned about the extensive recommendations and the prescriptive language put forward in the macroprudential paper. The paper seems to conflate the distinction between the macroeconomic and macroprudential aspects of climate risk. While climate change undoubtedly presents significant macroeconomic and societal challenges, this does not automatically translate into macroprudential risks that could destabilise the insurance sector. The paper appears to suggest that the insurance industry may exacerbate these risks, a far-reaching claim that would require careful substantiation by the IAIS. On the contrary, insurers play a key role in mitigating and managing climate-related impacts, thereby fostering broader climate resilience for society. Furthermore, the approach to climate risk seems to have been improperly modelled on the response to the 2008 Financial Crisis, which involved opaque non-insurance financial transactions, whereas climate change poses a distinctly different challenge. The insurance industry does not create or worsen climate-related risks but helps to mitigate them. Any argument to the contrary must be thoroughly substantiated, and macroprudential concerns or financial stability implications related to the insurance sector must be clearly identified to justify any supervisory intervention.</p> <p>Supervisors are concerned about potential spill-over effects between insurers and banks, especially where climate change risks may affect the availability and affordability of insurance in high-risk areas. While insurance pricing provides vital risk signals to the economy and broader society, it is the role of property buyers and banks to assess and appropriately reflect such price signals, including the cost of insurance. Banks are increasingly exposed to climate-related risks, but this is not due to insurers adjusting their pricing based on risk; rather, this pricing helps to provide essential price signals which are important to prevent build-up of systemic risk. When property owners cannot afford insurance due to climate-driven price hikes, it signals the need for policy action, such as revising zoning regulations or enhancing infrastructure. Restricting insurers from covering certain risks would undermine their essential role in mitigating climate impacts. The IAIS' macroprudential concerns around asset transition and NatCat risks stands in contrast with recent studies that found that insurers face limited asset transition risks and manage NatCat risks well through a risk-based approach. Recent stress tests by EIOPA and ACPR show that NatCat risk does not pose significant capital threats. The IAIS GIMAR report in 2021 with focus on identifying systemic risks with regard to insurers assets concluded that climate-related risks in the insurance sector are manageable and it indicated that the integration of climate risks into the data collection for the Global Monitoring Exercise (GME) was not related to the idea that there is climate change related systemic risk emanating from the insurance industry. It is crucial that the IAIS approach to macroprudential policy for climate risks remains consistent with perspectives across various IAIS studies and aligned with the real risks posed.</p> <p>Given our concerns, we find the suggested supervisory actions in the macroprudential paper difficult to reconcile with the actual risks identified. We are particularly concerned about the inadequate recommendations, including potential implicit restrictions on underwriting climate-related risks and capital add-ons and prescriptive language in the paper (e.g. using words like "should"). These recommendations stand in sharp contrast with the IAIS' recent work on protection gaps, highlighting that such measures could widen the protection gap and impose undue burdens on insurers, hindering their ability to manage these risks effectively. Including these insights could help ensure that policy measures are effective and avoid any unintended, counterproductive</p> |
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effects.

Instead of restricting insurers from covering respective risks or proposing capital add-On's, a more appropriate response would involve policy measures aimed at reducing overall climate-related risks, which often extend beyond the direct control of insurers and supervisors. Rather than initiating with prescriptive supervisory actions based on unsubstantiated assumptions, a more helpful starting point would be if the IAIS conducts a comprehensive study on how climate-change-related risks would affect the economy and the insurance sector. Only after conducting such an analysis and concluding that climate change threatens the viability of the industry appropriate supervisory actions should be defined. The current approach, which begins with data collection, is unlikely to enhance the sector's resilience against potential climate-related risks.

#### Data collection

The draft supporting material places significant emphasis on data collection and analysis for macroprudential purposes, including data related to the climate scenario metrics listed in the appendix. However, it remains unclear how these data points will be utilised to assess risk. Supervisory authorities should have a clear rationale and objective before requesting extensive data from the industry. They should also consider publicly available information before seeking additional data. IAIS guidance in this direction would in our view be more helpful than the development of additional metrics and the collection of additional data for macroprudential purposes.



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| Institute of International Finance (IIF) | United States | <p>The Institute of International Finance (IIF) and its insurance members welcome the opportunity to comment on the IAIS's Draft supporting material on macroprudential and group supervisory issues and climate risk (Draft supporting material). Insurance Core Principle (ICP) 24 calls on supervisors to identify, monitor, and analyze market and financial developments and other environmental factors that may impact insurers and the insurance sector, use this information to identify vulnerabilities, and address, where necessary, the build-up and transmission of systemic risk at the individual insurer and at the sector-wide level. The Draft supporting material is intended to provide further advice, illustrations, recommendations or examples of good practice on how ICP 24 may be implemented in the context of climate-related risk drivers</p> <p>The Draft supporting material should adopt an illustrative, proportionate and adaptable 'toolbox' approach rather than setting out prescriptive guidance to supervisors. The supporting material should reflect an adaptable 'toolbox' approach in line with the objective of an application paper, which is to provide illustrations, recommendations and examples of good practice to supervisors. More illustrative and adaptable supervisory material would better accommodate the range of supervisory approaches employed by insurance supervisors and reflect specific jurisdictional contexts and markets.</p> <p>As proposed, the Draft supporting materials are overly prescriptive, including through the frequent use of the term 'should,' and do not, in our view, accomplish the objective of an application paper. The tools in the toolbox should be proportionate to any finding of macroprudential concerns related to the insurance sector.</p> <p>The IAIS should consult further on any final package of guidance or recommendations on climate-related risks. In addition to the current consultation and the IAIS consultation on the Draft Application Paper on public disclosure and supervisory reporting of climate risk, the IAIS has sought input since March 2023 on: (i) changes to the ICP Introduction and the supporting materials under ICPs 7 and 8 (March 2023); (ii) supporting materials addressing market conduct and scenario analysis (November 2023); and changes to ICP and supporting material related to corporate governance, risk management and internal controls, valuation for solvency purposes, investment activities and enterprise risk management frameworks (March 2024). IIF members believe there is a need for stakeholder input on any final product that is designed to integrate these different and extensive elements into a final product that is intended to position climate risk within the global framework for insurance supervision. This is particularly necessary in light of the need for a substantially different approach to the Draft supporting material, as outlined in our overarching comments.</p> |
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| E3G                                                                                                   | United States | <p>We support acknowledgment of second order effects that could result from actions taken by financial institutions and others in response to climate risk or scenarios. We support risk assessment of the second-round effects induced by endogenous drivers following actions taken by financial institutions, households, regulators and/or policymakers in response to an initial climate risk impact or scenario.</p> <p>As described above, we underscore the need for coordination across sectors, and across borders, e.g., reinsurance markets.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Comments on climate change and financial stability risks</b>                                       |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Council on Economic Policies, Actuarial Association of Europe (answer submitted in personal capacity) | Switzerland   | <p>Comments on climate change and financial stability risks</p> <ul style="list-style-type: none"> <li>• Paragraph 5: We disagree that there is a 'lack of consistent methodologies, standardized metrics and comparable disclosures around climate risk'. Over the last years, TCFD has become a standard framework and has been incorporated in numerous national reporting requirements, either directly or indirectly through requirements that are TCFD-compatible (e.g. EU CSRD/ESRS E1, ISSB/IFRS S2). It is worth noting that in addition to reporting requirements, TCFD also provides methodological recommendations (both in its core version and in its specific guidance for the financial sector) which can be consistently applied and leveraged by insurance companies.</li> <li>• Paragraph 6: This should be amended to reflect that 'insurers may face reputational AND/OR LITIGATION RISK due to their financial support for carbon-intensive sectors'</li> <li>• Paragraph 8: This should be amended to reflect that 'if the effective transition to a more sustainable or net-zero economy is delayed, this WILL increase the probability that physical risks will materialize'</li> <li>• Paragraph 8: Regarding the transition pathways that supervisors should consider, this should not be limited to orderly and disorderly transitions. For proper macro-prudential risk management, this should also include more adverse scenarios, such as 'business-as-usual'/'hothouse' scenarios.</li> </ul> |
| The Life Insurance Association of Japan                                                               | Japan         | <p>The IAIS states that "insurers could contribute to the generation or amplification of systemic risk induced by climate risk events" in paragraph 4. The word "amplification" should be deleted as it is not supported with sufficient and persuasive explanation, and is misleading.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

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| Finance Watch | EU | <p>The recognition of higher impact of a delayed and divergent transition in the draft supporting material is important, as is the recognition of the need for supervisors to better understand climate-related risks.</p> <p>The draft supporting material also rightly highlights disruption risk- outlining the situation where climate impacts on the financial system could also trigger reactions with other participants within the financial system (including insurers) trying to mitigate the impact of the events on their balance sheet. The explicit acknowledgment that climate change is not only a financial risk to individual insurers but also has the potential to disrupt the wider financial system is a significant step.</p> <p>The recognition in the draft supporting material of the heightened risks associated with a delayed and divergent transition is particularly important. As the transition to a low-carbon economy is delayed, the possibility of a disorderly transition increases, and with it the chance of severe disruption in financial markets. By emphasising this, the IAIS is supporting supervisors in taking timely measures to address these risks. As insurers and other financial participants react to a sudden transition, systemic risks will be amplified, potentially triggering broader macroeconomic effects. The focus on how these reactions may influence both the financial system and the real economy is a key consideration in macroprudential supervision.</p> <p>In line with the recent work of EIOPA on the prudential treatment of sustainability risks, the supporting advice is right to point out that market pricing of investments is not taking into account climate risk. EIOPA investigated the specific area of fossil fuel exposures and found them to be underpriced from a risk capital perspective. This is an example and a result of the market not pricing in climate risk.</p> <p>As it has been established that fossil fuel exposures carry a much higher risk differential (transition/ stranding and increasingly reputational), it would be important to see the draft supporting material on ICP 24 dive deeper into the specific risks of high-carbon industries, both for underwriting and assets. Supervisors should also pay special attention to the impact materiality of fossil fuel exposures, as is already embedded in ICP 24.0.2 (outward risks). Systematic underpricing of these risks would lead to concentrations and in the case of abrupt risk materialisation in the case of a disorderly transition will cause knock-on, contagion or spillover effects.</p> |
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| National Association of Insurance Commissioners (NAIC) | USA, NAIC     | <p>Suggest the following editorial change to Para. 8:</p> <p>For instance, if the effective transition to a more sustainable or net zero economy is delayed, this may increase the probability that physical risks will materialise, including the severity and frequency of physical risk events.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Public Citizen                                         | United States | <p>As this guidance highlights, “climate risk events could spread beyond the insurance sector and impact the wider financial system.” When supervisors consider the flow of risk from insurers to financial markets, the economy, and society writ-large, supervisors should incorporate measures to ensure these risks do not fall disproportionately on low and moderate income (LMI) communities and communities of color.</p> <p>Insulating insurer balance sheets from climate risks do not make these risks disappear, instead they migrate elsewhere in the financial system. Bluelining, or the practice of limiting credit creation and investment in climate-vulnerable areas, often leads to financial exclusion for LMI communities and communities of color. Due to a history of systemic exclusion, including redlining, low income communities and communities of color are overrepresented in climate-vulnerable areas and are disproportionately subjected to higher premiums or the loss of coverage. [1] This practice can exacerbate existing inequalities, creating further financial exclusion for communities that already face systemic barriers to credit access and homeownership. Prudent macroprudential risk management cannot rely on transferring risks from insurers to climate-vulnerable communities. This transfer of risk could further heighten financial inequality, while a growing body of research suggests that growing inequality could contribute to financial instability.</p> <p>[1] <a href="https://greenlining.org/wp-content/uploads/2023/08/FINAL-GLI_Bluelining_report_2023.pdf">https://greenlining.org/wp-content/uploads/2023/08/FINAL-GLI_Bluelining_report_2023.pdf</a>.</p> |

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| Ceres | United States | <p>Ceres commends the IAIS for its comprehensive approach to addressing climate-related risks in the insurance sector and their potential impact on financial stability. The paper's emphasis on the urgency of climate action, as highlighted by the reference to the UN Framework Convention on Climate Change's 2023 report, aligns strongly with Ceres' stance on the critical nature of immediate climate action. We appreciate the recognition of the "rapidly narrowing window" for action, which underscores the need for swift and decisive measures within the insurance sector.</p> <p>The multifaceted nature of climate risks facing insurers is well-articulated, encompassing physical, transition, liability, and reputational risks. This holistic approach is vital for understanding the full scope of climate-related challenges. Moreover, the acknowledgment of insurers' dual exposure to climate risks as both underwriters and investors highlights the sector's unique position in climate risk management and mitigation. The draft language on transmission channels and feedback loops within the financial system is particularly insightful, as it effectively illustrates how climate risks can have far-reaching impacts beyond the insurance sector, potentially affecting the broader economy. This systemic view aligns with Ceres' understanding of the interconnected nature of climate risks across various sectors and financial systems.</p> <p>We appreciate the paper's recognition of the challenges in assessing and pricing climate risks due to the lack of consistent methodologies and standardized metrics. This acknowledgment resonates with Ceres' work on improving climate risk disclosure and management. Similarly, the inclusion of reputational risks associated with financing carbon-intensive sectors aligns with our focus on sustainable finance and the need for a transition to a low-carbon economy. The consideration of interdependencies between physical and transition risks, along with the exploration of different transition scenarios, demonstrates a nuanced understanding of climate change impacts. This approach is crucial for developing effective risk management strategies and policies.</p> <p>While the paper provides a strong foundation, Ceres believes there are opportunities to further enhance its guidance and impact. We recommend strengthening the emphasis on transition planning, providing more detailed guidance on climate scenario analysis, and addressing data gaps in climate risk assessment. Given the growing trend of climate-related litigation, a more detailed exploration of liability risks would be valuable. Additionally, while the focus on risks is crucial, we suggest including a discussion on the opportunities for insurers in the transition to a low-carbon economy, such as innovative products supporting clean energy and climate resilience.</p> <p>To further strengthen the paper's practical application, we recommend adding guidance on how insurers can engage with their clients and investee companies to promote climate risk management and emissions reduction. This engagement can be a powerful tool in insurers' risk mitigation strategies. Lastly, given the paper's comprehensive discussion of various risk transmission channels, we suggest including recommendations for climate stress testing that capture these complex interactions and feedback loops. Such stress tests could provide valuable insights for both insurers and supervisors in understanding and</p> |
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managing climate-related risks.

Ceres believes that by incorporating these recommendations, the IAIS can further strengthen this application paper, providing more comprehensive guidance for insurance supervisors in addressing climate-related risks and promoting a sustainable, resilient financial system. We appreciate the opportunity to contribute to this important work and look forward to continuing engagement with IAIS on these critical issues.

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| EDHEC Infra<br>& Private<br>Assets | Singapore | We notices the increasing importance of analysis using the scenarios corresponding to delayed and divergent transitions. Despite insurers can have insights by using the scenarios with these two narratives, we emphasis there is the likelihood that the world does not go into either of the two scenarios eventually. As a more robust approach to understand the climate related risks, we recommend the industry using the stochastic scenarios which contain a broader spectrum of possible outcomes with climate uncertainties. This provides supervisors more systematic views on the risks of the insurance sector. |
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| The Geneva Association | International | <p>The paper seems to conflate the distinction between the macroeconomic and macroprudential aspects of climate risk. While climate change undoubtedly presents significant macroeconomic and societal challenges, this does not automatically translate into macroprudential risks that could destabilise the insurance sector. The paper appears to suggest that the insurance industry may exacerbate these risks, a far-reaching claim that would require careful substantiation by the IAIS. On the contrary, insurers play a key role in mitigating and managing climate-related impacts, thereby fostering broader climate resilience for society. Furthermore, the approach to climate risk seems to have been improperly modelled on the response to the 2008 Financial Crisis, which involved opaque non-insurance financial transactions, whereas climate change poses a distinctly different challenge. The insurance industry does not create or worsen climate-related risks but helps to mitigate them. Any argument to the contrary must be thoroughly substantiated, and macroprudential concerns or financial stability implications related to the insurance sector must be clearly identified to justify any supervisory intervention.</p> <p>Supervisors are concerned about potential spill-over effects between insurers and banks, especially where climate change risks may affect the availability and affordability of insurance in high-risk areas. While insurance pricing provides vital risk signals to the economy and broader society, it is the role of property buyers and banks to assess and appropriately reflect such price signals, including the cost of insurance. Banks are increasingly exposed to climate-related risks, but this is not due to insurers adjusting their pricing based on risk; rather, this pricing helps to provide essential price signals which are important to prevent build-up of systemic risk. When property owners cannot afford insurance due to climate-driven price hikes, it signals the need for policy action, such as revising zoning regulations or enhancing infrastructure. Restricting insurers from covering certain risks would undermine their essential role in mitigating climate impacts. The IAIS' macroprudential concerns around asset transition and NatCat risks stands in contrast with recent studies that found that insurers face limited asset transition risks and manage NatCat risks well through a risk-based approach. Recent stress tests by EIOPA and ACPR show that NatCat risk does not pose significant capital threats. The IAIS GIMAR report in 2021 with focus on identifying systemic risks with regard to insurers assets concluded that climate-related risks in the insurance sector are manageable and it indicated that the integration of climate risks into the data collection for the Global Monitoring Exercise (GME) was not related to the idea that there is climate change related systemic risk emanating from the insurance industry. It is crucial that the IAIS approach to macroprudential policy for climate risks remains consistent with perspectives across various IAIS studies and aligned with the real risks posed.</p> |
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| Institute of International Finance (IIF) | United States            | <p>The interlinkages between climate change and broader macroeconomic considerations should not be conflated with the discussion of macroprudential or financial stability implications of insurance sector climate-related financial risks. The broader macroeconomic risks and impacts of climate change for society, which are undoubtedly high, should be distinguished from the macroprudential perspective and any possible contribution by the insurance industry to any negative climate impacts on financial stability. The Draft supporting material does not clearly identify nor substantiate the IAIS's macroprudential and financial stability perspectives, which should be the focus of any supervisory action, if needed.</p> <p>We believe that the insurance sector's positive macroeconomic contributions could be better reflected in the Draft supporting material. We encourage the IAIS to recognize the important role that the insurance sector plays in dampening and mitigating the impacts of climate change on society by underwriting and reinsuring climate exposures, engaging in climate-related investment activities, and supporting climate resilience efforts.</p> <p>The IAIS should provide clear support for how any potential negative macroeconomic impacts arising from insurance sector activity warrant a need for macroprudential action with the level of prescription in the Draft supporting material. The IAIS should describe in sufficient detail the evidence supporting a finding that there are substantive implications from climate change for the insurance sector and should substantiate how the approach taken in the Draft supporting material is proportionate, risk-based and carefully tailored to address the specific identified potential need for macroprudential action for the insurance sector.</p> <p>We encourage the IAIS to identify and substantiate the key assumptions underlying the Draft supporting material. For example, Paragraph 6 states without clear support that insurers could contribute to the generation or amplification of systemic risk induced by climate risk events.</p> |
| MSCI ESG Research LLC                    | United States of America | <p>In addition to the risks outlined by IAIS, supervisors may also consider requiring insurers to assess and manage the impact of climate risk on asset-liability management. Transition and physical risks of climate change may affect insurers' asset and liability sides in different degrees and in different time horizons. This poses additional liquidity challenges to insurers.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

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| E3G                                                      | United States | <p>As this guidance highlights, “climate risk events could spread beyond the insurance sector and impact the wider financial system.” When supervisors consider the flow of risk from insurers to financial markets, the economy, and society writ-large, supervisors should incorporate measures to ensure these risks do not fall disproportionately on low and moderate income (LMI) communities and communities of color.</p> <p>Recent research from the U.S. Treasury’s Office of Financial Research, as well as the New York Federal Reserve describes impacts on housing markets here, as well as here. See also, Office of Financial Research/Cornell University Conference October 2024.</p> <p>Insulating insurer balance sheets from climate risks do not make these risks disappear, instead they migrate elsewhere in the financial system.</p> <p>In the U.S., for example, blue lining, or the practice of limiting credit creation and investment in climate-vulnerable areas, often leads to financial exclusion for LMI communities and communities of color. Due to a history of systemic exclusion, including redlining, low income communities and communities of color are overrepresented in climate-vulnerable areas and are disproportionately subjected to higher premiums or the loss of coverage.</p> <p>This practice can exacerbate existing inequalities, creating further financial exclusion for communities that already face systemic barriers to credit access and homeownership. Prudent macroprudential risk management cannot rely on transferring risks from insurers to climate-vulnerable communities. This transfer of risk could further heighten financial inequality, while a growing body of research suggests that growing inequality could contribute to financial instability.</p> |
| Comments on data collection for macroprudential purposes |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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| International Actuarial Association (IAA)                | International | <p>Paragraph 14 – This paragraph suggests monitoring “at least annually”. The implication is that more frequent monitoring may be necessary. We would caution against more frequent monitoring, as portfolios of insurance risk do not turn over that frequently for nearly all product types. With annual policies or longer-term policies, an insurer cannot change its portfolio of insurance risk except over time, such that monitoring more frequently than annual would likely fail any cost-benefit analysis.</p> <p>Annex 1 – We were surprised to see AAL listed as a measure of systemic risk. Instead we believe that AAL is not useful for a measure of systemic risk, as it is a pricing variable, a measure of expected losses. Presumably an insurer (and societal in general) should not face systemic risk if expected losses occur. "PML" is what should be used, although the term "PML", while frequently used in this regard, is actually a misnomer. PML with regard to property risks related to what could be expected as a maximum loss for something like theft, where it was not realistic to assume that an entire warehouse would be robbed of 100% of contents (where the PML was an estimate of the maximum amount a thief might steal given the volumes involved). Instead, the VaR (or loss for a given return period) is what is actually being calculated and given the label of PML.</p> |
| American Property Casualty Insurance Association (APCIA) | USA           | <p>We agree with paragraph 10's statement that “Supervisors should first make use of the data sets that are available and consider the costs and benefits of obtaining additional data.” All subsequent data requests should be pursuant to supervisory authority and limited to material risks, supported by a clear rationale and objective, and should be narrowly tailored to support that objective without imposing undue expenditure of resources.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

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| Council on Economic Policies, Actuarial Association of Europe (answer submitted in personal capacity) | Switzerland | <p>Comments on data collection for macroprudential purposes</p> <ul style="list-style-type: none"> <li>• Paragraph 11, third bullet point: Supervisors' data governance and IT infrastructure should also be able to accommodate qualitative data, such as for instance descriptions of transition plans or qualitative risk analysis (e.g., reputation risk).</li> <li>• Paragraph 12: Regarding third-party models for natural catastrophes, supervisors should favor, wherever possible, open-source models that are also available to a wider range of stakeholders, in order to reach a transparent, shared view of climate risks. Such examples include EIOPA (EU) using the Climada models (<a href="https://www.eiopa.europa.eu/tools-and-data/open-source-tools-modelling-and-management-climate-change-risks_en">https://www.eiopa.europa.eu/tools-and-data/open-source-tools-modelling-and-management-climate-change-risks_en</a>)</li> <li>• Paragraph 13: This should be amended to reflect that 'where spillover effects on other parts of the financial sector (e.g., banking) are likely, a cross-sectoral approach WILL be needed', notably for financial conglomerates active in other financial sectors (such as banking, asset management or pension funds) in addition to insurance.</li> <li>• Text box 'IAIS climate data and analysis': supervisors should also collect (and publish) insurers' exposure to fossil fuels, as has been done for their investments by the California Department of Insurance or by France's ACPR/AMF, for example.</li> </ul> |
| The Life Insurance Association of Japan                                                               | Japan       | <p>As to the statement "if climate risk-based indicators are not available, exposure-based proxies, such as investment breakdown by high-carbon intensive sectors or NatCat exposures by peril, could also be used" in paragraph 18, it should be noted that the use of sector-based exposures as a monitoring indicator may overestimate climate risks. Individual insurer's climate risks cannot be measured based solely on the sector because insurers take different measures against climate risks even if they belong to the same sector. Also when monitoring climate-related risks, it would be important to focus not only on the values at a single point in time, but also on the change of value over two points in time. Monitoring values only at a single point in time could overlook an insurer's effort to mitigate the GHG emission during a period and would contribute to the pressure for divestment. Since climate risks need to be captured over a longer time horizon (e.g. 20 to 30 years), transition plans would be useful considering insurers' long-term efforts. Therefore, the LIAJ believes that monitoring indicators need to be determined by individual insurer's exposures with the consideration of transitional and other measures rather than sectoral exposures.</p>                                                                                                                                                                                                                                                                      |

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| Finance Watch | EU | <p>Finance Watch welcomes the guidance in the draft supporting material to use scientific physical risk projections for the risk assessment. This allows supervisors to make proper assessments of whether the data coming from insurers is leading to realistic conclusions on the impact of climate risks.</p> <p>Given the current issues with climate risk data outlined in the supporting material, there is a need for advice on precautionary macroprudential measures to address systemic build-ups of climate risk.</p> <p>As the supporting material rightly states, timely and high-quality data are essential to systemic risk assessment. Climate-related risks are inherently forward-looking, non-linear and radically uncertain. As the transition to a low-carbon economy has not yet occurred, the risks associated with that transition are not represented in the data, which is recognised by the supporting material.</p> <p>To address this, the focus must shift as well to forward-looking data. As recognised by EIOPA in their Consultation on the Prudential Treatment of Sustainability Risks, forward-looking data is essential to any analysis aimed mitigating climate-related risks. (see also our response to the consultation: <a href="https://www.finance-watch.org/policy-portal/sustainable-finance/eiopas-report-shows-they-take-climate-risk-seriously-consultation-response/">https://www.finance-watch.org/policy-portal/sustainable-finance/eiopas-report-shows-they-take-climate-risk-seriously-consultation-response/</a>). However, Finance Watch recognises that forward-looking methodologies hinge on certain assumptions and models, particularly models used in the analysis of different transition scenarios, which greatly impacts the results. We have previously discussed modelling limitations in current scenario analysis in our report 'Finance in a hot house world' (<a href="https://www.finance-watch.org/policy-portal/sustainable-finance/report-finance-in-a-hot-house-world/">https://www.finance-watch.org/policy-portal/sustainable-finance/report-finance-in-a-hot-house-world/</a>).</p> |
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| Public Citizen | United States | <p>We support the need for timely and high quality data to support analysis and decision-making in the insurance sector, including data collection to inform macroprudential risk management. In particular, we support the use of both quantitative and qualitative data, as quantitative data on climate-related financial risks can be limited and overreliance on inadequate quantitative data can encourage false precision. We also support the use of scientific physical risk projections when financial risk data is incomplete or unavailable. These projections can better account for the scope and severity of physical risk when compared to many widely used climate-related financial risk models (i.e NGFS scenarios).</p> <p>Insurance supervisors should also consider the ways that data collection for macroprudential purposes is distinct from data collection to inform firm-level risk management. Supervisors should collect data not only on risks insurers are exposed to, but also risks insurers contribute to the financial system, including, for example, through their underwriting and financing of fossil fuel projects. While reliance on one year contracts may reduce an insurer's own transition risk, these projects contribute climate risk to the system. Macroprudential risk management must include assessment of these risks.</p> <p>Additionally, the availability of climate risk data and modeling through third-party vendors is not a substitute for insurers and their supervisors building their own capacity to assess climate risk. Given the limited oversight of third-party vendors, the risk assessments produced by these firms must be closely evaluated by insurance supervisors rather than accepted without scrutiny. To address the limitations of reliance on third party data providers, insurance supervisors should work cooperatively with other financial regulators and governments to create public climate risk data options.</p> |
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| Ceres | United States | <p>Ceres views the IAIS draft application paper on data collection for macroprudential supervision of climate-related risks as a significant step forward. The paper's integration of climate risk data collection into existing supervisory frameworks aligns with our stance on mainstreaming climate considerations in financial oversight. The IAIS's recognition of evolving data needs reflects the dynamic nature of climate risks; a flexibility that is crucial as our understanding of climate impacts on the financial system continues to develop. The paper's acknowledgment of challenges in climate data collection, including the nascent nature of many sources, demonstrates a pragmatic approach to the current state of climate risk assessment.</p> <p>We support the emphasis on enhanced data governance and IT infrastructure to accommodate climate-related information. The recognition that climate risk analysis may require more granular data than traditional risks resonates with the complexities involved in climate risk assessment. The suggestion to complement insurer-provided data with third-party models and scientific projections is credible, potentially building a more comprehensive picture of climate risk. Additionally, the focus on cross-sectoral and cross-jurisdictional coordination in data collection and analysis is essential, given that climate risks transcend sector and national boundaries. The IAIS's ongoing work to integrate climate-related elements into the Global Monitoring Exercise (GME) demonstrates a commitment to refining climate risk assessment. The recent addition of liability risks related to natural catastrophe events is a positive development.</p> <p>To further enhance the paper's guidance, Ceres recommends:</p> <ul style="list-style-type: none"> <li>- Providing more specific direction on standardizing climate risk metrics and methodologies, potentially with a tiered system including both core and optional indicators, to allow governments of different capacity levels to build up their capabilities gradually.</li> <li>- Emphasizing forward-looking metrics and scenario analysis data.</li> <li>- Including guidance on collecting data related to insurers' climate strategies and transition plans.</li> <li>- Specifying data collection frequencies for different types of climate-related information.</li> <li>- Suggesting capacity-building measures for supervisors to enhance their climate data capabilities.</li> </ul> |
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| EDHEC Infra & Private Assets                       | Singapore     | To address the challenge of the "nascent nature of many climate-related data sources," enhancing the transparency of data and methodology is essential step. We fully disclose the methodologies for sustainability data and climate risk metrics as in a series of our papers, e.g. N. Manocha and F. Blanc-Brude ( <a href="https://publishing.edhecinfra.com/papers/2021_blanc-brude_manocha.pdf">https://publishing.edhecinfra.com/papers/2021_blanc-brude_manocha.pdf</a> ) describes systematic approach to the ESG taxonomy for infrastructure assets; B. Jayles and J. Shen ( <a href="https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4779788">https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4779788</a> ) and F. Blanc-Brude et.al. ( <a href="https://scientificinfra.com/paper/physical-risks-the-cost-of-capital-of-infrastructure-investments-flood-damage-factor-estimation-and-bond-yields-in-u-s-airports/">https://scientificinfra.com/paper/physical-risks-the-cost-of-capital-of-infrastructure-investments-flood-damage-factor-estimation-and-bond-yields-in-u-s-airports/</a> ) illustrate the methodology of collecting and assessing the asset-level physical damage and etc. To further support reliability, we are developing a Data Quality Score, which aligns with the principles of the PCAF Global GHG Standard, but extends to both physical and transition risks. We believe these methodologies and indicators can accelerate the data collection for supervisors. |
| Global Federation of Insurance Associations (GFIA) | Global        | GFIA agrees with Paragraph 10's statement that "Supervisors should first make use of the data sets that are available and consider the costs and benefits of obtaining additional data."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| The Geneva Association                             | International | The draft supporting material places significant emphasis on data collection and analysis for macroprudential purposes, including data related to the climate scenario metrics listed in the appendix. However, it remains unclear how these data points will be utilised to assess risk. Supervisory authorities should have a clear rationale and objective before requesting extensive data from the industry. They should also consider publicly available information before seeking additional data. IAIS guidance in this direction would in our view be more helpful than the development of additional metrics and the collection of additional data for macroprudential purposes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |



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| Institute of International Finance (IIF) | United States            | <p>Section 1.2 of the Draft supporting material properly acknowledges the challenges faced by insurers in providing climate-related data. We support the recommendations to supervisors to employ data from external sources, as well as information that is already available to supervisors.</p> <p>We would expand Section 1.2 to state that any data requested from an insurer or insurance group should be clearly reflective of the materiality of the climate-related risks to which the company is subject. Data collections for macroprudential purposes should be clearly tied to the supervisory mandate and supervisors should clearly articulate how the information will be used and analyzed for supervisory purposes.</p>                                                                                                                                  |
| MSCI ESG Research LLC                    | United States of America | <p>On the asset/investment side, MSCI sees value in the introduction of a common set of quantitative indicators to ensure greater comparability of climate-related risks among insurers. By having access to a core list of quantitative data, stakeholders will be able to build a more accurate and detailed assessment of an insurer's climate-related risk exposure profile.</p> <p>Supervisors may consider aligning their data collection requirements with existing climate disclosure requirements for institutional investors. These standards include ISSB, SASB, EU ESRS, US SEC's rule among others. Furthermore, employing forward-looking disclosure templates, such as the distance to net zero pathways and alignment metrics, would provide stakeholders with a more comprehensive assessment of the future resilience, or lack thereof, of insurers.</p> |

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| E3G | United States | <p>We support the need for timely and high quality data to inform analysis and decision-making in the insurance sector, including data collection to inform macroprudential risk management. We support the use of both quantitative and qualitative data, as quantitative data on climate-related financial risks can be limited and overreliance on inadequate quantitative data can encourage false precision. These projections can better account for the scope and severity of physical risk when compared to many widely used climate-related financial risk models.</p> <p>Insurance supervisors should also consider the ways that data collection for macroprudential purposes is distinct from data collection to inform firm-level risk management. Supervisors should collect data not only on risks insurers are exposed to, but also risks insurers contribute to the financial system, including, for example, through their underwriting and financing of fossil fuel projects. While reliance on one year contracts may reduce an insurer's own transition risk, these projects contribute climate risk to the system over time. Macroprudential risk management must include assessment of these risks.</p> <p>See also comments above regarding oversight of third party information providers.</p> |
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| Natural<br>Resource<br>Defense<br>Council | United States | <p>In section 1.4, we welcome the direction in Paragraph 19 to use scenario analysis and stress testing to facilitate macroprudential analysis. Climate scenario analysis can help supervisors understand insurer risk. It can complement current modeling where usable data is scarce, and highlight areas where data is lacking. It can help reveal critical exposures, by identifying areas and sectors most vulnerable to climate change impacts. At the same time, supervisors using insurer climate scenario analyses for purposes of macroprudential analysis should note that the methodology and principles underlying climate scenario models remain subject to significant limitations.</p> <ul style="list-style-type: none"><li>• Scenarios must be realistic. Climate scenario analysis must incorporate scientific physical risk projections.</li><li>• A wide disparity in methods and scenarios used by insurers results in challenges when seeking to compare the outputs of the models. Supervisors should encourage the development of consistent standards to enhance comparability and credibility of results.</li><li>• Underlying economic models cannot provide realistic results if they are based on backward-looking data. As noted in the IAIS Draft Application Paper on climate scenario analysis, “[c]limate change is projected to increase the frequency and severity of compounding extreme weather events.” Climatological forecasts suggest the risk of increasing new disruptions in weather systems, water supplies, agricultural production, and the habitability of different regions. (See, for example, National Climate Assessment, Impacts, Risks, and Adaptation in the United States (Report), Vol. 2 (Nov. 23, 2018), <a href="https://nca2018.globalchange.gov">https://nca2018.globalchange.gov</a>) Because of these shifts, traditional backward-looking risk assessments and climate-economic models are inherently flawed when it comes to calculating some climate-related risks (including “green swan” risks – potentially profoundly disruptive climate events). Traditional models are based on historical data and assume that the probability of shocks follows a normal distribution around the mean, generally seeking to account for losses that can be expected with a 95–99% confidence level over a relatively short-term horizon. But extrapolating from historical trends is not a reliable means of assessing risks that are already increasing. As noted in paragraph 19 of the draft supporting material, “the historical trends of climate risk drivers are unlikely to be indicative of how they will develop in the future.” Moreover, some significant climate-related risks may fit fat-tailed distributions, and are thus unlikely to be captured by traditional value-at-risk models. Integrating forward-looking assessments under different time horizons into the risk modeling underlying climate scenario analysis can provide a more accurate picture of macro risk.</li></ul> |
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| Comments on risk dashboard for monitoring climate-related vulnerabilities                             |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| Council on Economic Policies, Actuarial Association of Europe (answer submitted in personal capacity) | Switzerland   | No comments on this section                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Finance Watch                                                                                         | EU            | <p>Finance Watch welcomes the proposal for climate-specific risk dashboards. This could also become a key activity of the IAIS at a global level.</p> <p>Annex 1 outlines key indicators that could be used as part of the dashboard. These indicators must take into account key differences with the impact of climate change for physical risks in particular, such as accelerations when climate tipping points are breached and that the expectations for AAL and PML are likely to fall short in these cases. Annex 1 does, however, capture the key indicators for transition risks for assets and underwriting. In particular the portfolio alignment to the Paris Agreement, exposure to high-carbon industries and the analysis on different transition scenarios are essential. The suggestion to use exposure-based proxies could also be a useful avenue to explore. However, given the lack of commonly recognised/harmonised methodologies on measuring portfolio alignment (transition risk), additional guidance on transparency on the underlying methodologies and approaches for the disclosed metrics would be important.</p> <p>We refer to our response to the BCBS consultation on climate-related risk disclosures <a href="https://www.finance-watch.org/policy-portal/sustainable-finance/banks-should-also-disclose-the-results-of-capital-adequacy-assessment-bcbs-consultation-on-climate-risk-disclosure/">https://www.finance-watch.org/policy-portal/sustainable-finance/banks-should-also-disclose-the-results-of-capital-adequacy-assessment-bcbs-consultation-on-climate-risk-disclosure/</a></p> |
| Public Citizen                                                                                        | United States | We support the publication of risk dashboards to monitor climate-related vulnerabilities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

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| Ceres | United States | <p>Ceres welcomes the IAIS's guidance on developing risk dashboards for monitoring climate-related vulnerabilities. This approach aligns with our view that effective climate risk management requires comprehensive, accessible tools for supervisors. The suggestion to either create a climate-specific dashboard or incorporate climate risks into existing frameworks demonstrates an adaptability that allows supervisors to choose the most suitable approach for their jurisdictions, potentially facilitating quicker adoption of climate risk monitoring practices.</p> <p>We appreciate the recognition that these dashboards may need to rely on third-party information, given the challenges in collecting climate data directly from insurers. This approach acknowledges current data limitations while still enabling supervisors to gain insights into climate-related vulnerabilities. The proposed inclusion of indicators covering various transmission channels is also important. By encompassing elements such as climate scenario impacts on investments and projected effects on natural catastrophe capital requirements, the dashboard can provide an integrated view of climate risks. The suggestion to use exposure-based proxies when climate risk-based indicators are unavailable is practical. Metrics like investment breakdowns by carbon-intensive sectors or natural catastrophe exposures by peril can offer valuable insights in the absence of more specific climate risk data.</p> <p>We particularly commend the recommendation to include key climate policy and science metrics. Incorporating emission gaps relative to the Paris Agreement, emission pricing levels, and current global warming projections can contextualize the financial risks within the broader climate challenge.</p> <p>To further enhance this guidance, Ceres suggests:</p> <ul style="list-style-type: none"> <li>- Recommending regular stakeholder engagement to refine dashboard metrics and ensure their relevance and effectiveness.</li> <li>- Encouraging the inclusion of transition risk indicators, such as measures of portfolio alignment with net-zero pathways.</li> <li>- Suggesting the incorporation of physical risk indicators beyond natural catastrophes, such as chronic risks like sea-level rise or changing precipitation patterns.</li> <li>- Advising on how to present uncertainty and ranges in climate projections within the dashboard format.</li> <li>- Proposing ways to capture interconnected risks and potential feedback loops in the dashboard structure.</li> <li>- Recommending the inclusion of positive indicators, such as insurers' progress in developing green products or supporting climate resilience.</li> <li>- Provide open access to the dashboard (or part of the dashboard) in a user-friendly manner to ensure transparency of both the data and methodology.</li> </ul> |
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| EDHEC Infra & Private Assets                                  | Singapore     | No comments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| E3G                                                           | United States | We support the publication of risk dashboards to monitor climate-related vulnerabilities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Comments on data analysis for macroprudential purposes</b> |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| General Insurance Association of Japan                        | Japan         | As Paragraphs 10 and 12 explain, supervisors should first make use of the data sets that are available, use data already provided by insurers as a proxy for exposures to climate-related risk drivers, and consider the costs and benefits of obtaining additional data.                                                                                                                                                                                                                                                                                                                            |
| Insurance Europe                                              | Europe        | The industry agrees that timely and good quality data is crucial for analysing potential financial stability implications of climate risk. However, in view of the increasing information requirements placed on insurers, it is key to avoid unnecessary burdens. In particular, it should be made clear that ad-hoc information requests to insurers should be avoided whenever possible and limited to exceptional cases with a clear supervisory rationale.                                                                                                                                      |
| International Actuarial Association (IAA)                     | International | Paragraph 22 – This paragraph says that an assessment of second-round effects “could” be particularly useful when applied to “an insurer”. First, we suggest that the word “might” replace the word “could”, as the word “could” implies more success in the endeavor than may be justified. Second, we find it interesting that the focus of this is “an insurer”, which seems inconsistent with the ICP 24 focus on macroprudential issues. Should the paragraph be discussing approaches which could possibly be applied to an industry or industry sector, rather than to an individual insurer? |

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| Council on Economic Policies, Actuarial Association of Europe (answer submitted in personal capacity) | Switzerland | <ul style="list-style-type: none"><li>• Paragraph 20: This should be amended to ‘verify whether a risk driver is emerging and could have wider implications for the stability of the insurance sector AND FOR THE REST OF THE FINANCIAL SYSTEM’</li><li>• Paragraph 22: This should be amended to ‘a risk assessment of the second-round effects induced by endogenous drivers following actions taken by financial institutions, households, regulators and/or policymakers in response to an initial climate risk impact or scenario SHOULD be performed’</li><li>• Paragraph 26: Relevant stakeholder categories should be explicitly mentioned including insurance industry associations and think-tanks, risk professionals (e.g. actuaries), NGOs, and representatives from consumer associations.</li></ul> |
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| Finance Watch | EU | <p>It is important for the IAIS to provide more guidance here in the supporting material, to address how climate-related risks can be captured under ICP 24.2. The IAIS should also consider building on the important work of integrating climate-related data into the GME and conduct insurance-sector wide climate risk scenario analysis.</p> <p>Additionally, explicitly referring to the role of climate scenario analysis with a forward looking perspective in view of ICP 24.2.7 would be important. Caution should be taken, however, to ensure that scenario analyses can support sector wide analysis.. As a key starting point the assessments of the economic consequences of climate change in the scenarios needs to be realistic. Scenarios must take account of the following points to achieve this:</p> <ul style="list-style-type: none"><li>- Ensure realistic scenarios are used</li><li>- Ensure that economic models account for the specificities of climate change, including its magnitude and irreversibility</li><li>- Ensure that the conclusions of economic models are compatible with the conclusions of climate science, including by rejecting the use of quadratic-only damage functions in loss assessments</li><li>- Conduct unbiased and rigorous analyses of the results</li><li>- Conduct sanity checks between the results of CSA and climate science</li></ul> <p>This section of the supporting material rightly points to the need to assess second-round effects, but should be clearer in requiring this as a key part of the analysis supervisors undertake. Given that consideration of second-round effects currently remains beyond reach of climate scenario exercises, the paper should be clear to recognise the limitations of climate scenario exercises and their implications in terms of the need for precautionary action. More work should also be done on outlining how supervisors can identify emerging threats to financial stability arising from climate-related risk drivers.</p> |
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| Public Citizen | United States | <p>We support the use of scenario analysis and stress testing as tools to assess forward looking climate risk. In particular we support the following points addressed in this section: (1) the need for scenario analysis exercises to incorporate second order effects of a climate risk event, (2) the need for climate scenarios to be well calibrated to contemporary climate science, and (3) the importance of qualitative approaches when quantitative models cannot fully capture a scenario's complexity.</p> <p>Additionally, supervisors must recognize that scenario analysis designed to inform macroprudential supervision is methodologically distinct from scenario analysis designed to inform firm-level risk identification and management. Macroprudential scenario analysis must incorporate contagion effects and account for the flow of risks between financial institutions and sectors. While it is appropriate for financial institutions to be concerned primarily with identifying and mitigating their own risks, regulators must also be attuned to aggregate risks in the system. In the absence of sophisticated models to capture second order effects, contagion risks, and the multiple transmission channels through which climate risk can materialize, qualitative scenarios are necessary.</p> <p>As highlighted in previous consultation responses, overreliance on scenario analysis is likely to postpone necessary regulatory action at a time when urgent action is needed. A precautionary approach necessitates immediate and decisive actions to mitigate the escalating risks of climate change, rather than delaying action due to incomplete information and imperfect models.</p> |
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| Ceres | United States | <p>Ceres supports the IAIS's approach to data analysis for macroprudential purposes in the context of climate risk. The paper's emphasis on forward-looking methodologies, particularly scenario analysis and stress testing, acknowledges that historical trends are insufficient for assessing future climate risks. The guidance on integrating climate-related scenario analysis into supervisory processes provides a solid foundation for assessing systemic importance and informing supervisory responses. We appreciate the inclusion of additional approaches such as vulnerability analysis, horizontal reviews, and qualitative analyses, which offer a comprehensive toolkit for supervisors.</p> <p>The paper's recommendation to identify key climate risk drivers and trends as a first step in vulnerability analysis is critical. The suggested drivers, including global warming trajectories and emission gaps relative to the Paris Agreement, capture essential elements of climate risk. We support the call for quantitative analysis where data permits, complemented by qualitative assessments when necessary. The acknowledgment of potential data limitations in public disclosures and standardized reporting, and the suggestion for ad hoc data requests, demonstrates a practical approach to the evolving nature of climate risk information.</p> <p>We particularly commend the inclusion of second-round effects in the vulnerability assessment. This consideration of indirect impacts, such as supply chain disruptions and policy responses, reflects the complex, interconnected nature of climate risks. The paper's guidance on qualitative analysis methods is equally valuable, especially in addressing risks that quantitative methods may miss. We support the emphasis on identifying key sources of market, industry, climate policy, and scientific information, as well as the recommendation for regular internal reviews and senior-level engagements with insurers.</p> <p>The call for a multi-disciplinary, cross-sectoral approach in macroprudential supervision aligns with Ceres' view on the need for collaborative efforts in addressing climate risk. The suggestion to engage with diverse stakeholders through periodic meetings could foster a more comprehensive understanding of climate risks and their potential impacts.</p> <p>To further enhance this section, we suggest:</p> <ul style="list-style-type: none"> <li>- Providing more specific guidance on integrating climate scenarios with traditional financial stress tests.</li> <li>- Emphasizing the importance of considering transition risks alongside physical risks in vulnerability assessments.</li> <li>- Recommending ways to assess and incorporate climate-related litigation risks in the analysis.</li> <li>- Suggesting methods for analyzing the potential impact of climate risks on insurance affordability and availability.</li> <li>- Advising on how to assess insurers' climate risk mitigation strategies as part of the vulnerability analysis.</li> <li>- Recommending approaches to analyze the interconnections between climate risks and other systemic risks.</li> </ul> |
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| EDHEC Infra & Private Assets                       | Singapore | No comments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Global Federation of Insurance Associations (GFIA) | Global    | <p>GFIA agrees that timely and good quality data is crucial as the basis of analysing potential financial stability implications of climate risk. However, in view of the increasing information requirements insurers are subject to, it is important that unnecessary burdens are avoided. In particular, it should be made clear that ad-hoc information requests on insurers should be avoided where possible and be limited to exceptional cases with a clear supervisory rationale.</p> <p>As Paragraphs 10 and 12 rightfully highlight, supervisors should first make use of the data sets that are available, use data already provided by insurers as a proxy for exposures to climate-related risk drivers, and consider the costs and benefits of obtaining additional data.</p> |

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| <p>Institute of International Finance (IIF)</p> | <p>United States</p> | <p>Paragraph 13 references coordination with supervisors in other financial sectors and a cross-sectoral approach to understanding systemic financial impact. We appreciate the interest in cross-sectoral supervisory coordination on these important issues, provided that proper recognition is given to the differences between climate-related financial risks in the insurance sector as contrasted with other financial services sectors. The IAIS should bring insurance-specific perspectives into cross-sectoral discussions and analysis.</p> <p>Any cross-sectoral analysis should take into account the very different impacts of climate-related risks on specific sectors. Specifically, the IAIS found in its 2021 special climate edition of the Global Insurance Market Report that the insurance sector as a whole appears able to absorb predicted investment losses across a range of scenarios in light of high pre-stress capital levels.</p> <p>Section 1.4 promotes a very broad analysis of climate-related vulnerabilities of the insurance sector that presupposes, without adequate evidence or support, the macroprudential relevance of climate-related risks for the insurance sector. We encourage the IAIS to first consider the macroprudential relevance, if any, of climate-related risks for the sector before conducting the extensive analysis proposed in this Section.</p> <p>Section 1.4 of the Draft supporting material should also reflect that climate scenario analysis is only one of many tools that are available to insurance supervisors to facilitate a forward-looking analysis of material climate risks. The IAIS should explicitly acknowledge the limitations of forward-looking exercises in informing supervisory decision making due to the inherent uncertainties and the potential mismatch of the duration of the underlying risks, particularly for short-tail lines of business such as property.</p> <p>We strongly support the recommendations to supervisors in Section 1.4.2 of the Draft supporting material to engage with a wide range of stakeholders involved in the insurance sector, climate policy and climate science and to consider the range of views contained in their analyses. Engagement with climate experts can help to focus climate-related risk analysis on the most material risks and can help to sharpen analyses and findings in order to lower the risk of flawed or incomplete analysis leading to unintended consequences. Expert engagement can also help to focus on metrics that provide a more forward-looking view of climate-related risks.</p> |
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| MSCI ESG Research LLC | United States of America | <p>Being overly prescriptive in scenario assumptions and modelling approaches may lead to a lack of ownership of insurers over their climate assumption and model choices. Other unintended consequences may be potential systemic risk from an overreliance by all insurers on similar climate assumptions due to 'group think'.</p> <p>This could be overcome by not being overly prescriptive on exact scenario assumptions and models, but instead providing guidance on best practice of scenario methodologies. It is critical to ensure that the climate scenario exercise is robust, challenging, considers multiple plausible scenarios, and in line with the latest climate science, especially regarding physical risks. In certain aspects, this could be enhanced with recommendations for a more granular approach. Supervisors may consider leaving room for local authorities and even insurers themselves to develop their own scenarios. On both transition and physical risk sides potential nonlinear impacts, networked impacts and market pricing-in dynamics should be considered.</p> |
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| E3G                              | United States | <p>We support the use of scenario analysis and stress testing as tools to assess forward looking climate risk that includes: incorporation of second order effects of a climate risk event; calibration to contemporary climate science, and using qualitative approaches when quantitative models cannot fully capture a scenario's complexity.</p> <p>Support should continue for cross sectoral stress testing as well, such as work done by the Bank of England.</p> <p>Additionally, supervisors must recognize that scenario analysis designed to inform macroprudential supervision is methodologically distinct from scenario analysis designed to inform firm-level risk identification and management. Macroprudential scenario analysis must incorporate contagion effects and account for the flow of risks between financial institutions and sectors. While it is appropriate for financial institutions to be concerned primarily with identifying and mitigating their own risks, regulators must also be attuned to aggregate risks in the system. In the absence of sophisticated models to capture second order effects, contagion risks, and the multiple transmission channels through which climate risk can materialize, qualitative scenarios are necessary.</p> <p>As highlighted in previous consultation responses, overreliance on scenario analysis is likely to postpone necessary regulatory action at a time when urgent action is needed. A precautionary approach necessitates immediate and decisive actions to mitigate the escalating risks of climate change, rather than delaying action due to incomplete information and imperfect models. See above comments urging collaboration between insurance and banking supervisors on scenario analysis in light of the recent Basel consultation.</p> |
| Comments on supervisory response |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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| Insurance Europe | Europe | <p>In Insurance Europe's view, any supervisory response to potential systemic risks should be tailored to the risk and circumstances of the insurance sector within the relevant jurisdiction. It is welcomed that the IAIS's draft stresses this necessary flexibility for supervisors. Microprudential instruments can also be used with a macroprudential perspective in mind. However, applying a capital add-on is rarely a suitable instrument to address potential systemic climate-related risk.</p> <p>In risk based supervisory regimes like Solvency II in the EU, climate-related risks are already considered when calculating regular supervisory capital requirements. Regarding potential systemic effects not covered by microprudential supervision, evidence-based quantification would be very difficult, if not impossible, due to complex methodological issues and data gaps. If capital add-ons were incorrectly calibrated, this could impair the effectiveness of the insurance sector, such as in providing insurance coverage.</p> <p>In addition, the suggested example of the supervisory measure to prohibit an insurer from underwriting certain climate-related risks would represent a very strong intervention in the market. As it is rightly pointed out in footnote 4 on page 10, supervisors should consider any possible negative impacts of their actions, including the potential risk of increasing the insurance protection gap. This remark should be highlighted more prominently in the text, referring to all the contemplated supervisory measures. These measures need to be balanced and consider broader effects, such as impacts on (re)insurance market dynamics.</p> <p>If a prohibition from covering certain climate-related risks is considered, this immediately poses the question on the alternatives, including that there could be a shift from market-based covers to state intervention. This could send the wrong message to affected populations and public or private policyholders, suggesting they do not need to, or cannot, find solutions to cover their risks, leading to the assumption that governments will have to step in with taxpayer money if private insurance cover is unavailable. Instead, the promotion of risk reduction measures wherever possible, to support and maintain the insurability of certain climate risks, should be highlighted and considered part of the role of insurance supervisors.</p> <p>Furthermore, a core function of insurance and reinsurance is to provide an indication of the price/cost associated with a certain risk, thereby signalling where action is needed to keep, for example, business and social activities, as well as private and public property, insurable.</p> |
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| International Actuarial Association (IAA)                | International | Paragraph 35 – The example of “prohibiting the insurer from underwriting certain climate-related risks” would seem to be placing the insurance supervisor in charge of overall societal public policy, as prohibiting the underwriting of a certain economic activity is effectively the same as prohibiting that activity. If the underwriting prohibition were necessary for an individual insurer’s solvency, then the prohibition is clearly within the purview of the supervisor, but otherwise it does not seem like an action that could be taken unilaterally by an insurance supervisor.                                                                                                                                                 |
| American Property Casualty Insurance Association (APCIA) | USA           | <p>We strongly disagree with paragraph 35’s suggestion that supervisors should consider “prohibiting the insurer from underwriting certain climate-related risks” and “applying a capital add-on”. Footnote 4 in the draft recognizes that underwriting prohibitions could increase protection gaps, and the same is true for capital add-ons. We are also unaware of any statistically verifiable way to calculate the appropriate amount of a capital add-on.</p> <p>We also suggest that Footnote 4 to paragraph 35 be moved into the main text. Otherwise, the message that supervisors should consider the possible negative impacts of supervisory action, and the possibility that it might exacerbate protection gaps, could be lost.</p> |



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| Council on Economic Policies, Actuarial Association of Europe (answer submitted in personal capacity) | Switzerland | <ul style="list-style-type: none"> <li>• Paragraph 30: This should be amended to ‘In cases where identified vulnerabilities in the jurisdiction originate from other parts of its financial sector, the supervisor SHOULD coordinate with other institutions in their jurisdiction’</li> <li>• Paragraph 35: As a general remark, we welcome and support the proposals mentioned here, in particular directions to reinforce the insurer’s financial position, such as capital add-ons.</li> <li>• Paragraph 35, first bullet point: This should indeed include ERM frameworks (‘Pillar 2’), but not be limited to them. Supervisors should also examine on a regular basis whether capital requirements (‘Pillar 1’) adequately reflect emerging climate risks from a micro-prudential perspective.</li> <li>• Paragraph 35, third bullet point: Potentially prohibiting insurers from underwriting certain climate-related risks should indeed be part of the supervisory intervention toolbox. However, from a macro-prudential perspective it may also be important to support insurers so that they are still able to fulfil their climate adaptation role and insure certain climate-related risks (e.g. property, due to a potentially catastrophic effect on the price of real estate which is considered uninsurable). Otherwise, if insurers are withdrawing from insuring certain risks, certain regions or certain technologies that are needed for the climate transition, this may have negative consequences for the financial system and for the economy as a whole, and this would also include second-order negative feedback loops for insurers themselves. Supporting insurability may go beyond the sole remit of insurance supervisors and may require other policymaking initiatives linked to legislation, regulation, taxes and/or the establishment of adequate Public-Private Partnerships (PPP – see notably <a href="https://climate.ec.europa.eu/document/download/4df5c2fe-80f9-4ddc-8199-37eee83e04e4_en?filename=policy_adaptation_climate_resilience_dialogue_report_en.pdf">https://climate.ec.europa.eu/document/download/4df5c2fe-80f9-4ddc-8199-37eee83e04e4_en?filename=policy_adaptation_climate_resilience_dialogue_report_en.pdf</a>, section 4.1.) for hard-to-insure climate risks. Nonetheless, insurance supervisors have an important role to play here as well.</li> </ul> |
| The Life Insurance Association of Japan                                                               | Japan       | Please refer to the LIAJ’s comments on Question 1.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

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| Finance Watch  | EU            | <p>The points raised in this section to confirm the application of ICP 24.4 in the case of climate-related risks from a macroprudential perspective are useful. More guidance on how supervisors should coordinate across jurisdictions to tackle vulnerabilities for the sector as a whole or originating from other jurisdictions is needed. This should cover in particular coordination over the application of microprudential instruments with a macroprudential perspective. ICP 25 provides options to structure the coordination between supervisors from different jurisdictions, such as supervisory colleges.</p> <p>Addressing climate-related systemic risk by means of utilising the microprudential instruments under ICP 24 might raise a tension between the microprudential approach, which is primarily concerned with the safety and soundness of individual undertakings, and the macroprudential dimension of climate risk. Given the primarily objective of macroprudential intervention is to prevent the build-up of systemic risk that emerges when individual undertaking's actions contribute to the system-wide risk (which cannot be captured from the microprudential perspective), it is important to elaborate on the need to consider this systemic dimension when applying available microprudential instruments. Furthermore, design of dedicated macroprudential instruments is warranted. For example, in the EU, the European Systemic Risk Board had elaborated on the need for dedicated macroprudential tools for the insurance industry, which are particularly relevant in case of climate-related risk (<a href="https://www.esrb.europa.eu/pub/pdf/reports/esrb.report181126_macroprudential_provisions_measures_and_instruments_for_insurance.en.pdf">https://www.esrb.europa.eu/pub/pdf/reports/esrb.report181126_macroprudential_provisions_measures_and_instruments_for_insurance.en.pdf</a>).</p> |
| Public Citizen | United States | <p>We support the application of a macroprudential perspective in insurance supervision. To successfully take this approach, supervisors must be concerned not only with the financial stability threats faced by the largest and most important insurers, but also with the risks insurers create for the financial system. The preventive and corrective measures highlighted in this section are an important tool in mitigating risks insurers create for the financial system. In particular, we support the inclusion of "restrictions on underwriting certain climate-related risks" as a necessary tool.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

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| Ceres | United States | <p>Ceres supports the IAIS's guidance on supervisory responses to climate-related risks in the insurance sector as this macroprudential perspective aligns with our view that addressing systemic risks is crucial for financial stability. We appreciate the flexibility advocated in the guidance, allowing supervisors to tailor responses to individual insurers or the sector, based on vulnerability analysis outcomes. The recognition that climate-related systemic risks evolve over time, necessitating adaptable supervisory approaches, reflects the dynamic nature of climate challenges.</p> <p>The paper's two-pronged approach to supervisory responses - general requirements for sector resilience and targeted measures for specific systemic exposures - provides an inclusive framework and a strategy that allows for both broad-based improvements in risk management and focused interventions where needed. The emphasis on coordination and cooperation with supervisors in other jurisdictions and financial sectors is also important, given the cross-cutting nature of climate risks. We endorse this collaborative approach as essential for effective macroprudential oversight. The suggestion to utilize microprudential instruments with a macroprudential perspective is pragmatic, leveraging existing tools to address emerging risks. The examples provided, such as strengthening climate risk integration in ERM frameworks and enhancing crisis management for climate-related catastrophes, are particularly relevant.</p> <p>To further enhance this section, we propose:</p> <ul style="list-style-type: none"> <li>- Recommending supervisory actions to promote insurers' alignment with climate mitigation goals, such as portfolio decarbonization targets.</li> <li>- Suggesting ways supervisors can encourage innovative products and services that support climate resilience and adaptation.</li> <li>- Advising on supervisory approaches to address potential market failures, such as insurance availability and affordability issues in high-risk areas.</li> <li>- Recommending supervisory measures to enhance insurers' climate-related disclosures and transparency.</li> <li>- Suggesting ways to incorporate climate considerations into supervisory stress testing and capital adequacy assessments.</li> <li>- Advising on how supervisors can promote knowledge-sharing and best practices in climate risk management across the insurance sector.</li> </ul> |
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| EDHEC Infra<br>& Private<br>Assets | Singapore | No comments. |
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| <p>Global Federation of Insurance Associations (GFIA)</p> | <p>Global</p> | <p>In GFIA's view, any supervisory response to potential systemic risks should be tailored to the risk and the specific circumstances of the insurance sector in the relevant jurisdiction. GFIA welcomes that the IAIS's draft stresses this necessary flexibility for supervisors. GFIA agrees that microprudential instruments can also be used with a macroprudential perspective in mind. However, GFIA believes that applying a capital add-on is not a suitable instrument to address potential systemic climate-related risk.</p> <p>In risk based supervisory regimes like Solvency II in the EU, or the US financial examination regime, climate-related risks are already considered in calculating the regular supervisory capital requirements. Regarding potential systemic effects not covered in microprudential supervision, evidence-based quantification would be very difficult, if not impossible, because of the complex methodological questions involved and because of data gaps. If capital add-ons were incorrectly calibrated, this could impair the effectiveness of the insurance sector, eg in providing insurance coverage.</p> <p>Additionally, in the introduction section IAIS mentions core risk categories as: market, credit, liquidity, underwriting, and then adds reserving. GFIA would suggest operational risk is a more appropriate risk category for climate risk drivers than reserving. For example, physical risks manifested in operational risks can closely correlate with the other categories.</p> <p>The supporting material is problematic in this section. The measures suggested in Paragraph 35 go well beyond the ICP 10.2 that is referenced. ICP 10.2 generally covers actions supervisors should take for troubled insurers to protect policyholders interests or mitigate threats to financial stability. GFIA has concerns about the assumption that climate risk, for almost any insurer but certainly for life insurers, would result in material harm to policyholders' interests or threaten financial stability as long as the insurer is appropriately managing the other risks (market, credit, mortality, etc.) through which climate risk would manifest.</p> |
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| The Geneva Association | International | <p>Given our concerns, we find the suggested supervisory actions in the macroprudential paper difficult to reconcile with the actual risks identified. We are particularly concerned about the inadequate recommendations, including potential implicit restrictions on underwriting climate-related risks and capital add-ons and prescriptive language in the paper (e.g. using words like “should”). These recommendations stand in sharp contrast with the IAIS’ recent work on protection gaps, highlighting that such measures could widen the protection gap and impose undue burdens on insurers, hindering their ability to manage these risks effectively. Including these insights could help ensure that policy measures are effective and avoid any unintended, counterproductive effects.</p> <p>Instead of restricting insurers from covering respective risks or proposing capital add-On’s, a more appropriate response would involve policy measures aimed at reducing overall climate-related risks, which often extend beyond the direct control of insurers and supervisors. Rather than initiating with prescriptive supervisory actions based on unsubstantiated assumptions, a more helpful starting point would be if the IAIS conducts a comprehensive study on how climate-change-related risks would affect the economy and the insurance sector. Only after conducting such an analysis and concluding that climate change threatens the viability of the industry appropriate supervisory actions should be defined. The current approach, which begins with data collection, is unlikely to enhance the sector’s resilience against potential climate-related risks.</p> |
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| <p>Institute of International Finance (IIF)</p> | <p>United States</p> | <p>It is extremely important for the IAIS to acknowledge and for supervisors to recognize the potential negative impacts of certain policy actions, including but not limited to those that would exacerbate protection gaps. For example, prohibiting an insurer from underwriting certain climate-related risks or withholding approval for acquisitions may have negative impacts on insurance markets and policyholders and may run counter to the need to maintain or improve access to coverage. By proposing such potential actions, the IAIS goes against the very role of the insurance sector in providing resilience and in helping society to mitigate the impacts of climate change. We reference the IAIS staff paper, A call to action , which clearly identifies some of the related policy trade-offs that are not, in our view sufficiently reflected in the Draft supporting material.</p> <p>The design of prudential capital frameworks already enables climate risks to be appropriately accounted for in the charges for financial risks such as underwriting risk and market risk. The use of capital add-ons to address supervisory concerns should be risk-based and limited to specific concerns arising from the solvency position of the insurer or the adequacy of its reserves. Capital add-ons should not be a broad-brush supervisory response to a wide range of potential concerns unrelated to solvency. The IAIS should also recognize the potential negative impacts of capital add-ons, including on the availability and affordability of insurance.</p> <p>We strongly encourage the IAIS to move footnote 4 of the Draft supporting material into the text of Paragraph 35 by including the language of footnote 4 directly after the bulleted items. It is extremely important for supervisors to recognize the potential negative impacts of supervisory actions, including but not limited to those that would exacerbate protection gaps. As noted above, the IAIS staff paper, A call to action clearly identifies some of the related policy trade-offs that should be considered in the Draft supporting material.</p> <p>As one example relevant to Paragraph 35, prohibiting an insurer from underwriting certain climate-related risks or withholding approval for acquisitions may have negative impacts on insurance markets and policyholders and may run counter to the need to maintain or improve access to coverage. More broadly, withholding approval for acquisitions or imposing underwriting restrictions are extreme supervisory tools, the use of which should be limited to situations involving significant and uncorrected governance or risk management failures.</p> <p>The current prudential capital framework already provides mechanisms to account for climate risks and, therefore, the use of capital add-ons to address supervisory concerns should be limited to concerns arising from the solvency position of the insurer or the adequacy of its reserves.</p> <p>The findings from the most recent 2022 EIOPA climate stress test reveal that climate-related impacts on how insurance and pension sectors respond to adverse scenarios are more nuanced than conventional assumptions would indicate. Rather than showing uniform negative impacts, the aggregate sector showed resilience with only modest declines in funding levels. The most</p> |
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revealing insights come from examining the distribution of impacts across institutions. These results suggest that the relationship between climate stress scenarios and funding ratios is not straightforward, and that institutional characteristics, investment strategies, and risk management approaches play crucial roles in determining outcomes.



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| E3G                                                                                                   | United States | We support the application of a macroprudential perspective in insurance supervision. To successfully take this approach, supervisors must be concerned not only with the financial stability threats faced by the largest and most important insurers, but also with the risks insurers create for the financial system. The preventive and corrective measures highlighted in this section are an important tool in mitigating risks insurers create for the financial system.                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>General comments on the draft climate risk ICP 25 related supporting material</b>                  |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Council on Economic Policies, Actuarial Association of Europe (answer submitted in personal capacity) | Switzerland   | Paragraph 36: Coordination with other involved supervisors should not be limited to insurance supervisors, notably for financial conglomerates active in other financial sectors in addition to insurance (such as banking, asset management or pension funds). For instance, during the 2008 Financial Crisis, AIG's bankruptcy was linked to one of their non-insurance subsidiaries (AIG Financial Products). In addition to such obvious cases, we note that coordination with other financial supervisors outside of insurance make sense in general due to the potential macro contagion effects between insurance and the rest of the financial sector. For example, if insurers stop insuring properties in a specific region, the responsible insurance supervisor for that region should coordinate with the supervisors of the banks that are exposed to this region, regardless of whether the insurers also have a banking business themselves. |
| Finance Watch                                                                                         | EU            | <p>The considerations on the application of ICP 25 in context of the macroprudential dimension of climate risk is important, but should not be limited to the IAIGs and ComFrame standards.</p> <p>As outlined in the response to question 6, there could be a need for more guidance on structured coordination of supervisors from different jurisdictions, such as supervisory colleges.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

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| Public Citizen | United States | We support acknowledgment of second order effects that could result from actions taken by financial institutions and others in response to climate risk or scenarios, “Furthermore, a risk assessment of the second-round effects induced by endogenous drivers following actions taken by financial institutions, households, regulators and/or policymakers in response to an initial climate risk impact or scenario could be performed.” This section of the guidance acknowledges that insurer departures could create risks that need to be addressed by other financial actors, such as lenders, including through increased coordination. We also support more explicit attention to the need for coordination included in the guidance (i.e. “Coordination with supervisors in other jurisdictions or other financial sectors will be key to understanding systemic financial impact. There are instances where spillover effects on other parts of the financial sector (eg banking) are likely and a cross-sectoral approach may be needed.”) |
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| Ceres                        | United States | <p>Ceres appreciates the IAIS's attention to group-level considerations in climate risk supervision and the provision of examples for physical risk indicators. The emphasis on coordination among supervisors for data collection and assessment of climate-related risks aligns with our view on the importance of collaborative approaches in addressing global challenges, and this coordination can enhance the efficiency of supervisory efforts and promote a more comprehensive understanding of group-wide climate risks.</p> <p>The paper's acknowledgment that group-wide climate risk integration may not adequately cover jurisdiction-specific requirements for individual entities shows a nuanced understanding of the complexities in group supervision, a recognition that is crucial for ensuring that climate risk management is effective at both the group and entity levels. The inclusion of physical risk indicators in Annex 1 provides valuable guidance for supervisors in assessing climate-related vulnerabilities. The range of indicators suggested, covering aspects such as frequency and severity of natural disasters, geographical risk exposure, and scenario-based projections, offers a robust framework for evaluating physical climate risks. We note the paper's emphasis on considering both acute events (like hurricanes and floods) and chronic changes (such as heat stress and vector-borne diseases) in risk assessments. This approach to physical risks aligns with the complex and multifaceted nature of climate change impacts. The suggestion to use different physical risk scenarios to produce a range of potential impacts demonstrates an understanding of the uncertainties inherent in climate projections and the need for forward-looking risk assessments. Overall, this section of the paper provides a solid foundation for addressing climate risks in group supervision and offers practical guidance on assessing physical climate risks.</p> |
| EDHEC Infra & Private Assets | Singapore     | No comments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

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| Global Federation of Insurance Associations (GFIA)                                                    | Global        | GFIA welcomes the IAIS approach to group-wide supervision and the application of ComFrame and supervisory colleges.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| E3G                                                                                                   | United States | <p>We support acknowledgment of second order effects that could result from actions taken by financial institutions and others in response to climate risk or scenarios. We support risk assessment of the second-round effects induced by endogenous drivers following actions taken by financial institutions, households, regulators and/or policymakers in response to an initial climate risk impact or scenario.</p> <p>As described above, we underscore the need for coordination across sectors, and across borders, e.g., reinsurance markets.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Comments on group considerations for data collection</b>                                           |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| General Insurance Association of Japan                                                                | Japan         | When defining climate-related data collection requests that affect insurance groups active in multiple jurisdictions, supervisors should coordinate with other involved supervisors and insurance standard setters. In addition, data collection requests should be made after confirming whether data could be collected from other supervisors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Council on Economic Policies, Actuarial Association of Europe (answer submitted in personal capacity) | Switzerland   | This section is missing a discussion on the potential systemic relevance of re/insurance groups. The discontinued 2016 list of global systemically important insurers (G-SIIs) from the FSB included no group whose primary business is reinsurance. However, reinsurance is a concentrated sector (with a handful of large reinsurers playing an important role, and with key regional reinsurance hubs such as Bermuda or Switzerland) and it plays a key role in underwriting and diversifying climate risks at the global level. Without sufficient and affordable reinsurance capacity to reinsure direct insurers, direct insurers may start withdrawing from certain climate risks and/or certain regions (as has been observed in Florida for property insurance for instance, see <a href="https://www.civilbeat.org/2024/03/how-floridas-home-insurance-market-became-so-dysfunctional-so-fast/">https://www.civilbeat.org/2024/03/how-floridas-home-insurance-market-became-so-dysfunctional-so-fast/</a> ). |

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| Finance Watch | EU | <p>As highlighted in this section, particular attention should be drawn to cases where group-wide climate risk integration into the corporate governance framework, enterprise risk management and financial position may not be properly covering what is required of an individual insurance legal entity in a specific jurisdiction. The draft supporting material should provide more guidance on how this can be addressed.</p> <p>In general the confirmation that climate-related risks should be a key area that is considered by group-wide supervisors, involved supervisors and in their cooperation through supervisory colleges is important.</p> |
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| Ceres | United States | <p>Ceres commends the IAIS for addressing the complexities of climate-related data collection for insurance groups operating across multiple jurisdictions. The guidance on reducing overlapping requests through coordination is expedient, potentially easing the reporting burden on insurers while enhancing supervisors' understanding of group-wide climate risks. This approach could foster capacity building within the supervisory community, crucial for effective climate risk oversight. We appreciate the paper's recognition that group-wide climate risk integration may not fully address jurisdiction-specific requirements for individual entities, an understanding that is essential for ensuring comprehensive risk management at both group and entity levels. The suggestion to leverage data from other supervisors for multi-jurisdictional insurers demonstrates a practical approach to information sharing, potentially leading to more efficient and effective supervision.</p> <p>To further strengthen this section, Ceres recommends:</p> <ul style="list-style-type: none"> <li>- Developing standardized templates for climate-related data collection across jurisdictions to facilitate comparability and reduce reporting complexities.</li> <li>- Establishing clear guidelines for information sharing among supervisors, ensuring data privacy and confidentiality while promoting comprehensive risk assessment.</li> <li>- Encouraging supervisors to collaboratively develop climate scenarios that account for regional variations yet maintain global consistency.</li> <li>- Promoting the creation of a centralized database of climate-related supervisory data, accessible to relevant authorities, to enhance cross-border risk monitoring.</li> <li>- Advising on methods to reconcile potential conflicts between group-wide and entity-specific climate risk management requirements.</li> <li>- Suggesting mechanisms for regular review and update of coordinated data collection processes to keep pace with evolving climate risks and regulatory landscapes.</li> </ul> <p>These enhancements could foster more effective supervision of cross-border insurance groups, promoting a globally coordinated approach to climate risk management while respecting jurisdictional specificities. This balanced strategy could significantly contribute to building resilience in the global insurance sector against climate-related challenges.</p> |
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| EDHEC Infra & Private Assets                       | Singapore     | No comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Global Federation of Insurance Associations (GFIA) | Global        | When defining climate-related data collection requests that affect insurance groups active in multiple jurisdictions, supervisors should coordinate with other involved supervisors and insurance standard setters. In addition, data collection requests should be made after confirming whether data could be collected from other supervisors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Institute of International Finance (IIF)           | United States | <p>Effective cross-border cooperation and coordination among insurance supervisors, particularly through supervisory colleges, can ensure that supervisory actions are taken in a manner that meet the needs of the entire group and respect both home and host supervisory interests. The supervisory college mechanism has proven to be an effective method of promoting home-host cooperation and coordination. We appreciate the IAIS's recognition in the Draft supporting material that the evolving and uncertain impacts of climate-related drivers of financial risks on insurance groups can be explored through active supervisory dialogue via the supervisory college structure.</p> <p>Supervisory college discussions can help to prevent situations where supervisory actions taken by one jurisdiction do not fully reflect the best course of action for the group as a whole, which can undermine stability. Such opportunities for discussion can increase the understanding across jurisdictional supervisors of the important synergies and interdependencies within the group.</p> <p>We appreciate the IAIS's acknowledgement of the need for supervisory coordination when developing climate-related data collection requests that affect cross-border insurance groups. The supervisory college framework can be leveraged successfully for this purpose.</p> <p>To the extent possible, data should be collected from existing supervisory databases rather than from the insurer. Jurisdiction-specific requests for additional data from individual insurance legal entities (Paragraph 37) should be justified on the basis of materiality and carefully scoped.</p> |





