INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Resolution of Public Consultation Comments on Draft Application Paper on the Supervision of Climate-related Risks in the Insurance Sector

13-Oct-20 to 12-Jan-21

Organisation	Jurisdiction	Confidential	Answer	Resolution of comments
Q1 General Comment on the draft Application Paper				
1. World Federation of Insurance Intermediaries	Belgium	No	WFII appreciates that with the publication of the draft Application Paper on the Supervision of Climate-related Risks to the Insurance Sector the IAIS aims to improve the understanding of climate-related risks for the insurance sector. We agree with the IAIS that the insurance sector can play a role in the management of climate-related risks. In this respect, insurance intermediaries may have a role in delivering services and consultancy to help clients develop resilience. We note that, according to paragraph 10 of this draft Paper, ICP 19 Conduct of business is not in its scope and that the conduct of business rules and their relevance for assessing and mitigating climate-related risks may be covered in future IAIS work/consultations. WFII will therefore not respond extensively to the current consultation but is looking forward to future work of the IAIS with regard to the conduct of business part. We welcome the fact that the IAIS looks at the climate-related risks from the prudential side as we believe that, in the interest of policyholder protection and financial stability, insurers must be able to meet their obligations at all times;	Noted
2. Insurance Europe	Europe	No	Europe´s insurers remain as committed as ever to supporting the transition to a more sustainable society and to tackling climate change. The insurance industry believes that these fundamental policy ambitions must be pursued despite the significant, new challenges created by the COVID-19 pandemic. The industry can play a key role in the sustainability transition by both investing in sustainable assets and providing insurance coverage to help society to deal with sustainability risks. Insurance Europe welcomes the opportunity to comment on the IAIS draft application paper. As sustainability is a global issue, it needs to be addressed through a global approach and international coordination. Insurance Europe therefore welcomes the IAIS's facilitation of a coordinated approach between jurisdictions. Coherent policymaking between jurisdictions will avoid duplicative or	Noted

			contradictory standards. The ICPs/ComFrame framework does not currently represent an obstacle to the integration and measurement of sustainability risks, including climate-related risks. The IAIS paper will help further strengthen the integration of climate-related risks into jurisdictional supervisory frameworks in a consistent and efficient manner. Insurance Europe has the following comments on the draft application paper: - The European insurance industry fully supports the assessment of the materiality of climate-related risks to individual insurance companies as well as to the insurance sector as a whole. Nevertheless, it is key that supervisors strike the right balance without putting excessive focus on climate-related risks at the expense of other risks. - Sound sustainability/ESG ratings should be acknowledged as a key precondition for supervisory review and reporting. It is paramount that supervisors adequately deal with such challenges without setting expectations that insurers solve such challenges. - While seeking consistency and comparability can be of significant value, care must be taken to ensure that supervision does not discourage or prevent rapid and innovative developments in the private sector to address new risks and changes in the business and risk environment. Insurance Europe stresses therefore the importance of flexible approach based on strong stakeholder engagement in developing effective frameworks for supervision in uncharted areas. The fast emerging and evolving nature of climate-related risks warrants an approach that ensures the framework fits markets that are different in nature and are at different levels in developing policy relevant to climate-related risks. - Insurance Europe agrees that all companies should integrate sustainability in their corporate governance framework. It is important that supervisors monitor the impact of the measures enacted so far and consider existing legislation before proposing new regulatory requirements. In any case, supervisors should make sure that prescribed governance models do not pre-empt or deny other governance structure intended to address evolving risks and take into account that materiality of climate risks differs across entities and may change over time.	

			- Being supportive of sustainability objectives, Insurance Europe recognises that explicit references in legislation and other tools such as guidelines should help integrate sustainability risks, including but not limited to climate risk, consistently and more efficiently in the risk-management function. - Insurance Europe also agrees that the actuarial function takes into account material climate-related risks, provided this is done at the same level as other considerations. Consideration of climate-related risks in underwriting policies is supported as long as there is a right balance between all risks, and no excessive focus is put on climate risks at the expense of other risks. - Consideration of the effect of sustainability risks including climate-related risks should also be included in the ORSA as long as these risks are financially relevant and material for the undertaking. As the analysis of climate-related risks is dependent on the company-specific strategy and risk assessment, the ORSA should continue to represent the undertaking's own view of its risk profile. A prescriptive approach should therefore be avoided, and the undertaking should be able to decide for itself how to perform the climate risk assessment on the basis of the nature, scale and complexity of the risks in its business. - Insurance Europe supports the inclusion of material sustainability risks including climate-related risks in investment policies. In this respect, it notes that stewardship is only one of the broad sustainability-related strategies used by insurers. Other investment strategies are available, sometimes more effective to manage climate-related risks. -Increased transparency on sustainability is welcome, but care must be taken to avoid overlapping and/or duplication in regulatory requirements and overload for businesses and consumers. It is important that: - insurers have flexibility in disclosures while respecting consistency and comparability. - insurers have access to good quality sustainability-related information at asset level and mandatory reporting is not imposed before the necessary data is available. Sound sustainability/ESG ratings should be acknowledged as a key precondition for supervisory review and reporting. - while a globally coordinated approach to general company ESG data reporting is	

			the objective, it does not slow down faster progress within Europe where ESG related requirements are already well advanced and the access to data from investee companies is very urgent.	
3. Global Federation of Insurance Association (GFIA)	Global	No	The Global Federation of Insurance Association (GFIA) welcomes the opportunity to work with the IAIS on the topic of the supervision of climate-related risks in the insurance sector. The global insurance industry is inherently aware of, and well positioned to participate in addressing, the financial risks posed by climate change and extreme weather since the measurement of climate-related physical risks goes to the heart of many insurers' business models. GFIA believes that this paper will facilitate supervisory coordination across jurisdictions and constructive engagement with stakeholders, which will avoid duplicative or contradictory standards between jurisdictions and will also facilitate proportional regulation and insurers' assessment of material climate risks. GFIA acknowledges the intention to ensure that insurers exercise prudence regarding climate risks. However, we believe the application paper frequently takes a rigid approach in describing the role of boards, board committees, and different aspects of management in implementing and managing ESG activities. GFIA takes the view that the best approach would be to ensure that both supervisors and insurers are aware of climate risks and of the need to evaluate such risks in an appropriate management and control structure while outlining supervisory expectations where such risks are material to the applicable insurer entity.	Noted
5. International Actuarial Association (IAA)	International	No	The IAA understands that the Application Paper (AP) is aiming at the integration of new evolving risks from climatic change into the supervision of the insurance sector. While doing this, it is important to distinguish between the risks insurers have traditionally dealt with, like natural hazards, and from new evolving climate change risks. The AP could be improved by striving for clarity with regard to the core terminology. Throughout this AP the terms "climate risk" and "climate-related risk" are defined and	Changes made for consistency as well as in the table 1 with definitions

			used interchangeably, and on occasion "climate change risk" is mentioned. The IAA suggests that "climate-related risks" is a very wide-ranging collection of risks broader than (but inclusive of) the topic of "climate change risk". The IAA suggests that the AP might appropriately define "climate change risks" in order to avoid confusing the reader with the concept that "climate change risks" and "climate-related risks" are one and the same. The IAA understand that the term "climate change" is restricted in this paper to changes resulting directly or indirectly from human activity (anthropogenic driven change). The IAA recommends using the term climate change without the restriction to anthropogenic change, because this restriction is not relevant for insurers' as they need to think more broadly when conducting their risk and solvency assessments. Overall, the IAA believes it is important that any supervisory framework takes into account the macro-prudential risk arising from the financial consequences of climate change. For example, depending on the holdings of specific fossil fuel firms and/or financial institutions exposed to the fossil fuel and/or extraction sectors, there could arise a situation where massive financial disruption occurs in the financial system of a country which is reliant on a small number of insurers and/or banks (via transition risks). The inter-connected nature of the global financial system exacerbates certain dislocations, in terms of access to affordable capital, renewing and/or availability of credit, squeezes in liquidity in general, and disruption to global financial systems. Finally, the insurance sector is naturally in a position to set measurable environmentally friendly targets for their own operations. In this context a clear policy from supervisory authorities is needed as soon as possible. The IAA suggests that supervisors could usefully provide guidelines to the insurance sector regarding sustainable measures and targets within their own operational activities, such as reducing CO2 emissions in e.g., Motor and Building Insurance claims repairs. In non-life insurance, the entities could also set out requirements for other procurements activities. This could be done in several ways and these could be disclosed in their annual reports.	Agreed, from a risk perspective it does not matter how the risk manifests. Change made to also align with the IAIS/SIF 2018 Issues Paper. Interesting concept, but outside the scope of this paper.
6. The Geneva	International	No	We would like to thank the IAIS and the SIF for the timely application paper. It summarizes current areas of supervisory practices well. We appreciate the	Noted

Association			recognition of the IAIS of the need for a dynamic, flexible and principle-based approach. Considering the scope of application papers (targeted at the supervisors rather than the supervised), some parts may benefit from enhanced consistency. Before we dive into our detailed comments to the different sections of the paper, we would like to use this opportunity to provide you with our high-level comments. We consider it for instance important that the AP does not single out climate risk but recognizes that it can be subsumed into existing risk categories. Risks that manifest over the longer term may warrant a different approach than those occurring within a shorter time horizon. For this reason, we suggest that the IAIS consider differentiating current risks that could materialize within a shorter timeframe and are included in current assessments from risks that will only materialize in the future, such as many of those related to climate risk, which will continue to emerge and crystallise over the longer term. It is important that supervision of climate related risks avoids incorporating these longer-term future risks when considering an insurer's current risk profile as this will over-estimate current exposure and this may give rise to unintended consequences such as leading insurers to reduce cover or stop underwriting certain risks. This could widen the protection gap or create a disincentive for providing the ongoing financing to certain industries that will be needed to support a smooth transition to lower carbon economies. We noticed that in section 3 the focus of the AP shifts to prescribing what companies should do, rather than giving supervisors guidance. Whilst it is difficult to argue with many of the "insurers should" statements in principle, this apparent shift in focus - which is incompatible with the intent of an AP - could be addressed by simply rephrasing such statements, e.g. from "insurers should…" to "supervisors should assess the extent to which insurers…" Whilst the insurance sector can make a substantial contribution to the shift toward lower carbon economies, broader national and societal efforts will determine how successful the world ultimately is in this endeavour. As guidance on the supervision of climate-related risk in the insurance sector, the AP specifically should remain risk-	Agreed; this was further highlighted for instance in section 4. Such wording is consistent with the IAIS supervisory material, whereby in some instances it states "the supervisor requires the insurer to…." but many instances it refers directly to the role of the insurer itself (also to avoid becoming too wordy) Noted Noted

			based and focused on achieving the IAIS' objectives of policyholder protection and maintaining financial stability not the achievement of broad climate change management goals. Given that the assessment of climate related risks is in an early stage of development, and that good data, and reliable measurement methodologies are currently lacking, attempts to align and establish an agreed approach or best practice are premature. The industry is deeply involved in a number of initiatives that contribute to increasing knowledge in this field, including through the platform of the Geneva Association by means of a work stream focused on advancing climate risk assessment capabilities, recognising the evolutionary state of methodologies and metrics. It is fundamental that the industry, regulators and the IAIS work closely together in order to jointly improve understanding of exposures, mitigation methods and share and further develop best practices over time. We appreciate efforts to seek consistency, such as with the work of the TCFD in its recommendations around reporting. However, we believe that mandated uniform approaches are premature and suggest voluntary and flexible approaches, which can be refined and improved over time. We also believe that regulatory measures should be tailored for various sectors and risk exposures. The IAIS work should also promote jurisdictional flexibility. This would also help promote innovation, ultimately allowing for rapid progress on developing effective supervision of climate related risks. Geneva Association members stand ready to work closely with the IAIS and SIF to contribute to the development of best practices for assessing climate-related risks, anticipating that the assessment of such risks will improve over time with improved data, modelling, and understanding.	This is in line with the overall principle of proportionality. Noted.
7. General Insurance Association of Japan	Japan	No	We, the General Insurance Association of Japan, support the statement in paragraph 3, "The insurance industry plays a critical role in the management of climate-related risks in its capacity as a risk manager, risk carrier and investor, and is uniquely qualified to understand the pricing of risks". We agree that the insurance industry plays a critical role in mitigating climate-related risks, and our member	Noted

			insurers are currently taking, promoting, or supporting initiatives to shift towards a decarbonized society. As there can be various approaches in handling climate risks, our members are addressing those risks in their own ingenious ways, and it is desirable that these efforts be fully respected, so that the companies are encouraged to further their voluntary efforts. We will continue to work with our members to promote the contribution of Japanese general insurance sector to advance the orderly transition to a decarbonized society. Paragraph 4 states that "Application Papers do not establish standards", and we understand this is consistent with our understanding that every effort is to be respected. However, when we take a careful look at each paragraph of the AP, there are several overly prescriptive expressions that may interfere with insurers' practices. Considering there can be many different approaches to handling climate risks as stated above, the AP should avoid overly intervening in insurers' practices in a prescriptive manner, and we suggest such expressions be modified. In particular, each insurer's business decisions should be fully respected especially regarding their core business functions such as underwriting and asset management, and supervisors should avoid developing documents that promote the usage of particular measures or approaches regarding insurers' core business functions, unless it is for supervisory objectives, such as policyholder protection.	
8. The Life Insurance Association of Japan	Japan	No	The Life Insurance Association of Japan (hereafter the "LIAJ") appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (or "IAIS") and the Sustainable Insurance Forum (or "SIF") regarding the Application Paper on the Supervision of Climate-related Risks in the Insurance Sector. ·There are currently various sustainability related initiatives including climate change, and the private sector actively engages and proactively promotes its individual efforts leveraging these initiatives. ·The LIAJ supports the TCFD recommendations and aids/promotes proactive activities of member companies while participating in the TCFD Consortium. The	Noted. With the publication of this Paper, the IAIS does not set out new requirements, but provides guidance and examples on how the existing ICP and ComFrame should be applied.

			LIAJ, along with the concerned parties from the public/private sector in Japan, expressed its support for the IFRS Foundation's proposal to establish a new standard-setting body that will work on developing an unified standard related to sustainability reporting. ·It might be more prudent if the IAIS were to take caution before developing any climate-related regulations and support the individual efforts taken by the private sector.	
14. Zurich Insurance Company Ltd.	Switzerland	No	Zurich Insurance Group (Zurich) appreciates the opportunity to comment on the Draft Application Paper on the Supervision of Climate-related Risks in the Insurance Sector. We acknowledge the significant efforts of the IAIS/SIF and its members in continuing to advance best practices as they relate to climate-related risks in insurance. Zurich has a vested interest in climate risks: We were the first insurer to sign up for the Business Ambition for 1.5°C Pledge aimed at halving emissions by 2030 and reaching net zero emissions by 2050 in order to prevent temperatures rising over 1.5°C above pre-industrial levels. Additionally, Zurich has committed to proactively engaging with clients and investee companies with the aim to assist them in adopting plans to reduce their climate exposure. Finally, Zurich has committed to utilize 100% renewable power in all global operations by the end of 2022 [1]. Climate risks are global in nature and are therefore ideally met with globally coordinated regulatory and supervisory responses. We believe that, overall, the Application Paper provides best practices and guidelines that are key to avoiding fragmentation by aligning supervisory practices. While it is a balanced proposal that has the underpinnings of a baseline risk management framework, the Application Paper should specifically recognize the inherent valuation and modelling uncertainties associated with climate-related risks in insurance, particularly in absence of a common unit of account. We believe that the IAIS/SIF and its members are in a unique position, but also have	Noted

			the duty vis-à-vis their own stakeholders, to point out the inherent shortcomings of climate-related risk valuations and assessments in the absence of an observable market price for carbon ("general price on carbon", and CO2 as the epitome of all GHGs) or other adequate and common unit of account. Zurich sees the development of a realistically priced global carbon market (comprised of links between emission trading systems and transfer of carbon units) underpinned by environmental integrity and aligned with the achievement of the Sustainable Development Goals (SDGs), as a huge opportunity to accelerate climate action at the global level. Governments through The Coalition of Finance Ministers for Climate Action [2: Helsinki Principle 3, pp. 27-29], international bodies like the IMF and the OECD, several economists and businesses like Zurich are advocating for a global price on carbon. It is key that the carbon price driven transition is an inclusive one. Redistribution of the funds collected must be fair for citizens and allow them to compensate for lost purchasing power. This will effectively reward the "right' behavior. As referenced in the G30 proposal, regional coalitions of the willing should be discussed to give the carbon price concept more weight in the global policy debate [3]. Another case study "shows empirically that a carbon tax can be successful in significantly reducing emissions of carbon dioxide. After implementation of a carbon tax and VAT on transport fuels in Sweden, CO2 emissions from transport declined almost 11 percent in an average year, with 6 percent from the carbon tax alone. This result contrasts with earlier empirical studies that find little to no effect on emissions from carbon taxes" [4]. We appreciate that the IAIS and its membership will not be the architects of a price on carbon, but we think you have a vested interest in calling for a carbon price. Specifically, the IAIS/SIF and its members should embrace the idea of carbon pricing regarding risk management in insurance and elaborate on its necessity with governmental bodies and their stakeholders, following the example of the U.S. Commodities Future Trading Commission (CFTC). The CFTC "report begins with a fundamental finding–financial markets will only be able to channel resources	This is highlighted in paragraph 13.

			efficiently to activities that reduce greenhouse gas emissions if an economy-wide price on carbon is in place at a level that reflects the true social cost of those emissions. Addressing climate change will require policy frameworks that incentivize the fair and effective reduction of greenhouse gas emissions. In the absence of such a price, financial markets will operate sub optimally, and capital will continue to flow in the wrong direction, rather than toward accelerating the transition to a net-zero emissions economy. At the same time, policymakers must be sensitive to the distributional impacts of carbon pricing and other policies and ensure that the burden does not fall on low-to-moderate income households and on historically marginalized communities" [5]. Further, and closer to the Basel institutions, Switzerland recently announced that it will "step up its involvement in international environmental conferences and initiatives, focusing on the disclosure of environmental information and the internalisation of environmental costs" [2: Helsinki Principle 3, pp. 27-29] [6, 7]. A general price on carbon achieves the internalization of environmental costs. A general price on carbon is the key pre-requisite for adequate climate-related risk management as rightfully referenced in paragraph 13. However, the IAIS/SIF and its members then fail to explicitly advocate for it in the Application Paper, or, as we can judge it, among other international bodies, such as the G20 and FSB. The IAIS also references carbon pricing as a risk in paragraph 36 rather than more appropriately as an instrument to support climate-related risk management. A general price on carbon would be market observable as are, for instance, equity prices for market risk and credit spreads for credit risk. Aside from setting the right incentives and disincentives on the way to low-carbon societies, a price on carbon is a critical unit of account in risk management. In the absence of a general price, firms apply an internal estimate, or shadow carbon price, that is a mix of impact and risk metrics. Obviously, a market observable carbon price would provide a common reference, not only for insurers, but for all financial institutions alike, and beyond. By advocating for a carbon price, the IAIS/SIF and its members could achieve their objective: Insurers managing climate-related risks with an eye toward financial stability. We have developed some of our points/comments in Q2 et seq. but have refrained	This would go beyond the scope of the Paper, although it is noted as one of the necessary preconditions for effective supervision of climate-related risks (section 2.1).

			from repeating comments that our trade associations have included in their responses. Thank you for the opportunity to comment. We stand ready to work with IAIS/SIF and its members as you continue to focus on managing insurers' climate-related risks. __________ [1] https://www.zurich.com/en/sustainability/our-role-in-society/climate-change [2] The Coalition of Finance Ministers for Climate Action, Annual Report 2020, available at https://www.financeministersforclimate.org/sites/cape/files/inline-files/2020 Annual Report.pdf [3] G30, Mainstreaming the Transition to a Net-Zero Economy, available at https://group30.org/images/uploads/publications/G30_Mainstreaming_the_Transition_to_a_Net-Zero_Economy.pdf [4] Andersson, Julius, J. (2019): Carbon Taxes and CO2 Emissions: Sweden a Case Study in: American Economic Journal, Economic Policy 2019, 11(4), 1-30 [5] U.S. Commodities Future Trading Commission (CFTC), Managing Climate Risk in the U.S. Financial System, available at https://www.cftc.gov/sites/default/files/2020-09/9-9-20 Report of the Subcommittee on Climate-Related Market Risk - Managing Climate Risk in the U.S. Financial System for posting.pdf [6] The Swiss Federal Council, Proposals for Sustainable Finance, available at https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-81571.html [7] International Platform on Sustainable Finance (IPSF): A Global Approach for Financing the Green Transition, International Platform on Sustainable Finance: A Global Approach for Financing the Green Transition, e.g. Swiss statement starting at 25'20" stressing the need for a robust price on carbon and transparency.	
15. acli	U.S.A.	No	The American Council of Life Insurers (ACLI) appreciates the work of the IAIS and the opportunity to provide our views. ACLI is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting	Noted

			consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 95 percent of industry assets in the United States. Framing or Overarching Comments Relating to the IAIS approach to climate risk 1. Any IAIS work should ultimately focus on how climate risk impacts the core objectives of the IAIS and insurance supervision: namely, policyholder protection, promotion of fair, safe and stable insurance markets, and contributing to financial stability. 2. We encourage insurance supervisors to act as a "bridge" and "catalyst" among policymakers by sharing the insights they gain on the risks climate change may present and the role the sector can play in providing risk signaling (e.g., through pricing) and risk protection (e.g., through underwriting). 3. Actions by insurance supervisors should be risk-based. In addition, in light of the early and evolutionary state of climate and environmental impact science, the current lack of good, comparable data, and the ongoing work to develop appropriate, agreed methodologies for risk assessment and reporting frameworks, we strongly suggest that any IAIS guidance remain flexible. 4. We appreciate consistency and efforts to achieve it such as in the TCFD recommendations and agree that a common taxonomy could be helpful. However, at this stage, in light of the challenges set out in comment 3 above, we strongly suggest it is premature to seek to develop a uniform approach for what are multifaceted risk exposures. Rather, the IAIS work should foster flexibility and a jurisdictionally-driven approach, recognizing that insurance requirements must integrate with the evolving policies and practices of jurisdictional governments and financial markets and permit analysis of proposals for fitness for the relevant risk and sector. Ongoing collaboration and dialogue among stakeholders will be critical to allow collaboration between and among the industry, supervisors and the IAIS such that all parties work together to better understand exposures and how best to mitigate them and work toward best practices over time. While we recognize that there is some appetite for	

			greater global consistency in this area, we believe it is premature at this stage given the need to continue to develop expertise, and convergence on global best practices can and should occur over time. Framing Comments Relating to the application paper 1. The application paper should avoid language that suggests "requirements," including the excessive use of "should", consistent with the purpose of an IAIS application paper. Instead, the paper should focus on providing examples of ways in which different issues are currently being handled in some jurisdictions and avoid suggesting that any such practices constitute "best practices." Where it does provide examples, the paper should differentiate between actual practices and those that may be under consideration in certain jurisdictions. 2. The paper should be consistent in recognizing that climate-related risk is not a distinct risk category, but rather it contributes to the shape and manifestation of other risks. Managing climate risk should not be an end in and of itself. While "climate risk" or "climate-related risk" may be useful shorthand, it should be recognized that climate risk will manifest through other risk categories. 3. There should be a clearer distinction between risks impacting life insurers and risks primarily impacting non-life insurers. For life insurers there is greater risk on the investment side and transition risk vs the physical risk and liability exposure that climate-related risk can cause for non-life insurers. 4. At times tensions exist between the explicit scope of the paper (supervision of climate risk) and ESG policy goals more generally (e.g., the discussion of stewardship in paragraphs 74-76). IAIS guidance should recommend a supervisory approach that is proportionate, risk-based and driven by data informed by relevant expert advice and judgment. The ultimate objective should be the protection of policyholders and promotion of fair, safe and stable insurance markets, and contributing to financial stability, not achieving broader policy objectives of transitioning to low-carbon economies. 5. We welcome the fact that the paper explicitly mentions considerations of proportionality, relevance, and materiality when addressing climate-related issues. In	Should is meant as a recommendation in IAIS language, not a requirement. This is dealt with in section 2, inter alia. Some further examples were added. Noted. See also section 1. Noted.

			certain areas of the paper, referenced below, these considerations should be made clearer. 6. We suggest that the subsections be numbered consistently throughout the paper, e.g., Sections 4.2 and 6 (i.e., 6.1 Asset liability management; 6.2 Risk assessment of investments; 6.3 Stewardship.)	Change made.
16. Lloyd's of London	UK	No	We would like to thank the IAIS and the SIF for this timely Application Paper. Lloyd's is fully engaged with sustainability issues and follows developments at UK, EU and international level. We recognise both the impact on insurers through physical (primarily underwriting-focused) and transition (related to changes in value of investments) risks and the potential societal impact of climate change. Lloyd's is one of the founding members of the ClimateWise Initiative, which supports the insurance industry to better communicate, disclose and respond to the risks and opportunities associated with the climate-risk protection gap. This is the growing divide between total economic losses and insured losses attributed to climate change. Lloyd´s is an active member of the group and over 30 insurance companies are members, including 11 managing agents in the Lloyd´s market. ClimateWise´s six core principles, informed by sub-principles, form the framework of Lloyd´s approach to responding to climate change: - Be accountable - Incorporate climate-related issues into our strategies and investments - Lead in the identification, understanding and management of climate risk - Reduce the environmental impact of our business - Inform public policy making - Support climate awareness amongst our customers/clients - Enhance reporting. These Principles align fully with the recommendations set out by the Taskforce for Climate-related Financial Disclosures (TCFD). Lloyd's most recent ClimateWise report is publicly available on Lloyd's website.	Noted

			In December 2020, Lloyd's published its first Environmental, Social and Governance (ESG) report setting out our plans for transitioning to a more sustainable insurance and reinsurance marketplace. Lloyd's Environmental, Social and Governance Report 2020 builds on our existing ESG work with a comprehensive market-wide strategy, which supports the global transition to net zero and commits the market for the first time to publicly accountable targets for responsible underwriting and investment. The commitments detailed in the report have been developed in consultation with market practitioners and build on the activities already underway across Lloyd's that are actively supporting more sustainable businesses, communities, and nations. The report aligns with the United Nations' Sustainable Development Goals and supports the principles set out in the Paris Agreement. The report outlines the targets we have set for the phasing out of insurance cover for thermal coal-fired power plants, thermal coal mines, oil sands and new Arctic energy exploration activities to help accelerate society's transition from fossil fuel dependency towards renewable energy sources. Summary of Lloyd's ESG commitments: - Lloyd's will encourage all insurance undertakings in its market to allocate 2% of annual premiums towards innovative and sustainable products by 2022, and will provide guidance to deliver on this ambition. - Lloyd's will develop a new risk centre, to be launched in 2021, and will undertake research into new insurance products to protect society from systemic risks, including climate risk. - Lloyd's is targeting a 5% allocation of the Central Fund to "impact investments' by 2022. - Lloyd's will end investment in thermal coal-fired power plants, thermal coal mines, oil sands and new Arctic energy exploration activities. This involves ending new	

			investments in these areas by Lloyd's market participants and by the Corporation, from 1 January 2022, and the phasing out of existing investments in companies with business models that derive 30% or more of their revenues from thermal coal-fired power plants, thermal coal mines, oil sands or new Arctic energy exploration activities by the end of 2025. - Lloyd's will publish a road map that will set out how the Corporation will become net zero in its operations by 2025, and will work with the market to support their own implementation of net zero emission plans. - Managing agents in the Lloyd's market will be asked to no longer provide new insurance cover for thermal coal-fired power plants, thermal coal mines, oil sands, or new Arctic energy exploration activities from 1 January 2022. To enable the market to support their customers as they transition their businesses, the target date for phasing out the renewal of existing insurance cover for these types of businesses is 1 January 2030 (including for companies with business models which derive 30% or more of their revenues from any of these activities). Lloyd's will consult with the market and policyholders and provide ongoing support and guidance during this period of transition. We believe that the IAIS Application Paper coheres with current leading supervisory practices well in the area of supervision of climate-related risks in the insurance sector. In particular, it reflects our experience of supervision by the PRA and the FCA in the UK on this issue. We appreciate the recognition by the IAIS of the need for a dynamic, flexible and principles-based approach. Considering the scope of the Application Paper is targeted at supervisors rather than insurers, some sections could be updated to reflect this. For example, some statements could be rephrased from "insurers should…" to "supervisors should assess the extent to which insurers…"	
17. American Academy of Actuaries	United States	No	Thank you for this opportunity to provide our views on the Application Paper on the Supervision of Climate-related Risks public consultation.	Noted

18. Institute of International Finance	United States	No	Dear Dr. Saporta and Mr. Dixon: The Institute of International Finance (IIF) and its insurance members are pleased to respond to the IAIS's public consultation on the supervision of climate-related risks in the insurance sector. We appreciate the IAIS's focus on the development of a consistent approach to the supervision of climate risks, which we believe should be aligned with, but not identical to, the supervisory approaches used in other sectors of the financial services industry. We also believe that there is value in striving for alignment in approaches to climate risk between the global and national levels. This work should be refined over time in an iterative fashion in close consultation with industry and academic experts, who are also working to address these important issues. We note that significant work on climate risk is being conducted at companies and in universities and think tanks, as well as by national supervisors. We believe that this work should inform the work at the IAIS as it continues to consider the risks and opportunities that climate change will present for the insurance sector. We appreciate that, absent robust risk management, climate risk may be a significant source of financial risk that negatively impacts the interests of policyholders and the maintenance of fair, safe, and stable insurance markets. We also acknowledge the concerns raised by the Financial Stability Board regarding the potential for mechanisms within the financial system to amplify climate risks or the cross-border transmission of those risks. The IIF has conducted a significant amount of work on the topic of climate risks. We have recently shared with you an IIF Discussion Draft Paper, Prudential Pathways: Industry Perspectives on Supervisory and Regulatory Approaches to Climate-related and Environmental Risks (the IIF Prudential Pathways Paper). While this Paper reflects the perspectives of the IIF's broader membership of financial services firms, we believe that there are elements of the IIF Prudential Pathways Paper that may be appropriate for the IAIS to consider and discuss with stakeholders as it advances its work on climate change. We look forward to an opportunity to discuss this Paper and	Noted. Responses to specific comments are below under the various sections.

			its particular relevance to the work of the IAIS. Overarching Comments on the Application Paper The IAIS's Overall Climate Strategy As an overarching, foundational comment on the draft Application Paper, we would like to better understand the IAIS's overall climate risk strategy and how this strategy will be reflected in the IAIS's ongoing work program, in particular with respect to the Holistic Framework for Systemic Risk in the Insurance Sector (Holistic Framework) and the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame). We appreciate the importance of identifying and appropriately managing climate-related risks and we look forward to engaging with the IAIS on how climate risk considerations will be reflected going forward in IAIS standards and guidance. Industry/Supervisor Information Sharing Given the evolving nature of climate risks, industry/stakeholder/supervisor information sharing and collaboration are critical. We note that insurers are subject to expectations for greater information and disclosure from a wide range of stakeholders, including insurance and non-insurance regulators and supervisors, listing authorities for publicly traded companies, rating agencies, investors, customers and prospective customers. It may be appropriate for the IAIS to conduct a stakeholder dialogue on this topic, as well as on the topic of the IAIS's overall climate strategy, in early 2021. The IIF would be pleased to help organize such an event. Supervisory Responses to Public Policy Goals Consistent with the principle of proportionality, any supervisory response to climate-related risks should focus on material risk exposures, begin with the least invasive	

			tools that can be used to achieve the supervisory objectives of policyholder protection, fair, safe and stable insurance markets and financial stability, and promote sound risk management practices. Ultimately, the development of enduring, sustainable responses to climate change will depend on broader national and societal efforts to transition towards lower-carbon economies. While the insurance sector can contribute to these efforts, supervision of the sector should remain risk-based and focused on protecting policyholders, maintaining fair, safe and stable insurance markets, and contributing to financial stability. While regulatory capital responses to climate risks are not within the scope of the Application Paper, we understand that they are the subject of supervisory discussions and are discussed in the IIF Prudential Pathways Paper. We believe that the use of regulatory capital is an ineffective approach to the management of climate-related risks, which may give rise to unintended consequences, including the mis-pricing of insurance products and investments. In turn, insurance mis-pricing could have deleterious impacts on the ability of insurers to provide the long-term, patient capital on which markets depend. Practical, Proportionate and Sequential Approaches to Risk Management Given that the science around understanding and managing climate risk is rapidly evolving, very specific, mandated risk management requirements would be premature at this time. Instead, prudential supervisory approaches to risk management should be practical, proportionate and sequential, driven by data and informed by relevant expert advice and judgment. Supervisory initiatives should be risk-based, science-based and reflect and leverage market-led approaches to the extent possible. The insurance supervisory approach to climate risks should reflect the insurance business model and careful consideration should be given to the differences between the insurance sector and other financial services sectors. We support an approach that promotes alignment to the greatest extent practical and possible among financial services standard setters, including a common taxonomy that is	

			aligned across the financial services sectors and that is designed to be dynamic in order to reflect the changing understanding of climate-related risks. While there will be a need for some sectoral and jurisdictional differences to reflect the nature and materiality of the risks to which companies are exposed and the different paths and manifestations of climate risks across countries and regions (as well as the resources and capacity available to address climate-related risks in some emerging or developing economies (EMDEs)), we support efforts to align and integrate supervisory practices over time. Specific Comments on the Application Paper Section 2: Role of the Supervisor We appreciate the focus on materiality in Paragraph 12 of the Application Paper and we would support a further clarification that, at present, the concept of materiality is defined as financial materiality. It is also important for supervisors to account for different levels of materiality of climate risks across firms and to refrain from applying a "blanket approach' to climate-related risks. In the first instance, supervisors should consider the firm's consideration of the materiality of climate risks in its own risk and solvency assessment (ORSA). (These comments are further elaborated in our discussion of Section 4 of the Application Paper.) With respect to supervisory review and reporting (Subsection 2.2), we encourage the IAIS to state that supervisors should be mindful of the burden of multiple, duplicative information requests or data calls to insurers and should leverage existing sources of information to the maximum extent possible. Any information requests should have a clear risk-based objective and purpose that is tied to specific supervisory needs or goals; this would also help insurers provide the most meaningful data in response to supervisory requests. Insurance supervisors and supervisory colleges should make use of company reporting to group-wide supervisors in order to avoid duplicative and burdensome requirements. Supervisors should be encouraged to coordinate data requests, which would greatly reduce administrative burden, especially for companies operating with a global footprint.	

			Section 3: Corporate Governance We note that this section shifts the focus from recommendations for supervisors to recommendations for the insurers themselves. Consistent with the purpose of an Application Paper, we recommend a refocusing of this Section to the supervisory response. Supervisors should assess the robustness of insurers' corporate governance practices and recommend improvements where needed. We recommend that the IAIS delete Paragraph 33. It is appropriate to link the variable compensation of those key individuals with direct responsibility for the risk management framework to the prudent management of all material risks, including any potential impact that climate change may have on the way risks emerge. However, the Paragraph as drafted could be read in a much broader fashion to cover employees who have no responsibility for or control over climate-related risks. Further, the last sentence of this Paragraph is vague and open to a variety of interpretations. Climate risk considerations are an important part of a wide range of factors that are taken into consideration and balanced in making investment decisions that are in the best interests of policyholders and other stakeholders. Section 4: Risk Management and Internal Controls Again, in this Section, the focus should shift back to supervisory best practices, rather than best practices for insurers. Supervisory engagement and monitoring of climate risks should be a key focus and guidance to supervisors should be principles-based and recognize the need for flexibility given the evolving nature and understanding of climate risk. Any guidance to insurers should be developed in consultation with the industry and, in particular, in conversation with insurance chief risk officers. Insurers are incorporating climate risks into their ORSAs and enterprise risk management frameworks and are assessing the materiality of these risks across business lines	

			and activities. Firms should be provided flexibility to adapt their risk management frameworks to reflect the risks that are most material to the company. Firms' existing risk management frameworks can be leveraged as a baseline for assessing climate risks as they have for other risks over the years. Given the evolving nature of the science around understanding and managing climate-related risks, we recommend that the IAIS include in this Section language acknowledging that existing risk management frameworks, tools and capabilities will naturally and appropriately need to be developed and evolved in parallel. A phased approach to guidance, reporting and disclosure requirements would reflect this need for the further development and evolution of climate-related risk management frameworks. We agree with the statements in Paragraph 38 that insurers should develop tools to collect reliable data in order to perform aggregated analyses of climate-related risks but this Paragraph should be restated in terms of what supervisors should expect to receive in terms of output from insurers. This Paragraph appropriately recognizes the value of a qualitative analysis of climate-related risks, especially in light of current shortcomings in available quantitative data. Given data shortcomings and the evolving nature of climate risk management, an overemphasis on quantitative analysis could result in a false sense of precision and security in the results. Further, at this time, we believe that scenario analysis should be exploratory in nature and focused on understanding how climate risks may emerge, rather than on developing responses to climate risks that may not be based on a comprehensive understanding of the multitude of factors that can influence or be influenced by climate considerations and, thus, may give rise to unintended consequences. As further elaborated in our comments on Section 5, we encourage the IAIS and insurance supervisors to recognize the important differences between stress testing and scenario analysis and focus supervisory attention on the latter. Mainstream stress tests are near-term assessments of whether a firm has sufficient resources to weather macro-financial shocks. Climate scenario analyses, whether quantitative or qualitative, are designed to take a longer-term view of a range of potential pathways	

			for climate-related risks and to understand how those risks would affect an insurer and how an insurer could respond to those risks. Paragraph 50 should note that a number of jurisdictions have specific requirements relating to control functions. For those jurisdictions that are developing guidance in this area, flexibility should be granted to firms to reflect existing organizational structures. We agree with a focus on climate-related risks in outsourcing decisions (Subsection 4.4), but we believe that Paragraph 51 should reflect that insurers may address the risks and potential consequences of vendor failure and other outsourcing risks in their operational resilience plans. We encourage the IAIS to adopt an outcomes-based approach that specifies the desired supervisory outcome and provides firms with the flexibility to choose in a principled and disciplined manner how to deliver that outcome. Outsourcing arrangements generally do not transfer control of key activities to third parties, which remains in the control of the insurer. The need for proportionality is particularly important when supervising intragroup outsourcing arrangements. When developing supervisory expectations around exit strategies for intragroup outsourcing arrangements, supervisors should acknowledge that financial risk remains within the group. Section 5: ERM for Solvency Purposes We are in agreement with the statement in Paragraph 60 that the unique business strategy, investment portfolio and risk profile of each insurer will affect the degree of impact arising from climate-related risks. We encourage the IAIS to include this statement in the Introduction to the Application Paper. The IAIS should consider more explicitly recognizing climate risk mitigation strategies and techniques (e.g. regular re-underwriting of P&C risk and reinsurance) in this Section. The availability of more data (and more granular data) will indeed assist insurers in developing a more precise understanding of the risks associated	

			with climate change. Given the longer-term, forward-looking focus of scenario analysis relative to stress testing, we reiterate the comments raised above with respect to the need for supervisory focus on climate scenario analysis. A focus on forward-looking scenario analysis also reflects the longer-term focus of Paragraphs 61 and 62 of the Application Paper, in particular, the statement in Paragraph 62 that an insurer is required to perform a continuity analysis to assess its ability to manage its risks and meet its capital requirements under a range of plausible adverse scenarios with a forward-looking perspective in mind. The comments that follow are focused on scenario analysis, as we view scenario analysis as the better tool for assessing the potential impacts of climate-related risks, but many of these comments apply as well to stress testing. With respect to the appropriate time horizon for the consideration of climate risks in scenario analyses (see Paragraph 61), we believe that this is a decision best made by the company's senior management based on the activities and risk profile of the firm and the types of assessments and scenarios that are the most decision-useful for the board and senior management. Climate risks do manifest over longer time horizons than many other risks but the decreasing reliability of results over a longer time horizon should be acknowledged. Supervisors should also consider that robust scenario analysis may rely on data which is not currently available, such as data from counterparties. Consultation with the industry on the parameters and assumptions used in scenario analysis exercises can be useful in identifying data gaps and avoiding unrealistic expectations regarding the results of these exercises. More generally, the design of scenario analyses should be industry-driven, providing firms with the flexibility to develop scenarios that best reflect their business models and particular risk profiles. An industry-driven approach to scenario design would help to develop effective and decision-useful tests. Supervisors and supervisory	

			colleges have an important role to play in assessing the robustness of firms' analyses as well as the output of scenario analysis exercises. At this time, given the early stage of development of climate scenario analysis, these analyses should be focused on understanding potentially material climate risks, exploratory in nature, and balanced between quantitative and qualitative data and observations, in order to produce reasonably reliable outputs that are decision-useful and avoid creating a false sense of precision in the results. This focus would also promote the efficient management of firms' resources. Regular mandatory disclosure of quantitative scenario analysis results is premature at present. Any call for scenarios that could potentially cause insolvency is especially premature and could lead to inappropriate supervisory action. We encourage insurance supervisors to consider an iterative approach to any quantitative reporting or disclosure requirements when climate risk measurement tools and techniques are at a more advanced state. Importantly, climate scenario analysis is not well enough advanced to serve as a foundation for decisions on prudential regulation, particularly regulatory capital requirements. There are a number of important conceptual and practical challenges associated with using regulatory capital to respond to climate-related risks and other tools are better suited to address these risks. In particular, firms' internal risk management processes are a strong tool for managing evolving risks such as climate-related risks. Section 6: Investments We agree that physical and transition risks could have complex and non-linear impacts on insurers' investments that need to be taken into account whether the insurer invests directly or though a third-party asset manager or investment advisor. Insurers need to understand the long-term suitability of their investments as part of prudent asset-liability management, the ultimate purpose of which is to meet policyholder obligations. Greater recognition of and incorporation of climate risk into	

			financial asset prices over time should serve to help to mitigate these potential investment risks. With regard to the last sentence in Paragraph 70, we request that the IAIS further clarify the impacts of climate risk on asset-liability management and, in particular, how the correlation of asset classes is directly related to asset-liability management. As mentioned in our comments at Section 2, Role of the Supervisor, while the insurance sector can contribute to the shift towards lower-carbon economies, the development of enduring, sustainable responses to climate change will require and be driven by the degree to which broader national and societal efforts to transition are pursued and effective. While insurers may consider the stewardship aspect of climate change as one of a broad range of factors when considering strategic decisions, the supervision of climate-related risks should be risk-based and remain focused on policyholder protection, the promotion of fair, safe and stable insurance markets and financial stability. Section 6 should also acknowledge that the promotion of strategies to avoid certain assets in favor of others could create or exacerbate financial risks by incenting large shift in portfolio composition across the industry or by eliminating sources of investment and financing that will be needed to facilitate the transition to a lower-carbon economy. While capital and valuation issues are not within the scope of the Application Paper, we understand that the IAIS is discussing these issues, as are a number of supervisors and standard setters. As a general matter, supervisors' use of prudential tools should remain risk-based. Climate or environmental regulatory capital adjustments or other regulatory efforts to re-direct insurers' away from certain types of assets and towards "green' assets - an investment class that is still ill-defined -- could potentially undermine the credibility and efficacy of risk-based prudential instruments. These efforts could also generate unintended effects that could actually hamper the transition to a low-carbon economy, including by producing destabilizing asset bubbles in "green' assets. To the extent that rating agencies or market prices already factor in climate risk, climate-based prudential requirements could introduce a double counting effect.	

			Section 7: Public Disclosure We encourage a more proportionate and less prescriptive approach to public disclosure at this point in time, with an emphasis on voluntary disclosure. Market-led responses to the need for public disclosure should inform supervisory expectations or best practices on public disclosure. In designing any disclosure guidance, due recognition should be given to the requirements arising from the rules of listing authorities. Guidance on disclosure should be proportionate and focused on the financial risks that are material and decision-relevant for the insurer, recognizing that materiality is company-specific. Companies should be encouraged to highlight not only risks but also opportunities that arise from the transition to a low-carbon economy. Any disclosure requirements should be imposed in an iterative manner, with an initial focus on qualitative measures (especially for longer-term exposures), until climate risk measurement tools and techniques are at a more advanced state. A careful approach to disclosure requirements would help to mitigate insurers' exposure to legal risks. As noted above, the disclosure of quantitative climate scenario analysis results in particular is premature at present. Finally, a number of companies within the financial sector and beyond voluntarily issue TCFD-compliant reports. The IIF welcomes the IAIS reference to TCFD as an example of developing best practice as it is important that firms consider internationally recognized guidance where appropriate in an effort to better align disclosures. We appreciate the opportunity to comment on the Application Paper and we look forward to continued industry/supervisor dialogue on climate-related risks in the insurance sector. We would be pleased to present to the IAIS and its members our views on these topics in greater detail.	

			Respectfully submitted, Mary Frances Monroe	
19. Liberty Mutual Insurance Group	USA	No	Liberty Mutual Insurance Group finds the draft Application Paper to be overall a well-balanced and thoughtful analysis of how insurance companies and insurance supervisors should work together to address climate-related risks in the insurance sector. Given the ever-changing and evolving nature and understanding of the issues, proper consideration of climate risk and its impact(s) on the insurance sector will require insurance industry and supervisor collaboration and information sharing going forward. Undoubtedly, the guidance provided in the draft Application Paper will thus continue to require further work and updating on the part of both insurers and supervisors on an ongoing basis. However, for the most part, many insurers are already well on the way to adopting the recommendations of the draft Application Paper; incorporating them into their corporate governance and risk management structures. Though Liberty Mutual supports the Application Paper, it can be improved and made a more useful document. At times, the draft Paper reverts to expectations so detailed and specific that it becomes almost prescriptive and thereby inflexible. In a few places, it goes even further and recommends supervisors intervene in what are insurance company management decisions outside both the expertise and appropriate role of supervisors. Frankly, none of us are there yet. Neither companies nor supervisors yet have the level of climate risk expertise to underpin specific expectations, much less hard and fast requirements. It is also critical that we learn together and collaborate on practices that contribute to climate risk solutions, that protect policyholders, that are transparent, and that strengthen financial stability. Until then, for the guidance in this paper to be truly useful for insurers and supervisors alike, it must be flexible and capable of evolving as our knowledge and circumstances permit. We know where we want to go, let us go there together.	Noted The Paper is meant to provide practical examples and good practices; it is not meant as prescriptive.

			Our concern that the Application Paper lacks flexibility is consistent with other comments we at Liberty Mutual have made in other IAIS consultations on other topics. We have consistently cautioned the IAIS against taking positions that would effectively direct supervisors to interfere with management's decision making or substitute supervisors' judgment for that of management. We have urged, instead, as we do again in connection with this Application Paper, that supervisors focus on setting broad objectives for insurers and allow management the flexibility to use their own judgment as to how best to achieve them. Particularly given the complexity of climate risk and the search for science-based metrics, insurer management will be better equipped to make those decisions. Supervisors should indeed ensure that management is making prudent and reasonable decisions, but ought not specify in detail what those decisions will or should be. We also note legitimate questions and concerns around ESG data availability and quality, particularly around climate reporting. The quality and availability of sound climate risk data is uneven at best. Standards for data collection and efficient reporting, along with voluntary disclosures, should be harmonized and need to be addressed on a more consistent basis across sectors, asset classes, public and private companies, and jurisdictions. Longer term, this will support supervisory expectations that companies can reliably integrate climate into their risk management and decision-making processes. Finally, the draft Application Paper suggests that supervisors review the impact of climate change assessments over the short, medium, and long term, without defining these time horizons. Supervisors should coordinate this matter among themselves over time, to ensure that different supervisors do not set inconsistent specific time horizons.	

Q2 Comment on section 1.1 Context and objective

20. Insurance Europe	Europe	No	Insurance Europe agrees that climate change is a global threat. It takes the view that insurers should appropriately consider sustainability risks, including climate-related risks, especially when these risks are expected to have a future material impact on the balance sheet of the insurance company. Insurance Europe believes that, in integrating sustainability risk, including climate-related risks, undertakings should be given sufficient flexibility to reflect their specific business model and to integrate sustainability risks in their business processes and decisions. The principle of proportionality also needs to be reflected in the consideration of sustainability risks: the type and maturity of the undertakings' obligations, as well as the nature, the regionality and the risk exposure connected to those obligations need to be adequately considered.	Noted
22. IAA	International	No	This section provides a good understanding of the context and objective of the paper. As climate change is a global threat, the IAA suggests that members of IAIS be encouraged to report back on local initiatives and the extent to which the measures presented in the report are put in force.	Noted
23. American Academy of Actuaries	United States	No	The American Academy of Actuaries has been actively assessing changes in climate risk for several years and continues to do so. The Actuaries Climate Index (ACI), jointly developed and maintained in partnership with three other North American actuarial associations, documents the relatively steady increase in climate extremes from North America since 1990. The website of the ACI not only allows examination of trends in six distinct climate indicators, it also presents illustrations of these trends at the supranational, national, and regional levels. All of these different changes in climate indicators can be useful to insurance supervisors. The ACI has been the basis for other actuarial associations around the world to develop similar indices in their own countries or regions. The Academy's publication of Actuaries Climate Risk Index: Preliminary Findings, in January 2020, reflected the first effort to develop systematic estimates for property losses due to changes in climate, controlling for changes in exposure. Our estimate for the U.S. from 1991 - 2016, indicated that about 3.3% of the losses from climate-	Noted

			related events were due to those changes in climate. And while many experts generally expect property losses to increase by the end of the century, most suggest little or no damage could yet be directly ascribed to climate changes. Our research paper places a quantitative estimate, albeit with substantial uncertainty around that estimate, on the extent of loss already experienced. Continuing to develop these estimates with more refined methods, and observing the results into the future, should provide robust estimates valuable to insurance supervisors of the pattern of losses due to changes in climate.	
Q3 Comment on paragraph 1				
24. Insurance Europe	Europe	No	European insurance companies agree that climate change is a global threat that requires a global response. It is essential that the paper stresses that collective efforts involving all economic stakeholders. Cooperation between policymakers and market players is needed to tackle climate change. Insurance Europe suggests adding a following sentence: "Making a successful transition to a sustainable economy is the collective responsibility of all humanity and requires enhanced cooperation between the public and private sector."	Not included as it is not within the scope of this Paper to make statements on the response to climate change; the scope is on insurance supervisors.
25. GFIA	Global	No	As rightly pointed out in the paper, climate change is a global threat and thus needs a global response. GFIA believes it is essential to stress that collective efforts involving all economic stakeholders and cooperation between policymakers and market players are needed. Thus, GFIA suggests adding the following sentence: "To this extent, making a successful transition to a sustainable economy is the collective responsibility of all humanity and requires enhanced cooperation between the public and private sector. "	See response to comment 24.
26. The Geneva Association	International	No	Temperature rises are the main mechanism that affects all other variables. Furthermore, climate change will have varying effects depending on the specific geographical area being considered (some could even see a reduction of risk). We would therefore suggest amending the sentence: "through rising temperatures, rising sea levels and an increasing frequency/severity of natural catastrophes and extreme	Change made.

			weather events" to read as follows: "through rising temperatures and their consequences, such as: rising sea levels, and an increased frequency/ severity of natural catastrophes and extreme weather events"	
27. Zurich Insurance Company Ltd.	Switzerland	No	Following the recommendations of #NoNaturalDisasters (or https://www.nonaturaldisasters.com/about-us), we suggest the IAIS supports the shift from the terms "natural disasters" and "natural catastrophes" to "natural hazards." The negative impacts are not a "natural disaster" but rather, the human failure to mitigate and plan appropriately can result in humanitarian disasters from a natural process/natural event. There is nothing "natural" about that failure. In fact, the definition of a "disaster" or "catastrophe" per existing standards is based on the number of people affected, the extent of economic damage and the inability of a local, regional or national system to cope with the consequences with their own resources, which clearly outlines that the disaster is linked to the human and economic aspect, not the natural process itself. In that regard, it is also important to stress that disaster risks can be managed and reduced to prevent disasters from happening in the first place. As such, we suggest using the term "disaster risk management" throughout, removing the term "disaster management", in line with the objectives under the Sendai Framework for Disaster Risk Reduction.	Change not made. "Natural catastrophe" is a widely used term, including in the insurance sector capital requirements and regulation. (NATCAT module). Also, natural catastrophes are not restricted to hazards and extreme weather events only. This term was not used in the Paper.
Q4 Comment on paragraph 2				
28. Association of Bermuda Insurers and Reinsurers (ABIR)	Bermuda	No	There have been many examples where government intervention for access to insurance purposes has severely damaged market pricing, with resulting predictable negative outcomes (perverse, and climate- or resiliency- damaging, incentives; adverse selection and death-spirals; and risk to the solvency of insurers, to name a few). Insurers and reinsurers are market participants. They have great capacity to respond to and give market signals about climate risk, but they are not themselves equipped to cure non-market social ills that impact insurance affordability. As such, public-private and non-profit efforts are better mechanism, rather than attempting to put that on the	Noted

			back of insurers and reinsurers. Insurers and reinsurers (and Bermuda in particular) have stellar capacity to model and price and spread risk, and this capacity stands ready to work with other actors in addressing insurance affordability.	
29. GFIA	Global	No	GFIA takes the view that supervisors of the financial sector other than insurance should also undertake similar approaches with respect to climate-related risks.	Noted
30. IAA	Internati onal	No	Following on from the IAA answer to Q 1, the IAIS glossary could be mentioned here (in respect of the definition of "financial risk").	The IAIS glossary does not include a definition of “financial risk”. The Glossary is referred to in paragraph 7.
31. The Geneva Associatio n	Internati onal	No	The specificities of climate risk vs other risks do not appear to be considered in the current paragraph formulation. In fact, it would seem climate risk is always treated as a current (vs future) risk, which may lead to an inappropriate approach when dealing with this issue. We believe that risks that manifest over the longer term may warrant a different regulatory approach. Please see our additional comments on this point under Q1 above. In light of this, we would therefore suggest adding the following text: […] Standard 1.2). "In order for these supervisory objectives to be achieved, it is important to identify the specific peculiarities of climate change related risks versus weather related risks"	No change needed. The details are described in section 2.
32. Zurich Insurance Company Ltd.	Switzerla nd	No	Assessing the impact of climate change risk on the insurance sector ultimately requires the ability to value those impacts in a comparable manner with other risks, emanating from other sources than climate change. For supervisors to fulfill their mandate, they need to operate in a setting where there is a previously agreed benchmark for how to measure/evaluate climate-related financial risks. An agreed valuation method is crucial. The best way to accomplish this is by establishing a general price on greenhouse gas emissions (GHG), as this will immediately translate into a measurable and reportable financial impact on assets, liabilities and all P/L-relevant actions that again affect the positions on the balance sheet.	Noted

33. ACLI	U.S.A.	No	The separation of the three elements of the IAIS Mission is artificial and misleading. For example, managing and mitigating climate risks (para. 2) - while supporting the protection of policyholders and contributing to financial stability - also promotes fair, safe, and stable insurance markets. We suggest consolidating the reference to the three objectives at the end of the description of the challenges (para. 2) and opportunities (para. 3).	Some changes made to address the point
Q5 Comment on paragraph 3				
34. ABIR	Bermuda	No	The insurance industry can encourage insureds to improve their mitigation and improve their own resilience to climate related events through premium rebates and enhanced protection, but in some jurisdictions, regulators will need to assist this process by providing increasing flexibility on ratemaking, premium rebates, and policy terms.	Noted
35. Insurance Europe	Europe	No	Policymakers, businesses and consumers must understand the scope and scale of the impact of climate change. The most significant contribution that regulators and insurers can make is through risk-based pricing, as this can provide the right set of incentives and economic signals regarding the impact of climate change. In this respect, Insurance Europe strongly calls for regulators to support risk-based pricing. After the second sentence, Insurance Europe suggests adding the following: "Risk-based pricing helps deliver appropriate economic signals in line with real risks."	Suggested changes were made
36. GFIA	Global	No	Insurers also play an essential role as an assessor of risk. GFIA suggests adding "as an assessor of risk" in the second sentence. In addition, policymakers, businesses and consumers must understand the scope and scale of the impact of climate change on various risks. The most significant contribution that regulators and (re)insurers can make is through risk-based pricing to provide incentives, disincentives and other economic signals regarding climate-influenced risks. GFIA strongly calls for regulators to support risk-based pricing. It therefore suggests adding the following sentence to the paragraph: "The insurance industry plays a critical role in the management of climate-related risks in its capacity	Suggested changes were made

			as a risk manager, risk carrier and investor, and is uniquely qualified to understand the pricing of risks. [Notably, through risk-based pricing, insurers provide critical economic signals regarding the changing risk environment.]"	
37. Zurich Insurance Company Ltd.	Switzerland	No	However, an accurate pricing of risks by the insurance sector requires essential conditions for insurability to be in place. Without such basic framework conditions in place, the insurance sector is not able to play the attributed role.	Noted
38. acli	U.S.A.	No	We suggest deleting the reference to "inclusive" insurance and treating the topic in a separate paragraph. The new paragraph should highlight insurers' risk intelligence and growing understanding of climate risks, and their development of related risk management tools and products and services to take account of these evolving risks, enhancing their ability to effectively provide protection to policyholders in all markets, including inclusive markets.	Change not made, it is only one sentence so it does not merit a separate paragraph.
39. NAIC	USA, NAIC	No	Suggest taking the opportunity to elaborate here: Climate change presents not only risks but also opportunities for the insurance sector, such as being a driver for innovation.	The examples of opportunities are provided in the sentences that follow directly. No need to further elaborate.
Q6 Comment on paragraph 4				
40. Insurance Europe	Europe	No	The emerging and evolving nature of climate-related risks warrants more than supervisors' efforts to integrate climate risk into the supervision of the insurance sector. It requires supervisors' active engagement and cooperation with policymakers to develop an environment that helps insurers fully contribute to the transition to a more sustainable economy. There are several challenges that cannot be solved by insurers alone and need policy actions. Supervisors have a key role to play in this respect. The paper should facilitate a broader exchange of experiences between supervisors. One possibility would be to include for each ICP a dedicated section highlighting "dos	The Application Paper provides guidance for the application of several of the IAIS ICPs. The ICPs are not structured in a manner that discusses “don’ts”, and the Paper should be consistent with that.

			and don'ts". While the paper pays a lot of attention to the supervisory "dos", it could benefit from more emphasis on the "don'ts". This is key, as the paper will be useful material for both supervisors and insurers to share their experiences and inform the sound development of appropriate supervisory practices, which is particularly important when dealing with fast-emerging and evolving risks.	
41. GFIA	Global	No	The emerging and evolving nature of climate-related risks warrants more than supervisors' efforts to integrate climate risk into the supervision of the insurance sector. It requires supervisors' active engagement and cooperation with policymakers to develop an environment that helps all sectors contribute in full to the transition to a more sustainable economy. There are several challenges that cannot be solved by insurers alone and need policy actions. Supervisors have a key role to play in this respect. GFIA thus welcomes the intent of the paper, which is to provide guidance to supervisors in order to avoid duplicative or contradictory standards between jurisdictions and to facilitate the assessment of material climate risks, which is still at an early stage of development. In GFIA's view, the paper should also facilitate a broader exchange of experiences between supervisors. One possibility would be to include for each ICP a dedicated section highlighting "dos and don'ts". While the paper pays a lot of attention to the supervisory "dos", it could benefit from more emphasis on the "don'ts". This is key, as the paper will be useful material for both supervisors and insurers to share their experiences and inform the sound development of appropriate supervisory practices, which is particularly important when dealing with fast emerging and evolving risks. Finally, GFIA would caution against overly prescriptive recommendations on underwriting and investment activities. In fact, insurers' investment and underwriting actions must be taken independently in order to comply with legislations against unfair business practices. Competition, antitrust and boycott laws in various jurisdictions limit the ability of insurers to act collectively.	See response to comment 40.
42. IAA	Internati onal	No	A "globally consistent" approach is desirable but the IAA is concerned that any approach should facilitate making progress quickly.	Noted

			Supervisors could consider taking a building block approach for the industry to break down the issue of climate risks into parts, for example around understanding and addressing data availability, addressing the climate risk landscape and requirements, then tools, methodologies and principles. This would involve local regulators, local actuarial associations and academic bodies coordinating their training and research. Given that many insurance companies are still in the early stage of managing climate risks, taking a building block approach enables the gradual roll out of standards or guidelines phase by phase. This may help the industry implement initiatives more effectively.	
43. General Insurance Association of Japan	Japan	No	While stating, "Application Papers do not establish standards or expectations…," it is also stated that, "This Paper thereby also aims to promote a globally consistent approach…". We believe the latter sentence contradicts the former sentence, and therefore propose deleting the following sentence: "This Paper thereby also aims to promote a globally consistent approach to addressing climate-related risks in the supervision of the insurance sector". In addition, as the word "guidance" implies standards and expectations, we suggest revising the third sentence as follows: "Application Papers do not establish standards or expectations, but instead provide additional reference to assist implementation".	No change made. The objective of Application Papers is precisely to help the understanding of the IAIS Standards and thereby promote a globally consistent approach. Guidance is not meant to imply “standards or expectations”. Guidance in the IAIS terminology refers to recommendations and examples. See also the introduction to the ICPs.
44. Zurich Insurance Company Ltd.	Switzerland	No	Valuation of climate risks is critical, crucial and key to integrate the corresponding impact into the insurance sector´s supervision.	Noted
Q7 Comment on section 1.2 Related work by the SIF and IAIS				

Q8 Comment on paragraph 5				
Q9 Comment on section 1.3 Proportionality				
46. Insurance Europe	Europe	No	Insurance Europe welcomes the importance attributed to the principle of proportionality. It should be fully reflected in the supervision of climate risk: the type and maturity of the undertakings' obligations, the risk level connected to those obligations, as well as the nature and the regionality of the insured risks are all elements that need to be considered. Proportionality is particularly important to avoid an excessive burden on insurers with low exposure to climate-change risks. A number of tools can be used to apply the principle of proportionality and avoid unnecessary, burdensome requirements. For example, in the case of stress-testing and scenario analysis, the industry believes that maximum flexibility should be given to insurers to assess financially material climate risks in their processes, either in a quantitative or qualitative way. This paper should include explicit recommendations to supervisors to allow insurers to have sufficient flexibility in how to consider material climate-change risks, in line with their specific characteristics and risk profiles. Such flexibility is also key to adequately dealing with the inherent uncertainty related to the use of some climate-risk assessment tools, especially in the long term. Many assessment methodologies are still under development and this does not justify rigid and prescriptive approaches to supervision. Good practices and high-level principles are most effective in providing guidance on the best way to consider climate risk.	Noted. Where applicable, the Paper indeed provides concrete examples.
Q10 Comment on paragraph 6				
48. GFIA	Global	No	GFIA welcomes the importance attributed to the principle of proportionality. It should be fully reflected in the supervision of climate risk: the type and maturity of the undertakings' obligations, the risk level connected to those obligations, as well as the nature and the geography of the insured risks are all elements to be considered.	Noted

		No	Proportionality is particularly important to avoid an excessive burden on insurers with low risk exposures to climate change. A number of tools can be used to apply the principle of proportionality and avoid unnecessary, burdensome requirements. For example, in the case of stress-testing and scenario analysis, the industry believes that maximum flexibility should be given to insurers to assess financially material climate risk in their processes, either in a quantitative or qualitative way.	
Q11 Comment on section 1.4 Terminology				
50. Zurich Insurance Company Ltd.	Switzerland	No	Global average surface temperature should not be the only, or even the most relevant, parameter for climate change. There are many other key relevant factors outlining the potentially devastating effects from climate change, including night temperatures, rainfall distribution, and water deficit.	Included the fact that this is only one example ("eg").
51. acli	U.S.A.	No	Table 1. The identification of "liability risk" as distinct from "physical risk" and "transition risk" requires clarification. The liability risk categorization seems potentially duplicative.	This is consistent with the 2018 Issues Paper.
Q12 Comment on paragraph 7				
52. Insurance Europe	Europe	No	The definitions are generally clear. Insurance Europe suggests: -Clarifying the link between climate-related, environmental and sustainability risks, ie that environmental risks are a subset of sustainability risks, including but not limited to climate-change risks. -Adding a clear definition of environmental, social and governance factors. It would be useful to acknowledge not only the financial impact of sustainability on insurers, but also insurers' effect on sustainability. Currently, the risks considered in Table 1 only take into account an "outside-in" approach of climate risks (ie how do climate risks impact insurers' activities). In Europe, an increasing number of companies, including insurers, also recognise an "inside-out" approach (ie how a company's activities affect climate change) when identifying, managing and reporting on climate risks.	This was clarified The paper defines "environmental" but the social and governance factors are out of scope. This is dealt with in section 1.1.

53. GFIA	Global	No	In Table 1, GFIA suggests adding a definition of sustainability as the term is frequently used in different ways in public debate. It should be clarified that environmental risks are a subset of sustainability risks. In addition, GFIA suggests clarifying the definition of "transition risk", as in the "climate risk" column it is used interchangeably with "liability risk" yet two rows down in the table it is used to refer to the risks that arise as asset values change in transitioning to a low carbon economy.	Sustainability (risk) is already defined. This was clarified Clarified by adding “and” before “or”
54. IAA	Internati onal	No	Further to the response to Q1: The definition of "climate change" is restricted to just that attributable to human activity. For solvency purposes the distinction between climate change attributable to human activity and that attributable to other causes is irrelevant. The IAA suggests not restricting the definition of climate change in this way. If liability risk is to include the legal risk (as defined in Table 1), "Legal risk" may be a better label as the term "liability risk" may be more naturally understood to be restricted to insurance liabilities. However, it may be better to define "Legal risk" and "Insured Liability risk" separately, so that the former excludes the latter.	See response to Q1. For consistency with previous SIF/IAIS Papers this remains unchanged
56. acli	U.S.A.	No	Table 1. The identification of "liability risk" as distinct from "physical risk" and "transition risk" requires clarification. The liability risk categorization seems potentially duplicative.	See response to comment 51.
Q13 Comment on section 1.5 Scope				
Q14 Comment on paragraph 8				
Q15 Comment on paragraph 9				
Q16 Comment on paragraph 10				

57. Insurance Europe	Europe	No	Insurance Europe welcomes the decision to exclude ICPs 14 and 17 from the scope of the paper, as climate risk management is at too early a stage of development to be adequately incorporated in ICPs 14 and 17 following a risk-based approach. While tools such as scenario analysis and stress-testing can be used to investigate the impact of climate change, their results are not yet reliable enough to be used to assess the solvency of insurers. Their use could produce ill-informed market signals, which would be inconsistent with a stable transition to greater financial sustainability. Insurance Europe suggests adding the following sentence at the end of the paragraph: "In addition, the use of ICP 17 to assess climate-related risks might be premature as it is particularly difficult to assess potential risk differences based on sustainability, especially as the valuation and the risk profile of assets are influenced by many factors."	No change made as the main reason to not include it is related to the fact that these ICPs are under review in coming years and not the reason noted in this comment.
58. GFIA	Global	No	GFIA welcomes the exclusion of ICPs 14 and 17 from the scope of the paper. In particular, GFIA believes that ICP 17 is not suitable for the purposes of the paper. As climate risk management, scenario analysis and stress-testing are in their infancy, they should not be used to assess the solvency of (re)insurers, as this might result in ill-informed market signals, inconsistent with a stable transition to greater financial sustainability. Furthermore, these tools are useful to make informed predictions of future conditions but do not constitute facts, and therefore should not be used as a solvency assessment tool, but only to focus on climate risks. Given this, GFIA believes it would be premature to assume that ICP 17 on capital requirements is appropriate for assessing and mitigating climate-related risks. GFIA suggests adding the following sentence at the end of the paragraph: "In addition, as many climate-risk assessment tools are still at early development stage, it would be premature to use ICP 17 to assess climate-related risk." In addition, GFIA supports excluding ICP19. However, it will be important for supervisors not to confuse the fair treatment of customers under ICP 19 with any mandates to prevent (re)insurers from applying risk-based pricing.	See response to comment 57. Noted

59. IAA	International	No	The IAA notes that it will be important to update ICP 19 in the future as "greenwashing" is likely to be an important issue.	Noted
61. acli	U.S.A.	No	The presumed link between climate change and macroprudential supervision lacks a proper foundation at this time. First, macroprudential supervisory frameworks are generally focused on monitoring financial risks that have the potential to disrupt financial stability over a short time horizon. In contrast, climate risk is generally understood to be a longer-term risk. As such, existing macroprudential frameworks have not been developed with climate risk in mind. Second, climate is not a risk that can be "managed" in and of itself; rather it can contribute to the manifestation of other risks. Further work is needed to understand and establish any linkages between climate risk and financial stability. It is important also to take account of the evolving landscape and the need to continue to develop expertise related to both the management and supervision of potential climate risks.	There are many publications around the possible financial stability implications of climate change. see for instance a publication from the FSB (November 2020). Also the IAIS is undertaking analysis as part of the GIMAR special topic report.
Q17 Comment on paragraph 11				
62. ABIR	Bermuda	No	ABIR supports the consideration of a public/private partnership, however this must be carefully considered. Some elements of climate-exposed risk may become simply uninsurable given the combination of the legal environment in some jurisdictions and their climate exposures. This is potentially the case in California and Australia in terms of utility companies being held accountable for wildfire liability. Putting risks that cannot be properly priced, or where the interplay of pricing and low take-up creates a market "death spiral", solely into the private market may in certain situations not be consistent with safety and soundness and/or achieving the level of insurance penetration necessary. In those narrow cases, a tailored government solution (ranging from encouraging take-up, to providing affordability support, to a government backstop, and in certain cases to even more extensive government solutions) may be required.	Noted
63. Insurance Europe	Europe	No	Insurance Europe reiterates the importance of cooperation between different players, and specifically the public and private sector, in tackling climate change. Therefore, the European industry appreciates the possibility of exploring new forms of public-	Noted

			private partnership in order to improve the availability and affordability of insurance, while providing best practices and lessons learnt to improve adaptation to climate change and mitigation of the financial impact of weather-related events. In this respect, policymakers should invest in broad mitigation strategies. They could: o Subsidise insurance premiums of certain products and services with low penetration rates on the condition that they are related to resilience and prevention measures. o Develop a clear framework for identifying and classifying activities that enhance policyholder resilience. o Anchor climate resilience in planning standards and building regulations to improve resilience to natural hazards. o Facilitate public-private partnerships in cases where there is a lack of insurability through the private sector alone: eg due to an absence of diversification and resulting pricing issues. However, it is important that these are not only temporary solutions but real fixes of the issue at stake. Insurers are only one component in a wider effort to make the economy sustainable. And they can only play their part in the transition to a sustainable economy if other companies and governments are willing to fulfil their own roles.	
64. GFIA	Global	No	GFIA sees merit in exploring new forms of public-private partnership in order to improve the availability and affordability of insurance. However, while well intended, such partnerships are designed to reduce or eliminate the economic signals about risk sent by risk-based pricing and may encourage undesirable outcomes. To cope with increasing severe weather events and natural catastrophes, GFIA believes that policymakers should invest in broad mitigation strategies. Ideally, public-private partnerships should be predicated on mitigation/risk reduction measures being taken by public entities. Public-private partnerships involving some form of insurance schemes may only be a stopgap rather than a real solution to the issue. In addition, GFIA highlights that to stop offering insurance is the last action considered by insurers. Other actions could be taken to reduce insurance exposure to climate-related risks. GFIA thus suggests adding the following sentence: "An insurer may also	The Paper does not make any subjective statements on public private partnerships. This is out of scope. Included these other examples.

			apply a higher excess, exclude cover for specific perils, and/or require risk mitigation to be undertaken by policyholders." Finally, while GFIA acknowledges that access to insurance is not in the scope of this paper, it would like to stress that this is an important topic that will require cooperation between governments and the private sector, in part by supporting mitigation and adaptation and competitive, financially strong and innovative insurance markets.	Noted
68. Zurich Insurance Company Ltd.	Switzerland	No	The role of risk reduction must be introduced here. One very clear way of addressing the insurability and affordability situation while keeping policy premiums commensurate with risk level is to actively manage/reduce risk by those that "own" the risk (i.e. those owning and managing property). According to the ClimateWise Investing for Resilience report, of USD 175 billion economic losses in 2016 that related to natural hazards only USD 50 billion were insured. This USD 125 billion protection gap is due in part to the lack of evidence of "what works" and because there are few incentives and regulations to encourage investments into sound protection measures at all levels of society. One of Zurich´s objectives is to enhance the effectiveness of risk reduction solutions by improving understanding of the barriers to more effective measures to build physical, natural, human, social and financial resilience to natural hazards. Developing and delivering innovative, sustainable solutions that make communities more resilient is necessary. Finally, developing perspectives on appropriate risk transfer and risk management solutions in vulnerable areas, including prerequisites for their effective functioning.	See also comment 64; this was now introduced.
69. NAIC	USA, NAIC	No	Bottom of paragraph 11, suggest providing a footnote to A2ii and IDF work/initiatives in this area to provide additional reference and context for the reader.	Included for IDF. Reference to a2ii work is already in footnote 2.
Q18 Comment on section 2 Role of the Supervisor				

70. Partnership for Carbon Accounting Financials	Global	No	The Supervisor can define a unifying set of metrics which can serve as the lingua franca for comparing climate risk across its supervised entities. Prudential risks affected by transition risks, such as investment risk, reputational risk and strategic risk, are all well-suited to be expressed using absolute financed emissions: the emissions financed by the insurance provider's investment portfolio. Measuring absolute financed emissions is the first step for an insurer to assess risk, set targets, and perform scenario analysis. Rather than wait for a perfect system, Supervisors can require supervised entities to start measuring and disclosing this climate impact now using the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry, which enables financial institutions such as insurers to consistently measure and report the climate impact of their loan and investment portfolios in a universal, transparent and standardized way. The IAIS could start with the simple GHG Protocol definition of financed emissions; more sophisticated metrics can be introduced in a second stage. The most important contribution of the IAIS starting with clarity on climate related risk would be the start by many insurers to make decisions based on a broader set of data than just financial data. Other impact data will have to follow soon after that start.	This is useful input for potential further work of the IAIS.
72. acli	U.S.A.	No	Table 2: Regarding investment risk, while physical and transition factors may present risk to the investment portfolio, an overemphasis on potential climate risks may also damage investment returns to the detriment of policyholders. We suggest modifying the potential impact to encompass not only physical and transition-related factors, but also asset bubbles that may be fostered. Regarding reputational risk, it should be recognized, given the politically divisive nature of climate change in some jurisdictions, that insurers face potential reputational risk not just from being perceived as supporting sectors that contribute to climate change, but also from moving too quickly in response to climate risk concerns. The description in Table 2 should include this impact as well.	This element was included.
Q19 Comment on paragraph 12				

73. ABIR	Bermuda	No	ABIR recognizes that regulators will be increasing their supervisory oversight and the range and depth of mandatory data calls and stress tests could increase. We encourage regulators to coordinate and cooperate in their stress test frameworks and, also, to rely on existing mechanisms for risk and stress testing reporting - eg. Pillar II (GSSA /ORSA) and Pillar III (FCR / SCFR) reporting, rather than adding additional layers of reporting.	Agreed. No change needed.
74. Insurance Europe	Europe	No	Insurance Europe agrees that supervisors should assess material climate-related risks to insurers alongside other material risks. In this respect, it needs to be acknowledged that climate-risk assessment tools are still under development and the reliability of their outcomes are affected by current uncertainties, eg in terms of data availability and methodologies. Therefore, it is important that the supervisory process considers the current situation and avoids rigid and prescriptive approaches.	Agreed. No change needed as this is dealt with in the remainder of this section.
75. GFIA	Global	No	As previously stated, climate-risk assessment tools are still at an early stage of development and may suffer from predictive bias. Given these uncertainties and limitations, supervisors should avoid rigid, prescriptive approaches. They should be flexible and understand insurers' approaches to climate risks. GFIA therefore suggests adding the following sentence: "Supervisors should be flexible and support insurers in managing climate risks and in facilitating a smooth and stable transition".	Disagree that the IAIS is being prescriptive in setting certain rigid expectations; that is not the objective of application papers. Inclusion of the sentence is unnecessary. See also page 2 of the document.
76. IAA	Internati onal	No	Table 2: Underwriting risk: The current wording doesn't actually say what the underwriting risk is - for example this could be reworded to say "climate change increases the level of uncertainty of weather-related claims, not just the frequency and severity. If the impact of climate change is not properly allowed for, underwriting may mis-estimate the risks to which an insurer may be exposed in writing a particular insurance policy". Table 2: Liquidity Risk: the wording could be made clearer to include claims effects, as well as general market effects. For example, it might also include: "In addition, the uncertainty in future experience that may result from climate change could lead to a	Change made. Change made.

			volatile claims experience leading to inadequate liquid resources and the potential need to dispose of assets on unfavourable terms". Whilst extreme claim events can cause some liquidity issues if the insurer's risk is improperly managed, on balance, the IAA believes that climate risk is unlikely to affect the existing risk sufficiently materially to warrant it being called out specifically in this context. For example, snowstorms or hailstorms are not predictable months in advance, and in many cases aren't predictable more than a day or two in advance, yet non-life insurers need to be ready for how those events will impact cash demands. Also, the payout of non-life claims in such circumstances is generally not instantaneous with the event, but may take days, weeks, months or longer for the claim settlement process. The IAA suggests that climate change may not have a big impact on insurers' existing short term liquidity planning. Table 2: Operational Risk: The AP mentions "inhibited claims management capacity", and, while including that reference does no harm, the IAA observes that the insurance industry has been forced to insulate their claims management function from such disruptions due to Covid-19. It should already be a consideration for insurers exposed to catastrophes (man-made or otherwise). The IAA notes the terms "prudential risk" and "environmental risk" are used in the AP and could be defined in this section.	Noted. (the table does not make any statement on the size of the risk) No change made; it could still be a relevant risk in the future (non-Covid-19 related). Environmental risk is defined in table 1. Prudential risk is a general term which is implicitly defined in the first sentence of paragraph 12.
77. The Geneva Association	International	No	Underwriting Risk: While it is true that some specific events have possibly seen an increase in frequency and severity (albeit one could argue within the current margin of error of models, given that we are dealing with extremely volatile events), the ultimate effect on underwriting risk is not an inevitable consequence. The possibility of insurers to adapt to changing situations through taking management actions such as adapting contractual terms and conditions, as often happens in normal practice as market conditions and risks evolve, must be considered (although we do realize that, depending on the extent of repricing, insurance may become less affordable or unavailable). Ultimately, an increase in weather related insurance claims would result in changes either in policy conditions and rates, or in portfolio composition, which	This comment has been dealt with by the changes made in response to comment 76.

			could neutralize or strongly mitigate the potential effects of climate change on underwriting risk.	
78. General Insurance Association of Japan	Japan	No	At this point in time, there are various analysis regarding the effect of climate change on the frequency, severity, and concentration of natural disasters and the extent of which it may be having an effect, considering the difficulty of measuring such effect. Therefore, we suggest revising the sentence as follows: "Underwriting risk: Climate change may affect the frequency, severity and concentration of high impact natural catastrophes around the world, leading to increases in weather-related insurance claims". Whilst we understand that the sentence, "Further, reductions in affordability or availability of insurance cover as insurers respond to climate risk may also lead to negative reputational impact." refers to, for example, the sustainability of fire insurance, any assumptions that may lead to criticism towards insurers for raising premium rates through proper underwriting should be avoided, and therefore, the sentence should be deleted.	Some changes were made in response to comment 76. It is broadly recognised that climate change is already having this effect, so the use of the verb "may" seems unfitting. No change made since it factual statement.
81. Zurich Insurance Company Ltd.	Switzerland	No	For the definition of "Underwriting risk", the phrase "high impact natural catastrophes" should be replaced with "natural hazard events leading to high economic and humanitarian impacts". Comment on "Investment risk" and "Liquidity risk": The highlighted wordings make it evident that any appropriate guidelines dealing with the respective prudential risks requires the existence of a valuation method for climate-related risks. In order to make climate-related risks comparable with other (e.g. credit rating driven) risks, a general price for climate-changing activities is needed. This is the only way for a company to act in a way that is adequately geared toward maintaining its overall solvency and the only way for a supervisory authority to verify the appropriateness of the supervised entities´ approach.	This part of the sentence was removed. Noted and this is also referred to in section 2.1

82. Lloyd's of London	UK	No	Table 2 outlines the confluences between various prudential risks and the potential impact on them from climate change. The first of these, "Underwriting risk', focuses on the physical impacts of climate change which may give rise to increasing weather-related insurance claims; i.e., "physical risk'. However, this section is remiss in not mentioning liability-related impacts on underwriting, which are also fundamentally important from a prudential perspective. It is particularly necessary to treat liability risk separately given that physical risk will predominantly affect property classes, which are generally underwritten on an annual basis and may therefore be adjusted annually to reflect prevailing environmental and economic circumstances. Liability policies, on the other hand, are more likely to have a long tail and may therefore give rise to prudential impacts in later years on the basis of circumstances which may not have been in the mind of the underwriter at the time the insurance contract was agreed. Whilst the effects of slow pollution are likely to be excluded from policies, the is additional complexity warrants liability risk being given similar prominence to physical risk at the outset to ensure sufficient consideration by readers of the Application Paper. In terms of "reputational risk', the draft Application Paper states that negative reputational outcomes might result from a reduction in the availability or affordability of insurance cover as a result of climate change. Whilst some reputational risk could arise in this regard, we do not believe it is proper to include it in this Application Paper. Including this aspect of reputational risk implies that there is a material prudential trade-off between underwriting risk and reputational risk when insurers are determining the conditions under which they are willing to offer cover. However, an insurer's primary concern will be determining whether to offer cover and setting an appropriate price for a particular risk. Moreover, risk-based insurance pricing acts as an incentive to drive positive risk management behaviours in certain markets, and this includes the incentivisation of positive climate behaviours amongst policyholders. Including the negative reputational impact of increasing pricing as a substantial prudential risk implies that the risk should be mitigated, which could lessen the signals that are sent to policyholders through insurance pricing and thereby reduce the beneficial corrective effect.	Liability risk is indeed defined in table 1. A brief reference was added here. Agreed with the statement. The reputational risk can indeed be mitigated, for instance via communication strategies, outreach to stakeholders, education etc., emphasising those points mentioned in the comment.

83. Institute of International Finance	United States	No	We appreciate the focus on materiality in Paragraph 12 of the Application Paper and we would support a further clarification that, at present, the concept of materiality is defined as financial materiality. It is also important for supervisors to account for different levels of materiality of climate risks across firms and to refrain from applying a "blanket approach' to climate-related risks. In the first instance, supervisors should consider the firm's consideration of the materiality of climate risks in its own risk and solvency assessment (ORSA). (These comments are further elaborated in our discussion of Section 4 of the Application Paper.)	The term "materiality" does not only refer to financial impacts.
84. Liberty Mutual Insurance Group	USA	No	Liberty Mutual agrees that supervisors should assess climate-related risks that are likely to be "material" to insurers. We emphasize the importance of materiality in exercising supervisory authority in this, or any other context, as a means of assuring efficient allocation of regulatory and industry resources. This focus should be applied uniformly throughout the Application Paper.	Noted
85. NAIC	USA, NAIC	No	There is a missing period at the end of Table 2.	Change made.
Q20 Comment on section 2.1 Preconditions and resources				
Q21 Comment on paragraph 13				
86. Insurance Europe	Europe	No	Insurance Europe agrees that an effective system of insurance supervision requires a number of preconditions to be in place and welcomes the commitment from the supervisory community to consider such preconditions. While it is true that some are not directly under the influence of the supervisor, it is worth noting that the supervisor often has the ability to influence them precisely because such preconditions affect the supervisory practices. In this regard, Insurance Europe suggests the following amendments: - "Although not directly under the influence of the supervisor, such preconditions can be taken into account..." - After the last sentence: "The supervisor can have a voice in suggesting to its government what changes are required to achieve an effective system of insurance supervision."	Change made to be consistent with ICP Assessment Methodology, paragraph 53.

			Sound sustainability/ESG ratings should be acknowledged as a key precondition alongside other examples in this paragraph. Sustainability/ESG ratings will unavoidably affect the market value of assets insurers invest in. Therefore, a regulatory framework should ensure that sustainability ratings, which are provided by independent assessors, are comparable, reliable for investors, but also available freely or at an affordable price. As the coverage of ESG rating agencies expands, the large majority of insurers risk being dependent on external, third-party data providers for their sustainability assessment as well as for their sustainability risk assessment. This is increasingly likely when ESG ratings and data providers develop into oligopolistic structures, which lead to an increase in the costs of accessing ESG ratings and data. Existing issues with the availability and reliability of ESG data should not force market participants to rely on third-party providers to obtain them (see comment on paragraph 38). The IAIS should take this opportunity to assess how effectively supervisors can make policymakers aware of the listed shortcomings. Insurance Europe is also of the opinion that some examples are not fully connected with the precondition and therefore suggests the following clarifications: o Clarity on sustainable investment practices, eg a shared taxonomy or classification of assets or activities against a set of sustainability goals; or o Effective transparency in financial markets, eg the extent to which non-financial private sector participants have implemented climate-related disclosures, or the availability of reliable and comparable sustainability ratings. When supervisors do not have the means to overcome the challenges related to the lack of adequate preconditions to guarantee an effective supervisory system, it is paramount that supervisors adequately deal with such challenges without setting expectations that insurers solve such challenges. For example, if data availability at asset level is considered a challenge, the supervisor should not expect insurers to be able to disclose granular information about the sustainability of its portfolio.	This is part of the heading of efficient market discipline. The categories of preconditions listed here are consistent with the ones listed in the ICP assessment methodology.
87. GFIA	Global	No	GFIA agrees that an effective system of insurance supervision requires a number of preconditions to be in place and welcomes the commitment from the supervisory community to consider such preconditions. While it is true that some are not directly	See response to comment 86.

			under the influence of the supervisor, it is worth noting that the supervisor often has the ability to influence them precisely because such preconditions affect supervisory practices. In this regard we suggest the following amendment: - "Although not directly under the influence of the supervisor, such preconditions can be taken into account..." In addition, a sound financial framework that allows insurers to invest in sustainable products is a key precondition to the development of supervisory practices related to climate risks. GFIA thus suggests adding the following bullet points: 1. Sustainable government decision-making frameworks, eg the extent to which long-term land-use planning development includes climate-related risks. 2. Development of sufficient investment grade sustainable products. Furthermore, sound sustainability/ESG ratings should be acknowledged as a key precondition alongside other examples in this paragraph. Sustainability/ESG ratings will unavoidably affect the market value of assets insurers invest in. Therefore, a regulatory framework should ensure that sustainability ratings, which are provided by independent assessors, are comparable, reliable for investors, but also available freely or at an adequate price. As the coverage of ESG rating agencies expands, the large majority of insurers risk being dependent on external, third-party data providers for their sustainability assessment as well as for their sustainability risk assessment. This is increasingly likely when ESG ratings and data providers develop into oligopolistic structures, which lead to an increase in the costs of accessing ESG ratings and data. Existing issues with the availability and reliability of ESG data should not force market participants to rely on third-party providers to obtain them (see comment on paragraph 38). Finally, GFIA suggests the following amendment:	

			- After the last sentence: "The supervisor can have a voice in suggesting to its government what changes are required to achieve an effective system of insurance supervision." When supervisors do not have the means to overcome the challenges related to the lack of adequate preconditions to guarantee an effective supervisory system, it is paramount that supervisors adequately deal with such challenges without setting expectations that insurers solve such challenges. For example, if data availability at asset level is considered a challenge, the supervisor should not expect insurers to be able to disclose granular information about the sustainability of their portfolio.	
88. IAA	International	No	The impact of a supervisory regime is impacted by the extent of any governmental policies in this area. Clearly it is easier for supervisors if the supervisory regime is aligned with government policy. The first bullet point in this paragraph addresses 'sustainable … policies" and it may be helpful if this term is explained further, and the example given could be more helpfully focused for this purpose.	The term itself is further explained in the ICP Assessment Methodology. In addition, some change made to the wording in the bullet point.
89. The Geneva Association	International	No	We are unsure what the list of preconditions is accomplishing in the context of the paper. The list seems to be only tangentially related to the remainder of the content in this section. Consideration could be given to removing this entire paragraph	Disagree. It is deemed important as described in this paragraph as well as in the ICP Assessment Methodology. It provides context to the role of the supervisor.
90. General Insurance Association of Japan	Japan	No	Although "introduction of a globally-agreed carbon pricing system" is included in the example, this is not agreed globally and is incorrect. We request this example to be removed.	See response to comment 89

91. Zurich Insurance Company Ltd.	Switzerland	No	The enumeration of preconditions for an effective system of insurance supervision lacks the mentioning of an agreed valuation methodology for climate-related financial risks and that the most effective way to achieve this goal is through the establishment of a general price for GHG emissions. Kindly refer to our general comments (Q&A 1) on a general price on carbon.	This is covered in the first bullet point
92. acli	U.S.A.	No	The list of preconditions seems extraneous and out of scope within the context of the paper. For enhanced clarity, we suggest replacing the second sentence with: "In developing supervisory practices as they relate to climate-related risks, supervisors should take into account pre-conditions and resources necessary for the development of appropriate risk assessment methodologies and availability of mitigation tools."	Disagree. See responses to previous comments.
Q22 Comment on paragraph 14				
93. GFIA	Global	No	If supervisors do decide to use external resources, including materials produced by external organisations or through external cooperation with NGOs, then they should be transparent about their collaboration and publicly disclose what methodologies are used for the assessment of climate risks.	This is a general statement which applies not only to the use of information for climate-related risks. No change needed.
94. IAA	International	No	This paragraph mentions the need for "sufficient resources" - presumably in both quantity and necessary expertise/experience. While this requirement is a valid and necessary one for effective supervision (whether generally or specifically to climate risks), it can be extremely challenging or practically impossible for supervisors in some jurisdictions where resources are very limited and constrained by government budgets. Some of the alternative mechanisms stated (e.g., NGO's) may only be viable if they have no impact on supervisory budgets. This might need to be more specifically recognized in this paragraph.	This is covered by the overarching proportionality principle.
Q23 Comment on paragraph 15				
Q24 Comment on paragraph 16				

95. Insurance Europe	Europe	No	Insurance Europe takes the view that maintaining regular dialogue and consultation with stakeholders on these new issues is key to understanding the challenges and approaches to deal with climate change in different business functions and areas. For instance, in France, the supervisors created a working group aimed at developing feasible and meaningful climate-scenario analysis in cooperation with industry representatives.	This is indeed acknowledged in this section.
96. GFIA	Global	No	GFIA takes the view that maintaining regular dialogue and consultation with stakeholders on these new issues is key to understanding the challenges and approaches on both sides. For instance, in France, the Autorité de Contrôle Prudentiel et de Résolution (ACPR) created a working group with French insurers in order to develop its proposal for a climate scenario analysis pilot exercise. It also set up a consultative committee on climate and sustainable finance not just with representatives of insurance companies but also with academics and climate finance experts. GFIA thus suggests adding the following sentence: "Generally speaking, close collaboration and regular communication between regulators and the industry is vital to better understand the challenges and approaches of both sides with regards to supporting the transition."	This is dealt with in section 2.2.2
Q25 Comment on section 2.2 Supervisory review and reporting				
97. Institute of International Finance	United States	No	With respect to supervisory review and reporting (Subsection 2.2), we encourage the IAIS to state that supervisors should be mindful of the burden of multiple, duplicative information requests or data calls to insurers and should leverage existing sources of information to the maximum extent possible. Any information requests should have a clear risk-based objective and purpose that is tied to specific supervisory needs or goals; this would also help insurers provide the most meaningful data in response to supervisory requests. Insurance supervisors and supervisory colleges should make use of company reporting to group-wide supervisors in order to avoid duplicative and burdensome requirements. Supervisors should be encouraged to coordinate data requests, which would greatly reduce administrative burden, especially for companies operating with a global footprint.	No change needed, this is a general statement that applies to any reporting requirement. The point about avoiding duplicative reporting requirements is dealt with in the final sentence of paragraph 21.

Q26 Comment on paragraph 17				
98. Zurich Insurance Company Ltd.	Switzerland	No	Only through establishing a general price on GHG emissions the supervisors will be able to obtain the necessary qualitative and quantitative information on climate-related risks that enables them to meet their mandates. Anything else will, without remedy, trigger challenges of comparability or require supervisors to disenfranchise the management of the supervised entities.	Noted
Q27 Comment on paragraph 18				
99. ABIR	Bermuda	No	ABIR supports the IAIS's position in encouraging supervisors to assess the impact of climate risk on other prudential risk classes rather than as a separate risk category.	Noted
100. Insurance Europe	Europe	No	Insurance Europe appreciates the guidance in ICP 9.1 on the consideration of evolving risks such as climate risk. The industry fully supports the assessment of the materiality of climate-related risks to individual insurance companies as well as to the insurance sector as a whole. Nevertheless, it is key that supervisors strike the right balance without putting excessive focus on climate-related risks at the expense of other risks.	Noted
101. IAA	International	No	It would be clearer if Table 2 could be signposted to paragraph 12. The term "evolving risk" is used here, in other parts of the paper (e.g., para 77) the term emerging risk is used. It would be helpful to explain the difference in these terms.	Not sure what is meant; paragraph 12 already includes a reference to table 2 These terms should be understood to have the general meaning.
102. Zurich Insurance Company Ltd.	Switzerland	No	The consequences of the scale or volume of climate risk (and their evolution) are not made visible in regular (financial) reporting, as it is the case with other changes (valuation of regular financial assets, but also of certain liabilities). The underlying issue is therefore the lack of pricing of climate-changing activities.	Noted

Q28 Comment on section 2.2.1 Information gathering				
103. Partnership for Carbon Accounting Financials	Global	No	We propose that Supervisors consider using absolute financed emissions as the common metric for the measurement and reporting of various kinds of climate risks. PCAF's Global GHG Accounting and Reporting Standard for the Financial Industry is the only universal, standardized and transparent methodology for doing so. PCAF recognizes that high quality data can be difficult to come by when calculating financed emissions, particularly for certain asset classes. However, data limitations should not deter insurers from taking the first steps toward preparing their inventories, as even estimated or proxy data can help them identify carbon-intensive hotspots in their portfolios, which can inform their climate strategies. Where data quality is low, financial institutions can design approaches to improve it over time. Requiring insurers to report on data quality enables them to develop a strategy to improve data over time. What is most important to note is that financial institutions, such as insurers, have the tools to begin measuring now. Strategies to improve data quality can come later. For example, some member financial institutions of PCAF have partnered with government statistics agencies to obtain higher-quality data.	Noted
Q29 Comment on paragraph 19				
104. ABIR	Bermuda	No	If regulators recognize the value of TCFD and UN PRI reporting, or other reports perhaps such as ClimateWise or UN Principles of Sustainable Insurance, it would be very beneficial for organizations to be allowed to provide these in lieu or alongside their existing GSSA/BSCR filings, instead of having to provide different disclosures to regulatory and non-regulatory agencies. Organizations able and willing to make voluntary disclosures such as TCFD should be rewarded and not penalized by having to repeat disclosures in another format	This is dealt with in section 7.

105. Insurance Europe	Europe	No	Insurance Europe welcomes the fact that the paper acknowledges the possibility that relevant data is available in the public domain in various forms. It is important that supervisors encourage the availability of reliable public data, which can be useful to evaluate an insurer's exposure to physical and transition risk, as well as the sustainability of its portfolio. This will also reduce the burden for insurers. The paper should include an explicit reference to the possibility that the exposure to physical, transition and liability risks is described qualitatively. This may be supported by quantitative analyses (eg ranges, directions) when appropriate (see comment on Q33 (paragraph 22) and Q91 (paragraph 62)).	Noted Change made to make it more general.
106. GFIA	Global	No	GFIA welcomes the fact that the paper acknowledges the possibility that relevant data is available in the public domain in various forms. It is important that supervisors encourage the availability of reliable public data, which insurers can use to evaluate exposure to physical and transition risk, as well as the sustainability of their portfolios. This will also reduce the burden for insurers.	Noted
107. IAA	International	No	Box 1 should be signposted to "paragraph 22". Another source of valuable information on climate-related risk is the Actuarial Function as this control function is closely involved with, inter alia, claims, liability valuation, asset/liability management and scenario testing.	Agreed. This is dealt with in the section on the control functions.
108. The Geneva Association	International	No	With respect to the first sentence, we strongly feel that an assessment of the exposure to physical, transitions and liability risk cannot and should not be limited to "quantitative" information, but must allow for "qualitative" and/or "semi-quantitative" assessments (e.g. ranges, directional statements) as well. We recommend replacing the text in the AP with the following sentence: "As necessary, supervisors can consider collecting information from the insurer on its exposure to physical, transition and liability risks, the methods and scenarios used to determine the exposure and practices in place for managing any material risks identified".	See response to comment 105.

110. American Academy of Actuaries	United States	No	The Academy's ERM/ORSA Committee embarked late in 2019 on a two-phase project to provide information to the NAIC, other regulators, and stakeholders on the opportunities and challenges presented by various options for obtaining climate-related financial disclosures in the future. In the first phase, we are examining the current disclosures contained in the responses of more than 1,200 U.S. insurance entities to the NAIC Climate Risk Disclosure Survey; in the second phase, we are examining gaps in the information provided through the survey and ways to encourage more robust responses from insurance companies on their responses to climate risk. The NAIC survey consists of nine "Yes/No" questions and eight narrative responses, with a set of suggested questions to be included in each of those responses. Having completed the analysis of Phase 1, the committee has identified three main results: 1) while answers to Yes/No questions reveal some insightful patterns and differences, there is reason to interpret responses to these questions cautiously, and to pay close attention to the wording of these questions; 2) 30% or fewer of the surveyed companies have provided robust responses to the survey; and 3) very few surveyed companies are replying effectively to any of the specific suggested questions for their narrative responses. We have concluded that there is a need for steps to encourage more robust responses. There is also a need to make those responses more accessible, both for the supervision of individual companies and for the analysis of the status of the industry (as a whole and by line of business and size) in responding to climate risk. In Phase 2 of our research, beginning soon, we expect to focus on two gaps: 1) the gap between those who provide robust responses and those who do not; and 2) the gap between the robust responses and broader guidelines for disclosure, such as the guidance from the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). As we assess these gaps, we will then assess various options for implementing new or revised disclosure protocols, including improvements to the design of questions, increased guidance to companies on best practices in responding to the disclosure requests, and the possible inclusion of more Yes/No or multiple-choice questions in the protocols.	Noted. The IAIS looks forward to continuing the sharing of practices with stakeholders on this topic.

			On behalf of the committee, I would be happy to discuss the results of this research to date, and plans for the next phase, in more detail if the IAIS would be interested.	
Q30 Comment on paragraph 20				
111. ABIR	Bermuda	No	ABIR supports the IAIS's position to reduce ad-hoc exercises and recommends the focus be on building a more uniform framework to report on climate risk, that encourage the consistent collection of data across supervisors to reduce regulatory burden.	Noted.
112. Insurance Europe	Europe	No	Insurance Europe welcomes the acknowledgment of the fact that there is a lack of available and reliable ESG data. This is one of the major challenges in assessing risks and making decisions, especially in relation to long-term sustainable investment given the global scale of insurers' investment portfolios. When it comes to ESG data, European insurers are under increasing pressure to disclose ESG information, but they cannot be required to provide the solution to the lack of such data. Before shifting to periodic disclosures, supervisors should focus on supporting appropriate policy actions at the asset level to improve ESG data. European insurers have strongly supported such policy actions and are keen to help policymakers outline specific data requirements. This would allow insurers to have access to ESG information, including on climate risks. Insurance Europe suggests adding the following: "Before using ad hoc information requests, supervisors should consider whether they can achieve their objectives through information already collected from insurers." While the European insurance industry acknowledges the need to have ad hoc information on climate-change risk, full integration of climate-risk information into the regular reporting requirements might be difficult due to the very nature of climate risk, often materialising via other risks.	Noted No change deemed necessary. This follows from ICP 9 already and there is no need to mention general principles that are not specific to climate-related risks.
113. GFIA	Global	No	GFIA wants to highlight that the lack of available and reliable ESG data is one of the major limitations to long-term sustainable investment.	Noted. No change deemed necessary as the lack of

			This issue of limited data quality and availability should be better acknowledged throughout the paper. The paper should point out that solutions to this issue depend on collaboration between regulators and the public and private sectors. In addition, GFIA would recommend that if supervisors decide to collect supplementary information from insurers through surveys or targeted requests, they should ensure that: - they are not duplicating requests for information insurers have already provided to rating agencies or other supervisors; and, - they do not already have access to equivalent information from other sources. If the supplementary information is already being provided by insurers through other public forums, insurers should be allowed to substitute existing responses such as the CDP to respond to such a request.	available data should not be used as a reason not to move forward with assessment and management of the risks. The measurement will improve over time. See response to comment 112
114. General Insurance Association of Japan	Japan	No	We propose deleting the reference to ICP 9.4, as the purpose of the reference is unclear. While the ICP 9.4 "Requires more frequent reporting and/or additional information from insurers as needed," it is not specifically intended to collect information on climate change but is rather a General Provision regarding additional information requests when needed. We do not consider this to be a basis for seeking climate change-related information, and therefore request deleting the reference. Also, requiring information from the insurer in a frequent manner is questionable from a cost-effectiveness perspective (i.e. workload vs effectiveness), assuming the impact of climate change will appear gradually over a long period of time.	Disagree. This is one of the reasons why such reporting might be required. The purpose of this Paper is to explain how ICP 9.4 should be interpreted as it relates to climate change.
115. Zurich Insurance Company Ltd.	Switzerland	No	The limitations to data comparability and data availability is not overcome by moving towards more frequent reporting or additional information. If we continue to collect, even by integrating into the regular reporting requirements, we still will not be able to draw accurate conclusions as the data is not comparable. However, moving toward carbon accounting information and a common valuation methodology could provide	Agreed that standardisation in reporting is needed.

			the forward-looking carbon pricing information that would be required for risk management purposes. Additionally, improved standardization of carbon accounting (e.g. based on GHG protocol standards and the disclosure of those metrics) would represent a preparatory step for carbon pricing.	
116. Lloyd's of London	UK	No	Reporting and disclosure obligations should be structured using a dual-track approach whereby disclosure provides a baseline level of information to investors and the public and are supplemented by more detailed reporting to the regulator. This private reporting would foster a deeper and more accurate approach to the requisite dialogue. It would thus be of benefit to the regulators in understanding the nature of environmental risk in their economy and, indeed, throughout the world. Reasoned and probing dialogue would also enhance firms' own knowledge and understanding of the risks with which they are faced in a similar way to the production of an ORSA. There should be strong alignment between reporting and disclosure requirements. This ensures that firms can efficiently produce high quality output for a single, well-defined purpose, thereby enabling them to both extract and provide the most value from the exercise.	Noted. This is indeed also what is intended by this section, which notes that supervisors may use existing public disclosures and supervisory reporting, and may supplement it with ad-hoc reporting to the supervisor as necessary.
117. American Academy of Actuaries	United States	No	It is important that the IAIS recognizes the significance of disclosure of U.S. insurance entities' climate risk responses through the NAIC's decision in 2010 to create a Climate Risk Disclosure Survey; securing the participation of six states which required companies within their jurisdiction to participate, thereby requiring approximately 70% of the U.S. insurance market to provide information on their climate risk responses. These surveys, completed annually by more than 1,000 entities since 2012, provide evidence for how companies respond to requests for qualitative information which should not be ignored as supervisors are encouraged to systematically integrate climate disclosures into their work.	This is referenced in the Paper in a few instances.
Q31 Comment on paragraph 21				
118. ABIR	Bermuda	No	ABIR supports cross-border cooperation on supervisory review and reporting to help streamline information gathering and avoid a group being confronted with multiple	Noted

			information requests from several involved supervisors, especially in the context of a Supervisory College environment where some regulators on the college may be further ahead in implementation of their supervisory framework in this area.	
119. Insurance Europe	Europe	No	Insurance Europe welcomes supervisors' cross-border cooperation to avoid multiple information requests. Where an insurer is subject to group-wide supervision, information requests and other assessments should be conducted by the applicable supervisor on a group-wide basis to avoid multiple overlapping procedures which would add an unnecessary burden on insurers. While cooperation is appreciated, it should be clear that information-sharing between the group-wide and other relevant supervisors should be subject to confidentiality requirements (ie ICP 9.1.3, CF9.2.a.7). The paper should include a clear and strong reference on this point.	This was added in a footnote
120. GFIA	Global	No	GFIA welcomes the position of supervisors and believes that where an insurer is subject to group-wide supervision, information requests and other assessments should be conducted by the applicable supervisor on a group-wide basis to avoid multiple, overlapping procedures which would add burden to insurers.	Noted
121. Partnership for Carbon Accounting Financials	Global	No	Entities which are members of PCAF have access to a network of their peers in the financial industry which are also seeking to measure and report the highest-quality data possible on their financed emissions. PCAF provides a platform for collaboration where different actors, especially at the regional level, exchange knowledge and methods to increase the quality of the data they measure and report.	Noted
122. IAA	International	No	The IAA notes there is also great potential for cooperation (streamlining of climate change information request), not just cross-border but also with market regulators and encompassing other market requirements.	This was added.
Q32 Comment on section 2.2.2 Supervisory feedback and follow-up				

123. Partnership for Carbon Accounting Financials	Global	No	Measuring absolute financed emissions provides the foundation for assessing different kinds of risk as well as target setting and scenario analysis. Having a common, comparable, standardized metric allows supervisors and their supervised insurers to more easily communicate with each other about climate risk and impact.	Noted
Q33 Comment on paragraph 22				
124. Insurance Europe	Europe	No	Insurance Europe fully supports clear two-way communication between supervisors and insurers. Close collaboration and communication with the industry at both global and local levels is also vital to ensure the feasibility of data requests and potential requirements. Insurance Europe suggests adding at the end of the paragraph the following sentence highlighting the importance of supervisors understanding the approaches taken by insurers with regard to climate risks: "Such communication is also essential to better understand the challenges faced by insurers and find adequate long-term solutions to overcome them, building on varying and dynamic developments in the market." The examples of quantitative indicators provided in Box 1 should not be understood as individual key performance indicators (KPIs). They should rather be understood as underlying information for a range of KPIs and/or heatmaps.	Change made. The indicators are indeed not intended as KPIs.
125. GFIA	Global	No	GFIA fully supports a clear, two-way communication between supervisors and insurers. Close collaboration and communication with the industry at both global and local levels is vital to better understand the challenges and approaches of both parties. Communication is notably pivotal to avoid reporting requirements that place undue reliance on uncertain information, particularly about long-term climate risks. GFIA suggests adding a sentence on the importance of supervisors understanding the approaches taken by insurers with regards climate risks: "Such communication is also essential for supervisors to better understand and acknowledge the challenges faced by insurers and the approaches taken with regards to climate risks."	Change made.

127. IAA	International	No	Box 1: A general comment is that the supervisory questions will be more effective if they are "open" questions - for example, the second General Qualitative question could be restated as "What substantive changes has your organisation implemented or planned to its business model…" Box 1: Qualitative) Liability risk: The IAA suggests adding "directly or indirectly". For example, an indirect claim could relate to a failure to properly disclose climate risks. It is also relevant for an organisation to consider legal judgements and lawsuits in other jurisdictions, particularly where they have written business in those jurisdictions. The IAA also suggests adding "or Professional Indemnity Insurance". Box 1: Physical risk: Why should this be limited to "fossil-fuel based power-plants"? For example, what about a flooded nuclear power-plant? Box 1 (Quantitative) Liability risk: whilst these are illustrative questions it may be worth widening the quantitative question which asks only about energy operations. One example of widened liability would be architects' professional liability risks for a new commercial development that did not anticipate the increased risk of flooding.	These questions come from the SIF question bank which was published in 2020. Change made. Deleted "fossil-fuel based" to make it more general. Added as extra example.
128. The Geneva Association	International	No	Given the inherent uncertainties underpinning climate related risks and evolving nature of the landscape, we suggest that, to the extent quantitative analysis is pursued by supervisors, it should emphasize ranges rather than single numbers or scores to avoid any misconception of precision and avoid creating a false sense of security in the results.	No change needed, the box does not refer to that level of detail around how the information is gathered. It may also depend on the indicator. The box does not imply that a single score should be used.
129. General Insurance Association of Japan	Japan	No	There is no established calculation method for carbon-intensity in terms of underwriting, and the liability exposure of general insurance is fairly volatile, as most policies terminate after a single year. Thus, "…and liability exposure" should be excluded, and we request it to be deleted as follows:	No change made, although it is acknowledged that data availability in some instances is still a challenge.

			"-Carbon-intensity of sectors for asset; or"	
131. Zurich Insurance Company Ltd.	Switzerland	No	Zurich would have expected, even if only tentatively, to find a reference to carbon emission or GHG emission pricing as a further illustrative example of a relevant indicator in the table. There are references to carbon intensity, which is not a valuation benchmark (only a volume benchmark and a problem-loaded one on top). For many other risk categories, the debate amongst supervisors often rests on different approaches towards the valid valuation methodology; therefore, the IAIS/SIF and its members should work toward a common, observable, general price on carbon or similar market mechanism.	The table relates to indicators to assess the insurer's exposure to and management of climate related risks. "carbon emission pricing" in itself is not an indicator to measure this.
132. acli	U.S.A.	No	Box 1: In footnote 8, two source documents are listed for the "illustrative examples." Neither document appears to include the quantitative questions that are listed in Box 1.	That is correct. Therefore it says "inter alia based on" as other questions and indicators were added as well, based on several inputs from IAIS/SIF member supervisors.
Q34 Comment on section 3 Corporate Governance				
133. GFIA	Global	No	Corporate governance depends greatly on company profile, structure and size. GFIA is therefore against any overly detailed and prescriptive approach by supervisors that would result in an undue burden for insurers and that would be difficult to implement. GFIA believes that the IAIS should limit itself to recommending voluntary guidance by national supervisors in this regard.	Noted. The section is consistent with ICP 7 and does not set out new expectations or requirements.
135. IAA	International	No	The guidance in this section could more explicitly bring in the concept of proportionality, to highlight the general points made in paragraph 6. Climate risk will be a material risk for some business models and products, but not for all (e.g., pet insurance is unlikely to be affected). Therefore, the IAA cautions against prescriptive guidance that forces action that is not proportionate to the exposure. The guidance should be risk-focused, without presuming universal exposure to all risks.	The principle of proportionality applies to all IAIS supervisory and supporting material, as highlighted in the Introduction section 1. It

				would be repetitive if this were repeated throughout the Paper.
137. Zurich Insurance Company Ltd.	Switzerla nd	No	Zurich supports a strong governance that also embraces climate related risks and/or aspects. However, Zurich also encourages regulators to apply, where appropriate, a flexible approach that respects different structures and business models within the insurance industry (i.e. we fully agree that senior management must take ownership for climate related risks. However, we think it would be a wrong approach if each company needs to designate a Chief Climate Risk Officer).	Agreed. The designation of a chief climate risk officer is provided as an example.
138. Institute of Internation al Finance	United States	No	We note that this section shifts the focus from recommendations for supervisors to recommendations for the insurers themselves. Consistent with the purpose of an Application Paper, we recommend a refocusing of this Section to the supervisory response. Supervisors should assess the robustness of insurers' corporate governance practices and recommend improvements where needed.	This language is consistent with the IAIS supervisory material, whereby in some instances it states "the supervisor requires the insurer to…." but many instances it refers directly to the role of the insurer itself, as ultimately most of the ICPs are requirements for insurers (to be implemented by the supervisor). Also this is done simply to avoid becoming too wordy.
139. Liberty Mutual Insurance Group	USA	No	In certain respects, Section 3 of the Application Paper lacks flexibility as to how consideration of climate issues should be incorporated into corporate governance. And, in some cases, the recommendations exceed the authority of insurance supervisors, particularly in the United States. The tenor of this section seems to shift from providing supervisory guidance to giving out instructions about what companies in all cases must do.	The section is consistent with ICP 7 and does not set out new expectations or requirements.

			For example, there are broad statements that an insurer's Board of Directors should have an "appropriate understanding and opportunity to discuss climate risk." Instead, the Application Paper should provide alternative ways that supervisors can attain an understanding about how an insurer's board manages climate risk. In addition, the Application Paper ought not to specify how climate risk issues are communicated up to the board by management. The Application Paper's position that senior management should provide information, options, trade-offs and recommendations to the Board of Directors is too detailed. And finally, it is entirely inappropriate for this Application Paper to recommend that compensation should be "aligned" with taking into consideration climate-related risks and can be "used as an incentive to integrate climate-related risks in the risk management framework." Compensation determinations are complex and multi-faceted. It is inappropriate to suggest a requirement that such arrangements include consideration of any one specific risk factor such as climate risk.	See responses to comments on that specific section.
Q35 Comment on paragraph 23				
Q36 Comment on section 3.1 Appropriate allocation of oversight and management responsibilities				
140. Zurich Insurance Company Ltd.	Switzerland	No	Replace the word "catastrophes" with "hazards and extreme weather events".	The word “catastrophes” was not found in section 3.1
Q37 Comment on paragraph 24				
Q38 Comment on paragraph 25				
141. ABIR	Bermuda	No	ABIR does not interpret IAIS to be requiring companies to establish a dedicated committee. Paragraph 24 outlines that an organization should set its governance of climate risk in the context of overall governance, including assigning ownership, accountabilities and roles including committees. If the organisation has a coherent	This is correct, the paragraph also notes “other suitable structures”. Setting up a specific committee is

			argument for having a specific Climate committee, or decides to include it in another board committee (e.g. audit or risk) then this should be evaluated on a proportionate basis. It may also be that a Management Committee is appropriate and could be combined with other related topics (e.g. ESG or Sustainability Committee).	one possible means towards the intended outcome.
142. Insurance Europe	Europe	No	Insurance Europe agrees that all companies should integrate sustainability in their corporate governance framework, including consideration of sustainability risks in their remuneration practices. It is important that supervisors monitor the impact of the measures enacted so far and consider existing legislation before proposing new regulatory requirements. For example, in the EU there is also already an increasing amount of overlapping legislation spelling out sustainability requirements in corporate governance frameworks. Given this, supervisors should: - Make sure that proposals do not pre-empt or deny any form of governance structure intended to address evolving risks including, but not limited to, climate risks, unless any critical flaws are identified. - Take into account that materiality of climate risks differs across entities and may change over time. Insurance companies that do face material climate risks should not be forced to adopt dedicated governance structures. While voluntary guidance on climate-risk governance is useful, it should not prescribe one approach over another. Insurance Europe therefore proposes the following change in the last sentence of the paragraph: "Supervisors could provide voluntary guidance on how to establish such a committee or other suitable structures with appropriate expertise, if they do not have one already."	No change needed. This Application Paper only provides recommendations and examples of good practices when applying the existing ICP and ComFrame standards, it does not create new requirements.
143. GFIA	Global	No	Materiality of climate risks differs between entities and may change over time. Insurance companies that do not identify significant climate risks in their risk profile should not be forced to establish a dedicated committee. Rigid approaches to the most appropriate governance to manage climate risks should be avoided. Supervisors may want to provide voluntary guidance on climate risk governance but should not prescribe one approach over another. GFIA therefore suggests the following change in	See response to comment 142.

			the last sentence of the paragraph: "Supervisors could provide voluntary guidance on how to establish such a committee or other suitable structures with appropriate expertise, if they do not have one already."	
Q39 Comment on paragraph 26				
Q40 Comment on section 3.2 Business objectives and strategies of the insurer				
Q41 Comment on paragraph 27				
145. Insurance Europe	Europe	No	It is important that insurers are given flexibility to rely on the tools they consider the most appropriate to manage climate risks when incorporating and assessing climate risks as part of their financial/strategic planning. Insurance companies are best positioned to perform this task.	Noted
146. GFIA	Global	No	GFIA takes the view that insurance companies are best positioned to identify significant climate risks in their risk profile. As a result, GFIA believes that insurers should have the flexibility to rely on the tools they consider most appropriate for managing climate risks. It thus suggests replacing "insurers should" with "insurers are encouraged to". In addition, regarding the impact of liability risks on non-life products, GFIA notes that there have been very few cases of direct litigation against insurers.	No change needed; the paragraph does not imply that a predefined tool should be used. The use of the verb “should” is common in IAIS language and is to be understood as a recommendation, not a requirement.
147. General Insurance Association of Japan	Japan	No	As an example, it is noted that, "non-life insurers writing short duration products are likely to be more impacted from physical and liability risk". However, liability risk may be reduced through underwriting approaches, and it also appears that there have been very few cases of direct litigation against insurers. In this regard, we cannot necessarily conclude that any impact caused by liability risk is significant, and we therefore request deleting the reference to liability risk in this paragraph.	The example was deleted.
149. acli	U.S.A.	No	The first sentence suggests that insurers should incorporate and assess climate risk as part of the annual financial planning and the long- and short-term strategic planning	The change made in response to comment 136

			processes. We suggest that climate risk be incorporated within the consideration of emerging risks more generally. Insurers have established processes for identifying and assessing emerging risks and, when appropriate, including those risks in their planning processes. Climate risk should be handled in the same manner, with the level of activity determined by the materiality of the risk.	should alleviate this concern.
Q42 Comment on section 3.3 The role of the Board				
150. Insurance Europe	Europe	No	The IAIS should encourage supervisors to provide voluntary guidance on best practices, while clarifying that there is no obligation to adopt certain prescribed governance models. It is important that insurers are permitted flexibility to manage climate-related risks within the governance structure that they consider the most appropriate depending on the materiality of the risks and their business models.	No change needed; the Application Paper does not set any new requirements and follows the requirements which are set out in the ICPs.
151. GFIA	Global	No	GFIA believes that the role of the board highly depends on a company profile and structure. In any case, we acknowledge that the role of the board is important. However, instead of imposing a governance model the IAIS should encourage supervisors to provide voluntary guidance on best practices regarding governance of climate risks.	No change deemed necessary, the subsection does not impose a specific governance model.
152. IAA	Internati onal	No	Climate-related risk is an important risk to be considered by insurers and their Boards as part of their governance and risk management responsibilities. In executing this responsibility, the Board should consider the threat to the insurer's own business risks, the fair treatment of customers and the duty of the insurer to conduct its business in a socially responsible manner.	Added this notion to paragraph 28.
Q43 Comment on paragraph 28				
153. acli	U.S.A.	No	The Board is responsible for oversight of the insurer's risk management processes, including the risk appetite, etc. Climate-related considerations should be incorporated within the insurer's risk management processes as appropriate based upon the materiality of the impact on the shape and manifestation of other risks (e.g., credit, insurance, etc.). Thus we believe it is unlikely to be necessary for the insurer's risk	Agreed that climate change can be a risk driver for existing risk categories.

			appetite, for example, to reference climate risk specifically, as any significant climate-related risks should be identified and addressed within underlying risk processes and tools, such as the prudent management of the investment portfolio.	Added the notion in paragraph 27.
Q44 Comment on paragraph 29				
154. ABIR	Bermuda	No	ABIR acknowledges the importance of the role of the Board and the importance for the Board to have an appropriate understanding of climate risks, however we encourage the IAIS to recommend that supervisors allow for Boards to apply this proportionate to the risk profile of the entity. Consistent with the concept of proportionality, we recommend amended the language as follows:" There should be appropriate understanding of, and opportunity to discuss, climate risk at the Board and Board committee levels, including within the audit committee and the risk committee, or the equivalent".	No change needed, the Paper does not set out requirements on committee structures, but merely follows the ICP 7 language.
155. GFIA	Global	No	GFIA believes that the approach adopted in the paragraph may not suit all entities profiles. Status and composition of Board committees differ from company to company. GFIA thus suggests adding "where appropriate" before the reference to board committees.	See response to comment 154.
156. General Insurance Association of Japan	Japan	No	We believe this paragraph is too prescriptive. Status and composition of Board committees differ indeed from company to company, and therefore, "Board and Board committee levels, including… risk committee", should be revised to "…Board and, where appropriate, Board committee levels…".	See response to comment 154.
Q45 Comment on paragraph 30				
157. General Insurance Association of Japan	Japan	No	We believe the second sentence of this paragraph interferes with individual insurers´ business decisions and such suggestion should not be made in the AP. We strongly request deleting this sentence.	Disagree. The sentence is written as a suggestion with appropriate disclaimers (use of the verb “could” and adding “if needed”)

Q46 Comment on section 3.4 Duties of Senior Management				
158. GFIA	Global	No	GFIA believes that the duties of senior management depend greatly on a company's profile and organisation. Climate risks may not be material in some situations and thus there should not be an overly prescriptive recommendation on how to incorporate climate risks into operational and business policies. The IAIS should instead encourage voluntary guidance on best practices in this regard.	Noted
Q47 Comment on paragraph 31				
159. IAA	International	No	Senior management's actions will be important to ensuring there is real action and progress as opposed to ignoring the issue or greenwashing. The IAA suggests making the wording in this paragraph stronger.	Given conflicting comments (see below) – no change made.
160. General Insurance Association of Japan	Japan	No	While we agree that Senior Management is responsible for considering adding climate risk-related elements into relevant operational and business policies, developing and implementing "policies related to climate risk" itself are not necessary the responsibility of Senior Management. Therefore, "implementing the policies related to climate risk and/or" in the first sentence is too prescriptive and should be deleted.	See response to comment 159.
Q48 Comment on section 3.5 Duties related to remuneration				
161. Insurance Europe	Europe	No	In general, the European insurers are of the opinion that any regulation must be sufficiently flexible to allow insurers to embed climate-related risks within their risk management framework, reflecting the differences in sustainability risks and factors associated with various companies' characteristics. With respect to the consideration of climate-related risks in remuneration policies, it is important to avoid putting excessive focus on climate-related risks at the expense of other risks. It is equally important that the integration of climate-related risks does not jeopardise the existing functions of remuneration. The paper should note that particular reference to climate-related risks in	The language does not imply in any way that climate would be the only or the most important risk to be considered, however the Paper deals with climate-related risks and hence this is the focus of the guidance provided.

			remuneration policies should not be understood to suggest that other risk areas are less important for remuneration purposes.	Added the notion that this is “one of several” incentives that can be used.
162. GFIA	Global	No	In principle, GFIA agrees that remuneration could be used as an incentive to integrate climate-related risks in the risk management framework. However, it is important to avoid putting excessive focus on climate-related risks at the expense of other risks. It is equally important that integration of climate-related risks does not jeopardise the existing functions of remuneration. The paper should note that particular reference to climate-related risks in remuneration policies should not be understood to suggest that other risk areas are less important for remuneration purposes. Finally, GFIA takes the view that, in practice, it will be difficult to assess and factually prove a manager's good or bad behaviour in terms of climate risks when discussing remuneration.	See response to comment 161. Agreed; this is however a challenge that is relevant for setting KPI / remuneration policies in general.
163. The Geneva Association	International	No	Climate risk is generally understood to be an element that will influence the manifestation of other risk categories that insurers must manage as opposed to an independent risk that can be managed. As a result, it is not appropriate for a remuneration framework to specify management of this risk alone as a determinant.	See response to comment 161.
Q49 Comment on paragraph 32				
164. General Insurance Association of Japan	Japan	No	The statement, "The alignment of (directors') compensation with prudent risk-taking should take into consideration climate-related risks" interferes with individual insurers´ business decisions. We believe the AP should not be overly prescriptive, and suggest revising the sentence as follows: "The alignment of compensation with prudent risk-taking can take into consideration climate-related risks, as appropriate, since risk adjustments generally account for all risk types relevant to the insurer".	No change necessary, see also other responses as to the meaning of the word “should” and the objective of Application Papers.

Q50 Comment on paragraph 33				
166. ABIR	Bermuda	No	Remuneration is a sensitive issue and senior management look for tangible metrics to drive scorecards. Climate risk has a lot of inherent uncertainty and issues related to data quality. This link to remuneration needs to be handled in a proportionate and sensitive manner, and will evolve over time.	Noted
167. Insurance Europe	Europe	No	The example provided in the last sentence may work for sustainability in general, but it is not necessarily directly related to climate issues. The last sentence should include "in some cases" to clarify this.	Changed "can" to "could".
168. GFIA	Global	No	GFIA agrees with the fact that remuneration could be used as an incentive to integrate climate-related risks in the risk management framework. However, this kind of decision should remain up to companies. In addition, the example provided in the last sentence may work for sustainability in general but is not necessarily directly related to climate issues. This is why it suggests the following changes: "As part of this, the attribution of variable remuneration could, [for instance], be linked to embedding climate-related risk management within the insurer (eg through staff training or asset categorisation and performance). Also, the evolution of the non-financial performance of investee companies [might, in some cases,] be a relevant indicator for variable remuneration.	Made some changes to soften the language.
169. The Geneva Association	International	No	While it could be appropriate to link variable remuneration to prudent management of climate-related risks if that falls within staff members' responsibilities, the very sweeping suggestion that remuneration can be used to incentivize the integration of climate-related risks in the risk management framework, and to embed climate-related risk management within the insurer regardless the duties/role of the intended target staff, is inappropriate. It is also unclear what the last sentence refers to and how this would be measured in an objective fashion such that its achievement could be linked to variable remuneration. In light of these points, we suggest deletion of paragraph 33.	The IAIS believes it is important to keep a reference to remuneration since it is one of the main drivers contained in the governance framework likely to make practices evolve in terms of management of climate-related risks. Also, in light of

				other comments which were in support of remuneration as an incentive to integrate climate-related risks into the risk management system, it should not be deleted. Made some changes to soften the language.
170. General Insurance Association of Japan	Japan	No	We agree with the fact that remuneration may be used as an incentive to integrate climate-related risks in the risk management framework. However, at this stage, we believe it is too early to mention linking it to "variable remuneration," considering assessment methodologies for non-financial performance are yet to be established. Recommending this approach at such premature stage may encourage practices of developing requirements which are merely a formality. Thus, after deleting "As part of this…", we suggest integrating the first sentence "Remuneration can indeed be used as an incentive to integrate climate-related risks in the risk management framework" into paragraph 32.	See response to comment 168 and 169.
172. acli	U.S.A.	No	This paragraph makes an inappropriate recommendation and should be deleted. While it could be appropriate to link variable remuneration to prudent management of risks, we do not believe it is appropriate to single out climate-related risk as a specific factor given that climate-related risk is not a risk category in and of itself, but rather it contributes to the shape and manifestation of other risks. It is also unclear what the last sentence refers to and how this would be measured in an objective fashion such that its achievement could be linked to variable remuneration.	See response to comment 168 and 169.
173. Institute of International Finance	United States	No	We recommend that the IAIS delete Paragraph 33. It is appropriate to link the variable compensation of those key individuals with direct responsibility for the risk management framework to the prudent management of all material risks, including any potential impact that climate change may have on the way risks emerge. However, the Paragraph as drafted could be read in a much broader fashion to cover employees who have no responsibility for or control over climate-related risks. Further, the last	See response to comment 168 and 169.

			sentence of this Paragraph is vague and open to a variety of interpretations. Climate risk considerations are an important part of a wide range of factors that are taken into consideration and balanced in making investment decisions that are in the best interests of policyholders and other stakeholders.	
174. NAIC	USA, NAIC	No	Last sentence; editorial, suggest removing "the" in the below sentence to read as follows: Also, the evolution of the non-financial performance of investee companies can be a relevant indicator for variable remuneration.	Change made.
Q51 Comment on section 4 Risk Management and Internal Controls				
175. Insurance Europe	Europe	No	Being supportive of sustainability objectives, Insurance Europe recognises that explicit references in legislation and other tools such as guidelines should help integrate sustainability risks, including but not limited to climate risk, consistently and more efficiently in the risk-management function. This is appreciated especially given the importance of this subject and its relevance in the years to come. In fact, the prudential framework should not be an obstacle to the integration of sustainability risks. On the contrary, it can support such integration, eg by explicitly integrating sustainability risks in the risk management and control functions.	Noted
178. IAA	International	No	The IAA strongly supports the inclusion of climate risks as part of risk management and internal control systems. The examples and guidelines given in section 4 are very useful. They are given in a way that is suitable for different companies, both with respect of scale and type of business.	Noted
180. acli	U.S.A.	No	Sections 4 and 5 should recognize that climate risk is not a standalone category of risk, but rather climate risk may impact the shape and ultimate manifestation of existing risk categories (e.g., credit risk, catastrophe risk). Managing climate risk should not be the goal of IAIS guidance.	Amended language in paragraph 40.
181. Institute of	United States	No	Again, in this Section, the focus should shift back to supervisory best practices, rather than best practices for insurers. Supervisory engagement and monitoring of climate risks should be a key focus and guidance to supervisors should be principles-based	See response to comment 138.

International Finance			and recognize the need for flexibility given the evolving nature and understanding of climate risk. Any guidance to insurers should be developed in consultation with the industry and, in particular, in conversation with insurance chief risk officers. Insurers are incorporating climate risks into their ORSAs and enterprise risk management frameworks and are assessing the materiality of these risks across business lines and activities. Firms should be provided flexibility to adapt their risk management frameworks to reflect the risks that are most material to the company. Firms' existing risk management frameworks can be leveraged as a baseline for assessing climate risks as they have for other risks over the years. Given the evolving nature of the science around understanding and managing climate-related risks, we recommend that the IAIS include in this Section language acknowledging that existing risk management frameworks, tools and capabilities will naturally and appropriately need to be developed and evolved in parallel. A phased approach to guidance, reporting and disclosure requirements would reflect this need for the further development and evolution of climate-related risk management frameworks.	Agreed; this is also the objective of this public consultation, as well as several other stakeholder engagement sessions that were organised during the development phase.
182. Liberty Mutual Insurance Group	USA	No	In Section 4, the tone of the Application Paper shifts once again to specifying what insurers should do rather than how supervisory practices can evolve and be more effective. Especially given the general nature of risk management, to have utility, guidance must be principles-based, accounting for the emerging state of knowledge related to managing climate risk and differences in that risk across jurisdictions and insurers. It is particularly important here for supervisors to work with industry on principles or best practices for risk management and climate risk. The Application Paper would be improved, for example, if the following statements were re-cast as higher-level principles and guidance and not as specific instructions. Indeed, these are good practices, but they are presented in the Application Paper as if they are check-the-box statutory standards that insurers must comply with.	See response to comment 181. Disagree with the other comments – the listed items should be expected of insurers.

			> Insurers should "consider and document in risk management policies how climate-related risks could materialize in each area of the risk management system." > Insurers should "develop tools to collect reliable qualitative and quantitative data [in order] to perform aggregated analysis of various elements of climate-related risks." > Insurers should adapt their internal control policies while "identifying, assessing, monitoring, managing and reporting climate-related risks … to ensure that they have a sufficient understanding of climate-related issues and their impact on the risk-profile of the entity."	
Q52 Comment on paragraph 34				
183. GFIA	Global	No	GFIA recognises that explicit references in tools such as guidelines should help integrate sustainability risks consistently and more efficiently in the risk management function. This is particularly appreciated given the importance of this subject and its relevance in the years to come.	Noted
185. IAA	International	No	Signpost Box 2 "in paragraph 51"	The boxes refer to examples of the entire section.
186. General Insurance Association of Japan	Japan	No	Given that this AP does not establish standards or expectations, "This section provides guidance on…" in the second sentence should for example, be revised to "This section discusses…".	Disagree; the objective of this Paper is to provide guidance. See also response to similar comments.
Q53 Comment on paragraph 35				
187. Partnership for Carbon	Global	No	Agree. Transition risks pose significant threats to businesses, which is why a holistic, integrated approach is needed to fully capture climate risk. Financed emissions provide a common metric which allows insurers to not only assess risks, but also to set targets and perform scenario analysis. The PCAF Global GHG Accounting and	Noted

Accounting Financials			Reporting Standard for the Financial Industry provides universal, transparent, and standardized guidance for insurers to measure the absolute financed emissions of their portfolios.	
189. IAA	International	No	As many insurers throughout the world are impacted by climate change, the IAA believes there is merit in developing basic principles for appropriate techniques and tools for gathering and analyzing relevant data. Thus, insurers would consider their exposure on their own, but in recognition of supervisory expectations as devised by IAIS. The expectations for insurers to "fully integrate" climate risks into the overall governance framework needs to retain the concept of proportionality. This could be done by changing the word "fully" to "appropriately", and to add "as appropriate" to the last sentence.	Amended first sentence to delete “fully”.
190. Zurich Insurance Company Ltd.	Switzerland	No	This recommendation would provide for a solid and robust basis for companies/insurers to consider the impact of climate risk on assets, liabilities and the overall business model, if it were accompanied by a recommendation to policy makers to establish as part of the overall framework a general pricing of GHG emissions. As the paragraph stands, and for as long as the presumptions or ambitions outlined under paragraph 13 are not met, the existence of material shortcomings will "devalue" (the accomplishment of) supervisory objectives including of paragraph 35.	Pricing emissions is out of scope of this paper.
Q54 Comment on section 4.1 Integrating climate-related risks into the scope of the risk management system				
Q55 Comment on paragraph 36				
193. IAA	International	No	It could be said that "Climate risks … can affect the valuation of various insurer assets and liabilities to a significant degree", but the current wording is not true to the extent implied for every insurer. Besides the effects on assets and liabilities, climate-related risks might affect the correlation between different risks which can lead to gaps between the actual risk exposure and the expected one.	Agree with first sentence, but this is inherently addressed. Added the second sentence.

194. The Geneva Association	International	No	This paragraph seems somewhat alarmist and would benefit from additional nuance. Examples given only point to downside risk. It also ignores potential mitigation measures and, for physical risks, the ability of the industry to consider the evolution of natural catastrophe risk when pricing short-term cover. For stranded assets, the paragraph does not acknowledge that market prices would take into account a consensus expectation about the prospects of a transition to a low-carbon economy. Further, while we agree that life insurers should assess their exposure to increased mortality and morbidity because of climate change, we believe the AP should acknowledge that the development of climate impacts to these risk exposures is likely to unfold over an extended period of time.	Agreed, added a sentence on timeframe and pricing in paragraph 37.
196. Zurich Insurance Company Ltd.	Switzerland	No	Referencing carbon pricing only as a risk without providing neither in this section nor elsewhere additional context and clarifications about the underlying interdependencies fails to do justice to the importance and relevance of establishing a general and observable price on carbon to address climate-related financial risks. It also helps to cement erroneous and biased views about its desirability and usefulness. Carbon pricing not only significantly contributes to steering economically relevant behavior and related financial flows in the right direction, it also significantly contributes to minimizing the risk of undesirable regulatory interventions. It provides for a robust valuation methodology that allows to compare and benchmark risks emanating from climate change with other risks emanating from other sources. This allows to set quantifiable objectives, review the progress towards goal achievement and establishes comparability between peers and across sectors. Kindly refer to our general comments (Q&A 1) on a general price on carbon.	Noted, outside the scope of the paper.
197. acli	U.S.A.	No	The paragraph notes that life insurers may experience increased mortality from climate events. We agree that life insurers should assess their exposure to increased mortality as a result of climate change and note that in general the development of climate impacts to these risk exposures is likely to unfold over an extended period of time. We believe the paragraph should explicitly acknowledge that the probability of these risks emerging in the shorter term is very low. Also, this paragraph mentions the	Added a comment on timeframe into paragraph 37 and added a sentence on asset bubbles in 36.

			concept of "stranded" assets. The paper should also mention the potential for herding into "green" assets, resulting in capital misallocation and potential asset bubbles.	
Q56 Comment on paragraph 37				
198. Insurance Europe	Europe	No	Insurance Europe agrees that sustainability risks, including climate-related risks, should be considered at the same level as other risks and that they should be included in risk management policies, provided that these risks are financially relevant and material. It is essential that the assessment of sustainability risks considers materiality and allows sufficient flexibility for undertakings to deal with their risk exposures within their organisational structure. Insurance Europe supports the statement that climate-related risks should be considered within the existing categories of risks as they can materialise via the existing risk categories. For this reason, it is important to consider such risks at the same level as other risks. It is also key that the analysis of climate risk is dependent on the company-specific strategy and risk assessment, based on financial materiality.	Noted
199. GFIA	Global	No	GFIA welcomes the suggestion to consider climate risks within existing categories of risks. As climate risks are not material to all companies, depending on their size, activity and risk profile, GFIA suggests adding "when relevant" in the first sentence. In addition, if insurers should consider climate risks in their risk management policies, it is essential that the assessment of sustainability risks considers materiality and allows sufficient flexibility for undertakings to deal with their risk exposure within their organisational structure.	Noted
201. IAA	Internati onal	No	The requirement in the last sentence to "consider and document … how climate-related risks could materialise…" (emphasis added) may be overly broad and should allow for materiality. The IAA suggests that this is changed to "…. could materialise and have a material impact in any area covered by the risk management system, in particular …" .	Materiality is mentioned in the first sentence and the insurer would have to do an assessment to determine whether the risk is material.

202. The Geneva Association	International	No	The paragraph uses the terms "risk management framework" and "risk management system". The difference between the two, if any, is unclear. If they are synonymous, using a single term consistently would be preferable.	ICP 8 uses "risk management system"; changes made for consistency.
203. General Insurance Association of Japan	Japan	No	What should be incorporated into insurers' risk management policies varies depending on, among other things, the risk profile of each insurer. Thus, we believe that uniformly requiring insurers to document of climate-related risk management policies is excessive. We request deleting "and document" from the second sentence.	Disagree, insurers will have to make an assessment to determine whether climate change poses material risks. If determined not to be material the insurer would not have to include the risk within the system; however, like other risks the insurer should consider whether the materiality has changed in the future.
207. Liberty Mutual Insurance Group	USA	No	This paragraph presents an example of the concern we expressed in response to Question 19 that the Application Paper does not uniformly focus on material risks. Here the paper speaks to whether there is a "material change" in a risk, without considering whether the risk is material in the first place.	See response to comment 203.
Q57 Comment on paragraph 38				
208. ABIR	Bermuda	No	ABIR believes that this issue of data availability should not be placed solely on the insurer. Climate change related data have a large uncertainty and what is "reliable" is often still under scientific discussion. Some streamlining of commonly accepted data sources should be agreed.	Amended to address data issues and recognise that this is an evolutionary process.
209. Insurance Europe	Europe	No	Some key challenges, such as the availability of good quality and reliable data, are outside insurers' control. Even with the best processes and tools, while insurers can make reasonable efforts to gather data, they cannot collect reliable quantitative and	See response to comment 208.

			qualitative sustainability information for all assets in their portfolios. For example, there are instances when insurers cannot be held accountable for gathering the information necessary to fully evaluate physical risks related to the specific locations of assets: this is the case for bonds and equities, for which issuers do not disclose climate-related information that could help insurers identity and assess climate-related risks. For this reason, Insurance Europe recommends deleting this paragraph or rephrasing it to avoid putting unreasonable pressure on insurers. At a minimum, the paper should clearly state that supervisors need to acknowledge that the data availability issue is a larger and shared responsibility of the wider economy. Supervisors should fully recognise this challenge and help develop appropriate solutions that do not force insurers to rely on third-party data providers to obtain such data (see also comments on paragraph 19).	
210. GFIA	Global	No	GFIA wishes to stress that the solution to the issue of data cannot rely solely on insurers and other financial market players. Even with strong processes and tools at their disposal, collecting reliable ESG data will remain an issue for insurers. For example, with respect to physical risks, while the localisation of assets can enable insurers to assess physical risks, such information is not known and not disclosed by companies when investing in corporate bond or equities. Insurers might play a role in collaboration with other industry players in addressing the well-documented issues around data – for instance, clearly articulating what data is needed to inform appropriate decision-making in order to influence data provision. GFIA thus believes that this paragraph would put undue pressure on the collection process of insurers and suggests removing it. At a minimum, supervisors should acknowledge that data availability is a larger issue, not the responsibility of insurers.	See response to comment 208.
211. Partnership for Carbon Accounting Financials	Global	No	Agree. In addition, requiring insurers to report on the quality of the climate data reported enables them to develop strategies to improve data quality over time, as is detailed in the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry.	Noted

213. IAA	International	No	Further to the comments on Q53, because of the difficulty in gathering a large enough data set, regional collaboration of insurers might be considered. In addition, as this document refers to both insurers and reinsurers (paragraph 9), it may also be helpful for reinsurers to make regional data available to insurers in the same region.	This is outside the scope of the paper.
215. Institute of International Finance	United States	No	We agree with the statements in Paragraph 38 that insurers should develop tools to collect reliable data in order to perform aggregated analyses of climate-related risks but this Paragraph should be restated in terms of what supervisors should expect to receive in terms of output from insurers. This Paragraph appropriately recognizes the value of a qualitative analysis of climate-related risks, especially in light of current shortcomings in available quantitative data. Given data shortcomings and the evolving nature of climate risk management, an overemphasis on quantitative analysis could result in a false sense of precision and security in the results. Further, at this time, we believe that scenario analysis should be exploratory in nature and focused on understanding how climate risks may emerge, rather than on developing responses to climate risks that may not be based on a comprehensive understanding of the multitude of factors that can influence or be influenced by climate considerations and, thus, may give rise to unintended consequences. As further elaborated in our comments on Section 5, we encourage the IAIS and insurance supervisors to recognize the important differences between stress testing and scenario analysis and focus supervisory attention on the latter. Mainstream stress tests are near-term assessments of whether a firm has sufficient resources to weather macro-financial shocks. Climate scenario analyses, whether quantitative or qualitative, are designed to take a longer-term view of a range of potential pathways for climate-related risks and to understand how those risks would affect an insurer and how an insurer could respond to those risks.	See response to comment 208.
Q58 Comment on paragraph 39				
Q59 Comment on section 4.2 Consideration of climate-related risks by the Control Functions				

218. GFIA	Global	No	GFIA would like to stress that insurers are already doing many of the things outlined in this section – and in the paper – as a function of good underwriting and effective risk management. Climate change is not something new that they are yet to confront. The incidence and impact of climate change are on the rise, and insurers regularly deal with its material risks. GFIA therefore takes the view that companies are in the best position to assess climate risks in a way suited to their own circumstances. GFIA believes that this section should offer general perspectives, as in paragraph 40, without entering into detailed considerations on the key functions, whose specific duties and functioning are up to each company to decide, depending on its risk profile.	Disagree. The application paper is providing information on how to incorporate climate change into certain ICPs. It is not expanding the ICPs. It is encouraging to see that the insurance industry is already including some of the examples discussed in the Paper; which can be used as good practice.
Q60 Comment on paragraph 40				
220. Zurich Insurance Company Ltd.	Switzerland	No	Risk appetite is often and typically defined in terms of what maximum profit/loss impact one is willing to bear. This is only possible if you can "translate" the climate-related impact into a financial impact, which again will rest on the ability to value or price this impact in the same way other risks are valued and priced. In other areas where there is no readily available price information due to the lack of a market (such as certain underwriting liabilities incurred by insurance companies), the methodologies applied to measure or evaluate risks are typically geared towards mimicking market outcomes. In the spirit of paragraph 13, the Application Paper should raise the question of how something akin to a market price (for valuation purposes) could be envisaged, e.g. by setting the conditions required for a functioning cap-and-trade mechanism or a broad-based GHG emission levy.	Noted
Q61 Comment on paragraph 41				
221. Insurance Europe	Europe	No	It is important to strike the right balance of risk consideration in risk-management practice and supervisory review, without putting excessive focus on climate-related risks at the expenses of other risks.	Added language to address comment.

223. IAA	International	No	This paragraph gives wide responsibility to the risk management control function for "the following risk management areas may be particularly affected by climate-related risks: asset-liability management (ALM), investment risk management, underwriting and reserving, reinsurance and other risk-mitigating techniques" etc. Typically, the Actuarial Function (AF) is heavily, or primarily, involved with many of these yet no mention is made of the AF role. It is equally important (if not more so) that the actuarial function is adequately resourced.	This section is on the Risk Management Function and paragraph 45 covers the Actuarial Function.
224. General Insurance Association of Japan	Japan	No	The sentence, "The following risk management areas may be particularly affected by climate-related risks: asset-liability management (ALM)" should be deleted for the following reasons: - As the changes in economic value related to climate change is due to, among other things, widened credit spreads and increased default of credit risk assets, and therefore is an issue of credit risk management. - ALM within insurers is essentially a market interest rate risk management issue and should be separate from credit risk management. - At this point, we are not aware of any widened credit spreads or increased default of credit risk assets due to climate change.	Disagree, see also section 6 on investments.
225. acli	U.S.A.	No	While we agree that the risk management function should ensure that climate-related risks are monitored where material, it is generally beyond the scope of risk management to provide resources to first line business areas. We suggest the first sentence of paragraph 41 be reworded accordingly as follows: "The risk management function, an independent role from the business units that own the risk, should monitor and ensure that - between the efforts of risk management and the business units - there is proper identification, assessment and management of climate-related risks."	Amended the paragraph to address this concern and to streamline.
226. Liberty Mutual	USA	No	We agree that an insurer's risk management function should be a focal point for how an insurer identifies, assesses and manages climate-related risks. However, the structure an insurer uses to execute its risk management function is not relevant for the purposes of this Application Paper. The text characterizing risk management as	Amended the text to streamline. Reference to the RAS has not been deleted

Insurance Group			"an independent role from the business units that own the risk" and "the Board-approved risk appetite statement" should be deleted.	as this was deemed relevant.
Q62 Comment on paragraph 42				
227. Insurance Europe	Europe	No	Insurance Europe notes that the current sparseness of ESG data represents an obstacle to monitoring exposures from a sustainability viewpoint and to the extensive use of qualitative methodologies. Equally importantly, Insurance Europe wishes to emphasise the need for proportionality with respect to the information requirements associated with the integration of climate-related risks. An excessive additional burden on small insurers with respect to any new information requirements should be avoided. Regarding aligned criteria between underwriting and investment functions, Insurance Europe points out that such aligned criteria may not produce aligned outcomes given the difference in the available data between these two functions. Criteria cannot be the same at this stage due to the data availability issue. This paragraph should acknowledge the lack of available data.	Some change made following suggestion in comment 232. Please do note that having "aligned" criteria does not imply that the outcomes should be exactly the same, nor does it imply that these should always be identical.
228. GFIA	Global	No	GFIA notes that the current sparseness of ESG data represents an obstacle in monitoring exposures from a sustainability viewpoint and to the extensive use of qualitative methodologies. Equally importantly, GFIA wishes to emphasise the need for proportionality with respect to information requirements associated with the integration of climate-related risks. An excessive additional burden on small insurers with respect to any new information requirements should be avoided. GFIA thus suggests adding: "relevant and appropriate" range of quantitative (…)". In addition, the paragraph states that the risk management function should ensure consistency within the insurer. In this respect, GFIA notes that using the same tools and criteria within a group in a centralised manner is not always desirable, as it is necessary to use approaches that consider the specific characteristics of each region. In addition, there may be cases where national supervisors already impose regulations such as ones regarding quantitative metrics. In such cases, developing uniform regulations for insurance groups on top of them could place an undue burden on	See response to comment 227.

			insurers. Therefore, GFIA suggests replacing "ensure" with "take into account". Regarding the alignment of criteria on underwriting and investment functions, GFIA would like to point out that the data available is not the same on the two sides. Therefore, the criteria cannot be the same at this stage due to the issue of data availability. At the very least, GFIA suggests raising again the issue of lack of data in the paragraph by adding at the beginning of the last sentence "If consistent data is available".	
229. Partnership for Carbon Accounting Financials	Global	No	Agree. The different functions within an insurer should have aligned criteria when identifying sectors that are more exposed to climate change. Financed emissions are a necessary input for climate scenario analysis. As such, absolute financed emissions are a key metric for financial institutions that want to understand and manage climate-related transition risks and opportunities. The PCAF Global GHG Accounting and Reporting Standard for the Financial Industry provides universal, transparent, and standardized guidance for insurers to measure the financed emissions of their portfolios.	Noted
231. General Insurance Association of Japan	Japan	No	With regard to the risk management function, it is stated that, "(The risk management function should) ensure consistency within the insurer". However, if this refers to "business strategy and risk appetite," it may be difficult to respond to this considering each country's national policies, and if this refers to "quantitative and qualitative methods and metrics", using the same method within the group company in a centralized manner may not necessarily desirable as approaches that take into account the different characteristics etc. of each region is needed. In addition, there may be cases where national supervisors already impose regulations such as regarding quantitative metrics and developing uniform regulations for insurance groups on top of that could cause a double burden on the insurer. Therefore, we suggest replacing "ensure" with "take into account" as follows: "The risk management function should use a range of quantitative and qualitative	Changed into “promote”

			methods and metrics to monitor progress against the insurer's overall business strategy and risk appetite and take into account consistency within the insurer".	
232. Lloyd's of London	UK	No	Whilst it is useful for firms to share climate change-related information internally between functions, we disagree with the IAIS's statement that "the underwriting and investment functions should have aligned criteria when identifying sectors that are more exposed to climate change". Rather, we suggest that this should state "the underwriting and investment functions should consider where they may benefit from aligned criteria when identifying sectors that are more exposed to climate change". This is because the time horizons and risk factors which are relevant to an insurer's underwriting function and to its investment function may not always match and so the sectoral criteria may not always align.	See response to comment 231.
233. Liberty Mutual Insurance Group	USA	No	The criteria may well be aligned, but not necessarily identical, particularly in terms of application or operationalization, For instance, a company might invest in certain businesses or kinds of businesses, but not underwrite their insurance and vice versa.	This is correct. See response to comment 227.
Q63 Comment on paragraph 43				
234. GFIA	Global	No	GFIA would see merit in exploring such methods in appropriate situations. In order to clarify that these suggested methods are not mandates, it recommends adding a last sentence stating: "These suggested methods are not prescriptive mandates and are neither required, nor recommended for all situations."	Not needed, given the nature of application papers.
235. Partnership for Carbon Accounting Financials	Global	No	Agree. Establishing a common framework to define investment limits to specific companies, sectors, regions, etc., or to define exposure to risk, is essential for internal risk management purposes. For this reason, it is useful to use absolute financed emissions as the common metric, since they can be used in a variety of ways to define investment limits or exposure to risk. More importantly, insurers already have a method to measure this this metric. The PCAF Global GHG Accounting and Reporting Standard for the Financial Industry	Noted

			provides universal, transparent, and standardized guidance for insurers to measure the financed emissions of their portfolios.	
237. IAA	International	No	This paragraph goes straight to examples without covering the process that is needed. The IAA believes there is a need to indicate a process that starts with existing risk management in the investment area and then considers how that should be modified to recognize climate risks - for example trends in carbon intensity of key portfolios, what percentage of the portfolio has an intensity exceeding x.	No change necessary – having a process to address climate risk is inherent in having firms address the risk.
238. General Insurance Association of Japan	Japan	No	Underwriting and asset management are the core business areas of insurers, and insurer's business decisions and approaches should be fully respected. In addition, while the use of "heat maps" or "ESG scoring" may be considered by each insurer in their underwriting and investment decisions, they should not be used as supervisory tools. Considering this AP is developed by supervisors, particular or specific methods should not be recommended. Thus, this entire paragraph should be deleted. In addition, although defining "a maximum exposure to policyholders in coastal areas in order to limit the risk exposure to flood risk," is stated as an example, this needs to be carefully considered in light of the public nature of general insurance and the availability of insurance cover.	This section provides examples and does not require the specific use of any methodology. Noted and agreed, however this is outside the scope of this paper.
240. acli	U.S.A.	No	This paragraph suggests defining investment limits based on climate-related criteria. While some insurers may follow this approach, another approach is for the insurer to incorporate climate risk as among the risks taken into consideration when evaluating whether a proposed investment offers a satisfactory risk-adjusted return. As noted elsewhere, we discourage insurance supervisors from applying public policy objectives beyond their responsibility for policyholder protection, promoting fair, safe and stable insurance markets, and contributing to financial stability.	Change made to address the concern.
Q64 Comment on paragraph 44				
242. IAA	International	No	The IAA suggests replacing the final seven words with "climate change that the insurer is obliged or committed to respect". In other words, drop reference to ESG principles, which are undefined and go beyond the scope of climate-related risks.	Proposed change to eliminate reference to ESG.

243. The Geneva Association	International	No	We request the text be refined to clarify how the references to "legal risk and legal change risk" relate to the definition in Table 1 (page 7) as well as the framing of potential impacts to operational and reputation risk in Table 2 (pages 9 and 10).	Changed into liability risk for consistency with table 1.
244. General Insurance Association of Japan	Japan	No	As the compliance function is responsible for ensuring that insurers be compliant with all relevant laws and regulations, it is not appropriate to single out and only mention ESG principles in this paragraph. The last sentence (after "Accordingly") is unnecessary and should be deleted.	See response to comment 242.
245. acli	U.S.A.	No	While we agree that the compliance function should identify and address potential climate-related legal risk and/or compliance issues, the paragraph elevates voluntary ESG commitments to the status of law. Compliance with voluntary commitments would typically not be part of the compliance function, and it presumes that such risk is material and that insurers have made public commitments to ESG principles. Further, we request the text be refined to clarify how the references to "legal risk and legal change risk" relate to the definition in Table 1 (page 7) as well as the framing of potential impacts to operational and reputation risk in Table 2 (pages 9 and 10).	See response to comment 243
Q65 Comment on paragraph 45				
246. Insurance Europe	Europe	No	Insurance Europe agrees that the actuarial function takes into account material climate-related risks. In doing so, it should be done at the same level as other considerations, such as inflation, legal risk, etc. The paper should note this point to ensure that the consideration of climate-related risks will not prevail over other equally important risks/considerations and vice versa.	Not necessary since the paragraph is not suggesting that the impacts of climate risk should take priority over other material risks.
247. Partnership for Carbon Accounting Financials	Global	No	Agree. The actuarial function should consider climate-related risks. A key metric to use for the assessment of transition risk would be absolute financed emissions, since it is also a fundamental step for performing scenario analysis for insurers.	Noted

249. IAA	International	No	This paragraph provides a very narrow view of the role of the Actuarial Function (AF) and does not mention their involvement in ALM, pricing, underwriting, stress and scenario testing, risk mitigation etc. The work, reports, analysis etc., of the AF with respect to climate risk can be most useful in informing the supervisor with respect to these risks. The wording appears to downplay the value that a supervisor can derive from the AF. The IAA also notes that financial instruments valued on the basis of market value generally would not require actuarial involvement in their valuation.	Added some of these to the list of examples; but it is not meant as an exhaustive list.
250. The Geneva Association	International	No	The application paper should acknowledge that in light of the emerging nature of the risk, actuarial teams and other control functions will need time to develop new tools or approaches in considering climate related risks.	Added language to address comment.
253. acli	U.S.A.	No	It should be noted that market prices would reflect a consensus view of the existence, impact, and speed of a transition to a carbon-neutral economy. Although this transition could occur more quicky than implied by market prices, it could also occur less quickly than implied by market prices. Further, the application paper should acknowledge that, in light of the emerging nature of the risk, actuarial teams and other control functions will need time to develop new tools in considering climate-related risks particularly in light of an absence of historical data.	Added language to address comment.
Q66 Comment on paragraph 46				
255. IAA	International	No	The IAA believes that the Actuarial Function should be involved in the review of climate risk scenarios that are part of the ORSA-process. By use of both internal and external data the Actuarial Function may give valuable support to the building of realistic models showing the variability in expected results for the next years. This will be a valuable input in capital stress scenarios. The IAA suggests adding in capital requirements - i.e., "… calibration of premiums, reserves and risk-based capital requirements… "	Disagree, the Actuarial Function may not always be part of the process. It would be dependent on how scenarios are defined and the risk that changes in climate are potentially impacting.

			This para refers to data quality and completeness. The IAA points out that traditional criteria to assess data quality will not be sufficient when dealing with climate change related risks. Climate change related information is subject to higher uncertainties than usual. There might be no full agreement in the scientific community on past or future developments. Whether or not there is agreement, the Actuarial Function should be involved in the development of future scenarios - either globally or locally. The last section of this paragraph refers to "fast-evolving risks". This is not the right term to use in relation to climate-related risks. Instead, the focus should be on avoiding the use of overly long data sets that do not incorporate the change in climate over time. (For example, using a 20-year history of past wildfires would lag in its reflection of current risks due to a changing climate).	Agree. Added language to address.
256. The Geneva Association	International	No	In the last sentence, we suggest noting that historical analysis "alone' may not be sufficient.	Added language to address.
257. General Insurance Association of Japan	Japan	No	Given that the impact of climate change will materialize gradually over a long period of time and that the relationship between "fast-evolving risks" and climate change may not be clearly explained, we request removing "in particular with regard to fast-evolving risk". In addition, when considering the quality and completeness of underlying data, it should be noted that there are various analysis regarding the impact of climate change and the extent of which it may be having an effect, considering the difficulty of measuring such effect.	Added language to address.
259. Lloyd's of London	UK	No	As the IAIS discusses the quality and completeness of climate-related data in this section, we believe this may be an appropriate place to recognise the current paucity of high-quality climate-related data that firms can use to conduct the kind of analysis being suggested by the IAIS and to acknowledge that firms are undertaking such	Noted

			analyses on the basis of best endeavours. There is a need for greater collaboration and cooperation within the insurance sector to increase the availability and access to high-quality climate-related data. It may also be helpful to acknowledge here that internal scenario analyses and stress tests represent a beneficial supplementary tool when considering risks, particularly those crystallising over the longer term.	
Q67 Comment on paragraph 47				
Q68 Comment on section 4.3 Fitness and propriety of Control Functions on climate-related issues				
Q69 Comment on paragraph 48				
262. ABIR	Bermuda	No	Suggest amending the wording as follows: "In order to ensure sufficient knowledge for the Control Functions while identifying, assessing, monitoring, managing and reporting climate-related risks, insurers should adapt their internal policies (remove - "and implement training programmes") to ensure they have a team of experts with sufficient understanding on climate-related issues and their impact on the risk-profile of the entity	Disagree. It is likely that insurers will need to address training and knowledge gaps on the impact of climate change.
263. Insurance Europe	Europe	No	It should be made clear that the assessment of fitness and propriety should take into account the respective duties allocated. While the proportionality principle is highlighted in the introduction section, the last sentence highlighting insurance policies and associated investments can be misleading. It should be amended to read: "Insurers should ensure that persons who perform Control Functions have relevant experience in understanding the climate risk as appropriate to the respective duties allocated."	Added language to address.
264. GFIA	Global	No	It should be made clear that assessment of fitness and propriety should take into account the respective duties allocated. While the proportionality principle is highlighted in the introduction section, the last sentence highlighting insurance policies and associated investments can be misleading. It should be amended to read as follows: "Insurers should ensure that individuals who perform Control Functions have relevant	Added language to address.

			experience in understanding the climate risk [that is appropriate to the duties allocated]"	
266. General Insurance Association of Japan	Japan	No	We believe this paragraph is too prescriptive. While we agree that Control Functions should have sufficient understanding of climate-related risks and their impact on risk portfolios, there are various ways to accomplish this and the AP should not specify a particular approach, as stated in the paragraph, "insurers should adapt their internal policies and implement training programmes". As such, we propose deleting "adapt... programmes to". In addition, considering experience and knowledge required for Control Functions is not limited to experience and knowledge regarding climate-related risks, specifically mentioning regarding climate-related risks is irrelevant, and the second sentence (after "Insurers should") is unnecessary.	Disagree with comment; the Paper does not prescribe one particular approach.
Q70 Comment on paragraph 49				
Q71 Comment on paragraph 50				
270. IAA	International	No	In some countries it may be difficult to find a person with appropriate skills and knowledge in climate risks as described. So, it may be appropriate for the CRO or other person in an insurer takes responsible for this and a plan is developed to obtain training and support so that their experience builds over time.	Agreed, this is however true for addressing climate-related risks in general.
271. The Geneva Association	International	No	We believe the AP should recognize the importance of flexibility in supervising how insurer internal control functions are monitoring climate-related risks.	The paragraph already provides the flexibility as to how insurers set up the functions.
273. Institute of International Finance	United States	No	Paragraph 50 should note that a number of jurisdictions have specific requirements relating to control functions. For those jurisdictions that are developing guidance in this area, flexibility should be granted to firms to reflect existing organizational structures.	See response to comment 271.

Q72 Comment on section 4.4 Integrating climate-related risks in outsourcing decisions				
Q73 Comment on paragraph 51				
277. IAA	International	No	This paragraph seems to focus on the continuity of business functions due to outsourcing whereas the examples in Box 2 (e.g., BaFin and PRA) appear to focus on the more important issue that insurers cannot outsource their ultimate responsibility for understanding the risks (e.g., climate risks) they undertake. The IAA suggests that para 51 be re-written, or an additional paragraph be added that fits with the Box 2 examples.	The boxes are placed at the end of each section and provide examples relevant to the section as a whole.
281. acli	U.S.A.	No	The outsourcing paragraph is highly speculative, as it is extremely rare for any entity to fail – particularly in an industry based on promises – due to physical risks.	Noted. This is related to outsourced functions such as data centres which could be affected in a storm, flooding, or other weather-related event. It is not related to an insurance entity failure.
282. Institute of International Finance	United States	No	We agree with a focus on climate-related risks in outsourcing decisions (Subsection 4.4), but we believe that Paragraph 51 should reflect that insurers may address the risks and potential consequences of vendor failure and other outsourcing risks in their operational resilience plans. We encourage the IAIS to adopt an outcomes-based approach that specifies the desired supervisory outcome and provides firms with the flexibility to choose in a principled and disciplined manner how to deliver that outcome. Outsourcing arrangements generally do not transfer control of key activities to third parties, which remains in the control of the insurer. The need for proportionality is particularly important when supervising intragroup outsourcing arrangements. When developing supervisory expectations around exit strategies for intragroup outsourcing arrangements, supervisors should acknowledge that financial risk remains within the group.	The guidance of this paragraph in the AP applies no matter the outsourcing decision is realised outside or inside the group and, even if it gives advice and examples, it is not meant to be prescriptive.

Q74 Comment on section 5 Enterprise Risk Management for Solvency Purposes				
284. Liberty Mutual Insurance Group	USA	No	There are aspects of the discussion in Section 5 that again are too specific and therefore appear to establish requirements, rather than offer flexible guidance, such as: - Internal guidance should address how assessment and monitoring climate-related risks "are embedded in the underwriting process." - Underwriting assessments should be "enhanced … due to the need to consider the relevant liability, transition and reputational risks." - An insurer's ORSA process should "consider all material physical, transition, and liability risks arising from climate change." - Insurers should develop climate-risk related stress tests.	Noted
Q75 Comment on paragraph 52				
285. The Geneva Association	International	No	The application paper should more explicitly recognize the positive contribution of robust risk management practices to the ability of insurers to manage climate-related and environmental risks.	Agree that robust management practices help in the ability of insurers to manage risks, but no change needed to the current language.
286. Zurich Insurance Company Ltd.	Switzerland	No	While identifying and monitoring climate risks does not necessarily require a valuation methodology - only a measurement methodology - the task of managing this risk in the context of all other risks and opportunities to be considered by an insurer requires a common benchmark. The challenge or necessity to establish such a valuation methodology should be prominently mentioned here as it is a precondition to establish an Enterprise Risk Management System for Solvency Purposes.	Noted
287. acli	U.S.A.	No	This paragraph should more explicitly recognize the positive contribution of robust risk management practices to the ability of insurers to manage climate-related and environmental risks.	See response to 285.

Q76 Comment on section 5.1 Underwriting policy				
288. Insurance Europe	Europe	No	Insurance Europe generally supports the consideration of climate-related risks in underwriting policies. In this respect, it is important to strike the right balance between all risks, without putting excessive focus on climate risks at the expense of other risks.	Agreed, however the focus of this Application Paper is to consider how the ICPs can be applied to climate-related risks.
289. GFIA	Global	No	GFIA believes that when discussing underwriting policies, supervisors should keep a strong focus on relevance and materiality. Climate aspects are not relevant or material to all underwriting situations and taking them into account might result in additional costs. Furthermore, in practice, it may be difficult to make individual underwriting decisions that take into account climate change aspects for each case. In addition, we believe that the paper should note that mechanisms for understanding the impacts of climate change on underwriting are significantly more mature for property and casualty insurers than for life and health insurers.	The issue of relevance and materiality is applicable to all IAIS language.
290. General Insurance Associatio n of Japan	Japan	No	As we understand the impact of climate change will materialize gradually over a long period of time, unless insurers underwrite extremely long-term insurance contracts, it is unlikely that insurers will have to take into account the latest understandings of climate change in setting underwriting conditions and also make decisions taking into account aspects of climate change. (It is also practically difficult to make individual underwriting decisions for each case that considers climate change aspects.)	Added language to address.
Q77 Comment on paragraph 53				
Q78 Comment on section 5.1.1 Consideration of climate-related risks in the underwriting policy				
294. Zurich Insurance Company Ltd.	Switzerla nd	No	We agree that different LoBs/sectors will see different levels of climate risk and policies will need to reflect that not all transactions will be material for a climate risk assessment. Heatmaps, such as those proposed UN PSI TCFD report, can help with prioritization: https://www.unepfi.org/psi/wp-content/uploads/2020/09/PSI-TCFD-pilot-progress-update.pdf.	Noted

IAIS

Q79 Comment on paragraph 54				
295. Insurance Europe	Europe	No	Insurance Europe supports the IAIS statement on the incorporation of climate-risk considerations in insurers' underwriting policies. Insurers should be able to do so by including references to climate-related risks in other risk management policies other than the underwriting policies. Therefore, Insurance Europe suggests including "where relevant" in the wording of the second sentence. Insurance Europe also warns against prescribing simplified information in the risk policies and suggests leaving insurers flexibility in how to integrate climate risk in their policies. For example, the description of economic sectors assessed to have higher climate-related risks might be strongly dependent on individual companies and their transition plans. Similarly, transition risks can manifest themselves abruptly, eg due to technological breakthroughs or unexpected legislation. Therefore, this information might not be necessary in such policies.	Added “as appropriate given the exposure of their individual products to those risks”. The IAIS does not prescribe information in risk policies. The paper merely provides examples for consideration.
296. GFIA	Global	No	As previously stated, insurers should be able to incorporate climate risk considerations by including references to climate-related risks in risk management policies other than underwriting policies. In addition, GFIA warns against prescribing simplified information in the risk policies and suggests leaving insurers flexibility in how to integrate climate risk in their policies. For example, the description of economic sectors assessed to have higher climate-related risks might be strongly dependent on individual companies and their transition plans. Similarly, transition risks can manifest themselves abruptly, eg due to technological breakthroughs or unexpected legislation. Therefore, this information might not be necessary in such policies.	Disagree – assuming relevant, there should be a consideration within the underwriting policy since underwriting is impacted differently than other areas of the business. See response to 295.
298. IAA	International	No	The proposed absolute requirement for insurers "to incorporate the consideration of climate-related risks in the underwriting policy" is overly broad. This requirement should be applied "as appropriate given the exposure of their individual products to those risks".	Added proposed language.

299. General Insurance Association of Japan	Japan	No	Footnote 14 is misleading and should be deleted. It refers to the level of greenhouse gas emissions, vulnerability to extreme weather events, and links to unsustainable energy practices, but how insurance results can be linked to these issues should not be discussed without any proof. Also, while it enumerates some sectors including agriculture and chemicals, it is unclear how these sectors were selected, and we believe these examples are misleading and inappropriate.	For some products this might not be relevant, but for others such as liability insurance the information might be. These are just examples.
Q80 Comment on section 5.1.2 Consideration of climate-related risks in the underwriting assessment				
300. GFIA	Global	No	GFIA acknowledges the importance of considering climate-related risks where relevant and material to reduce insurers' exposure and uphold financial stability. Nevertheless, GFIA stresses that these considerations should remain balanced as, in some cases, they could result in undesired outcomes in terms of overall financial stability. As pointed out in a recent Financial Stability Board (FSB) report focusing on climate risks and financial stability, if a large number of insurers significantly increase premiums or withdraw their coverage to reduce their exposure to climate risks, this might leave firms and certain segments of the economy uncovered, which would amplify the risks to financial stability.	Comment is outside the scope of this paper.
301. Partnership for Carbon Accounting Financials	Global	No	Requiring insurers to use a common metric to assess risk will ensure comparability and facilitate their supervision. Absolute financed emissions provide a straightforward way of comparing the transition risk of every investment. Using the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry, every insurer would be able to calculate the climate impact of their investment before they make it and use the resulting financed emissions to steer their decision-making process.	Comment is outside the scope of the paper. Also, while this might be true for investments, for insurance the statement assumes the measurement is appropriate for the risk of all insurers and the measurement captures the risk to at a reasonable confidence level.
302. The Geneva	International	No	Forward-looking natural catastrophe models, adjusted for the effects of climate change, could be developed to assess the impact of certain weather events in the	Agreed

Association			future. Such can assess the loss potential of natural catastrophes, encompassing not only the hazard component but also the exposure and vulnerability components. Other factors, such as the exposure at the time of the event, changes in land use as they impact vulnerability, as mitigation efforts will also significantly influence the loss.	
Q81 Comment on paragraph 55				
305. Insurance Europe	Europe	No	It should be noted that forward-looking natural catastrophe models can be used to assess the likelihood of certain weather events in the future but not their loss potential, as other factors, such as the exposure at the time of the event, change in land use and vulnerability, as well as mitigation efforts, will significantly influence such losses.	Noted
307. IAA	International	No	The IAA suggests the word "thorough" may be inappropriate, given the uncertainty involved in current models for some perils (such as wildfire and tornado/hail models). To date, the tail values for those models may not be viewed as sufficiently reliable for the "thorough understanding" being suggested. Perhaps this could be reworded as "Insurers strive to understand the potential losses …"	Revised language per suggestion.
309. Zurich Insurance Company Ltd.	Switzerland	No	In the first sentence, replace "catastrophe" with "hazards and extreme weather".	No change made to be consistent with the terminology used throughout the document.
Q82 Comment on paragraph 56				
310. ABIR	Bermuda	No	ABIR does not interpret IAIS to be requiring the assessment of climate change risks to all types of risk covered.	Noted
311. Insurance Europe	Europe	No	The IAIS noted that climate-related risks are not necessarily material. The IAIS should consider making this clearer to avoid any misunderstanding that could lead to an undue burden on insurers. Insurance Europe suggests clarifying the wording of the second sentence with the following: "For material climate-related risks, supervisors should encourage insurers to include, as relevant, their assessment as part of their underwriting assessment for each client"	Added language

312. GFIA	Global	No	The assessment of climate-related risks in not necessarily material to all types of risks covered. The IAIS should consider adding this nuance to avoid any misunderstanding that could lead to an undue burden on insurers. In addition, the IAIS should clarify that the examples listed under footnotes 16 and 17 are hypothetical and do not currently exist. Furthermore, with regards to the last bullet point, GFIA stresses that an increasing number of insurers have publicly stated their voluntary decision not to underwrite new carbon-intensive coal risks. Nevertheless, GFIA believes that underwriting strategies should be defined solely by insurers and aimed at assessing risks rather than imposing specific behaviours on policyholders. If this recommendation is intended to focus on potential policy obligations arising from physical or liability risks associated with climate change, it should be reworded to make that clear.	See response to comment 311. The examples are based on current climate risk literature.
314. IAA	International	No	Given the early stage of development of firms' management of climate-related risks, the IAA suggests changing the requirement to examine an insurer's "track record" with "evidence" instead. Footnote 17 mentions the adherence to relevant environmental certification standards as a potential underwriting condition - which presumably envisages application to some specific risks. However, this wording may be an over-generalisation. For example, an organic farmer's risk exposure to hailstorms is not different from that of a traditional farmer.	There does not appear to be a significant difference between track record and evidence. Noted – the section indicates these should be used when relevant.
315. General Insurance Association of Japan	Japan	No	It is doubtful that the example described in Footnote 16 is an existing case. We strongly believe it is not appropriate mentioning such doubtful example in the paper and request that Footnote 16 be deleted. The actual existence of the example given in Footnote 17 is also doubtful and inappropriate, and therefore should be deleted.	See response to comment 314.

318. Zurich Insurance Company Ltd.	Switzerland	No	For physical risk, our pricing already incentivizes clients that are assessed to pose higher climate-related risks to take steps to mitigate those risks. However, regarding transition risk, our leverage to demand changes in the absence of an observable general price on carbon is limited.	Noted
Q83 Comment on paragraph 57				
319. ABIR	Bermuda	No	It is helpful to recognize that underwriters will use external data sources. The "additional due diligence' procedures requirement may be an issue if utilising external sources. Also, clarity on the term "it may be' as used in this context would be useful.	Disagree – due diligence should not be different. The company should know the risk it is taking on.
320. GFIA	Global	No	With regards to the use of ratings, GFIA thinks that the IAIS should clarify why using such external ratings is needed and how they should be used. In addition, with regard to the recommendation on transactions that are assessed as involving higher climate-related risks, GFIA believes that additional due diligence might be encouraged only for policy obligations arising from physical or liability risks associated with climate change. This should be clarified in the paragraph.	Noted The section provides elaboration on paragraph 56 which does include the necessary caveats.
322. IAA	International	No	This paragraph should be linked to paragraph 73 with regard to reliance on the use of external ratings.	Added language for consistency.
323. General Insurance Association of Japan	Japan	No	Referring to ratings developed by external parties seems to be somewhat abrupt, and the objective of rating usage is ambiguous. Rather than regarding the use of ratings as a premise, the IAIS should clarify why using such external ratings is needed and how they will be used.	See response to 320.
Q84 Comment on section 5.1.3 Monitoring of underwriting exposure to climate-related risks				
Q85 Comment on paragraph 58				

325. General Insurance Association of Japan	Japan	No	At this point in time, there are various analysis regarding the effect of climate change on the frequency, severity, and concentration of natural disasters and the extent of which it may be having an effect, considering the difficulty of measuring such effect. Therefore, we suggest revising as follows: "Climate change may cause changes to the frequency and severity of loss events, which in turn may increase the risk profile of an insurer's business portfolio".	Added language (for some perils) to address.
Q86 Comment on paragraph 59				
327. Insurance Europe	Europe	No	The paper should acknowledge the dynamic relationship between underwriting and reserving. The need for this clarification is even more relevant for the liabilities of non-life insurers, with the effects of climate change possibly becoming more evident over time. If time-series trends in the technical provisions show an increase in the claim expectations, insurers will normally react by means of premium adjustments – possibly because of the short-term nature of insurance contracts – or by adjusting their reinsurance programmes. As enablers of economic activities and financial transactions, insurers can mitigate risks whenever technically and economically feasible. Awareness of all sectors about their mid- to long-term risk exposures is key to enable them to take adequate action and for insurers to be able to fully contribute to a more sustainable economy.	The relationship is well understood and it is not necessary in this Application Paper to explain it further. Noted
328. GFIA	Global	No	The paper should acknowledge the dynamic relationship between underwriting and reserving. The need for this clarification is even more relevant for the liabilities of non-life insurers, with the effects of climate change possibly becoming more evident over time. If time-series trends in the technical provisions show an increase in expected claims, insurers will normally react by means of premium adjustments – possibly because of the short-term nature of insurance contracts – or by adjusting their reinsurance programmes.	See response to comment 327

330. The Geneva Association	International	No	The AP notes: "This would enable insurers to take appropriate mitigating measures to manage any potential build-up in concentration of exposures to geographical areas or sectors with higher climate-related risks." We appreciate efforts of encouraging insurers to develop tools that help monitor underwriting exposures to and concentrations in geographical areas but would like to highlight that it is the insurance industry's' task to act as an enabler of economic activity and financial transactions and as such absorb risks whenever technically and economically feasible. In other words, risk concentration is not necessarily unfavourable to the industry. Future risk from climate change should be considered mainly in terms of strategic considerations, portfolio management, etc. in the medium term.	Noted, however supervisors still need to be aware of the risk exposures.
Q87 Comment on section 5.2 Own Risk and Solvency Assessment (ORSA)				
334. Insurance Europe	Europe	No	European insurers believe that consideration of the effect of sustainability risks including climate-related risks should be included in the ORSA as long as these risks are financially relevant and material for the undertaking. This is because sustainability risks should get the same treatment as other risk types. The link between climate-related risks and the ORSA is critical, but the analysis of climate-related risks is dependent on the company-specific strategy and risk assessment. Therefore, the measurement and quantification of the effects of climate-related risks is necessary only when these effects are financially material for the undertaking's ORSA. A prescriptive approach should be avoided, as it would contrast with the very nature of the ORSA, which is company-specific and with a unique time horizon. Insurance Europe notes that it might be useful for the sector to have access to a set of non-binding high-level principles to help each insurer determine whether and how to incorporate climate-related risks in its risk management, governance and ORSA, in line with its specific business profile and without impeding a company-specific ORSA.	Noted

			- In general, the insurance industry notes that, given the long-term horizon of climate-related risks, a qualitative approach is equally valuable for their analysis in risk management, governance and the ORSA. While financially material climate-related risks can be considered both from a qualitative and quantitative view, the undertaking should decide which quantitative or qualitative tools are most appropriate for considering climate-related risks. In particular, while the ORSAs may have a forward-looking perspective, each insurer should decide whether it is the right instrument to capture climate-change risks that will materialise over a longer time. This will depend on the insurer's strategy, which usually provides for a longer-term perspective than the business plan. - There are a number of issues associated with the development of a standardised set of quantitative scenarios in the ORSA, including the lack of consensus among experts regarding the choice of scenarios and their evolution in the future. Therefore, the ORSA would not be the right place to introduce a standardised set of quantitative scenarios. - Insurance Europe believes that some of the issues associated with quantitative scenarios may be better addressed through qualitative scenario analysis. Climate-related scenarios should ideally cover a wide range of plausible climate-change conditions, but also consider fixing other boundary conditions (as variables or assumed constants) relevant to population development, urbanisation and concentration, land use, migration to coasts, early adaptation measures, changes to the built environment, ie factors currently changing the physical risk landscape at a fast pace. This broad and dynamic approach may be better addressed through qualitative analysis.	
335. IAA	International	No	The IAA supports the consideration of climate-related risks in the ORSA-process. The ORSA-process is owned by the Board and the ORSA-report is useful in supervisory work.	Noted
Q88 Comment on paragraph 60				

337. ABIR	Bermuda	No	ABIR believes that if climate risk has been assessed to be not material by an insurer, this requirement from an ORSA perspective should be limited to documenting this assessment to allow for a supervisory review.	Noted
338. Insurance Europe	Europe	No	Insurance Europe strongly agrees with the wording of this paragraph, as the ORSA is a particularly useful tool for insurers because it is able to reflect the unique characteristics, portfolio and risk profile of each insurer. This is also consistent with ICP 16.12.1, which already states that the insurer should consider in its ORSA all material risks. Each insurance company is best placed to consider whether its climate-related risks are material for its ORSA and, based on its assessment, find appropriate solutions to deal with them.	Noted
339. GFIA	Global	No	GFIA cautions against prescription in the ORSA processes. The ORSA should continue to represent the insurer's own view of its risk profile, and the capital and other means needed to address those risks. The insurer should decide for itself how to perform this assessment based on the nature, scale and complexity of the risks in its business. Therefore, each insurer should be able to choose appropriate scenarios and time horizons for material risks. The IAIS should acknowledge the need for flexibility in this section. It is therefore vital that insurers have the maximum flexibility in applying the most appropriate tools and assumptions to their own risk management frameworks. GFIA suggests removing the last sentence of the paragraph.	Noted
341. IAA	International	No	As noted in the IAA response to Q19, climate risk is not likely to materially affect the existing liquidity risk sufficiently to warrant it being called out specifically in this context.	Catastrophic claim events caused by climate-related risks may pose liquidity concerns. Insurers may also face difficulty in liquidating assets impacted by weather events, or become stranded in the transition towards an environmentally sustainable

				economy. Furthermore, investors who are increasingly environmentally-conscious may also cut back on sources of funding for insurers that underwrite activities with a negative impact on the environment.
342. The Geneva Association	International	No	We support the notion of including climate-risks in the ORSA process, it is important to mention however, that climate-modelling capabilities are an evolving discipline and hence the ability to monitor the impact of climate risk on financial performance, investment risk and overall solvency, when warranted, remains a work in progress. In light of this, it is important that more weight is given to qualitative analyses for long-term exposures and that firms are given flexibility in designing adequate and decision useful scenarios and decide on an appropriate time horizon for their assessment.	Added language to address quality of data.
343. acli	U.S.A.	No	We concur with the paper's suggestion that ORSA is a useful and appropriate tool for insurers to communicate the materiality of climate risk to the firm.	Noted
344. Institute of International Finance	United States	No	We are in agreement with the statement in Paragraph 60 that the unique business strategy, investment portfolio and risk profile of each insurer will affect the degree of impact arising from climate-related risks. We encourage the IAIS to include this statement in the Introduction to the Application Paper. The IAIS should consider more explicitly recognizing climate risk mitigation strategies and techniques (e.g. regular re-underwriting of P&C risk and reinsurance) in this Section. The availability of more data (and more granular data) will indeed assist insurers in developing a more precise understanding of the risks associated with climate change.	See response to 342.
Q89 Comment on paragraph 61				

345. Insurance Europe	Europe	No	European insurers recognise the importance of including climate-risk considerations in the ORSA and agree that climate scenarios are a useful tool to deal with climate risk. However, both short-term and long-term climate-change risks are relevant to the ORSA. The emphasis of this paragraph on the long-term risks overshadows the importance of the short-term management of climate risks in the ORSA. While the effects of climate risks are probably more severe in the long-term, the risks should be addressed in the short-term first. The ORSA should continue to represent the undertaking's own view of its risk profile, and the capital and other means needed to address these risks. The undertaking should decide for itself how to perform this assessment on the basis of the nature, scale and complexity of the risks in its business. Therefore, each undertaking should be able to choose appropriate scenarios and time horizons for material risks for ORSA purposes. Insurers should be able to choose the time horizon most relevant to assess their material climate-related risksin their ORSA. Scenarios with long time horizons risk being not very reliable as the strategic planning and business strategies are not usually longer than 5-10 years. For these reasons, the following wording is suggested: "It might be expected that the ORSA includes appropriate climate-related scenarios. For material climate-change risks that may materialise in the long term, insurers might also include scenarios with a more extended time horizon, where relevant for their ORSA."	Revised language to align timeframes with risks and business cycle.
346. GFIA	Global	No	GFIA believes that the relevance of risk identification and quantification scenarios should be determined by the insurer in its risk management processes. Both short-term and long-term climate change risks may be relevant to an insurer's ORSA. The emphasis on the long-term risks should not overshadow the importance of the short-term management of climate risks in the ORSA. While the effects of climate risks are probably more severe in the long-term, the risks should be addressed in the short term first.	See response to comment 345.

			GFIA thus believes that the ORSA's time horizon should be kept to three to five years.	
348. IAA	International	No	The IAA recognizes that the time horizon issues presented in this paragraph require further elaboration. This issue was also previously identified in the November 2019 FSI report "Turning Up the Heat". The IAA is currently working to develop further educational material on this topic.	Noted
349. The Geneva Association	International	No	We agree with the IAIS that the ORSA is a useful tool, and we support the idea brought forward in the paper that different climate related risks should be considered in the ORSA process if material. We do have concerns with the sentence that reads, "some climate change risks may take longer to fully materialize, and therefore it would be expected that the ORSA also includes appropriate scenarios that use a more extended time horizon, where relevant". Beyond a period of 3-5 years, projections of new sales and management actions such as dividends become extremely speculative. Insurers should be given flexibility to design decision useful scenarios (qualitative or quantitative) and determine the appropriate time horizon for their analysis of material risks. The application paper should recognize that projections beyond the 5-year time horizon will necessarily be less accurate and supervisors will need to interpret them as such. It should also acknowledge that risks would manifest differently for the P&C and life sectors and that beyond 3-5 years, only a qualitative and directional assessment is useful.	See response to comment 345.
352. Zurich Insurance Company Ltd.	Switzerland	No	The further out one extends the time horizon of models/scenarios the less useful and valuable they will be due to the inherent uncertainty in the future. The optimal length of the time horizon therefore is a function of the quality of the assumptions and data used, along with the model mechanics. This in turn would greatly benefit from accurate information signals as typically provided by markets, such as establishing a price for GHG emissions as a precondition, to make the mentioned recommendation (extending the time horizon of ORSA scenarios) beneficial or useful. ORSAs could be amended to allow for qualitative individual company climate-related "what-if" analyses to improve the assessment on a long-term basis. Such "what-if"	Noted

			scenarios do not lend themselves to public disclosure and solvency add-ons. Further, the incorporation of more "what-if assessments" of events, without known probability and timing of occurrence, might be useful to determine impact of climate change and required mitigating actions. Due to their intrinsic uncertainties, such specific and limited scenarios may be as useful as long-term quantitative assessments. Qualitative assessments in combination with suitable "what if" analyses can be more useful in terms of communication and business strategy than overparameterized theoretical scenarios. For additional context and to avoid repeating comments, please see the response from Insurance Europe to the Application Paper and the EIOPA Opinion on the Use of Climate Change Scenarios in ORSA.	
353. acli	U.S.A.	No	While we support the use of ORSA as a tool for documenting an insurer's exposure to climate risk, we note that the time frame under which climate risk may unfold extends far beyond that for a 3-5 year business plan typically covered by the ORSA. We believe it is important to recognize this tension. Further, we believe it is also important to recognize long-term assessments are likely to be highly speculative, given the inherent uncertainty of climate risk, which will be highly impacted by the degree of national and societal transition efforts, technological developments, etc. Flexibility should be given to allow a qualitative analysis in light of these inherent uncertainties and to support prudent management of resources, taking into account that risks will manifest differently for the life and non-life sectors. Finally, the language in Paragraph 62 is prescriptive, i.e.: "This process SHOULD incorporate an assessment of physical, transition and liability risks." To accommodate all jurisdictions, we would suggest that paragraph 62 be amended to read as follows: As part of the ORSA, the supervisor may ask the insurer to perform a continuity analysis to assess its ability to manage its risks, meet its capital requirements or obtain a group-level perspective on risk and capital.	Addressed time frame in paragraph 62. Added materiality language to address comment.
Q90 Comment on section 5.2.1 Stress and scenario testing of climate-related risks				
354. IAA	Internati onal	No	The examples given in this section are illustrative and useful. This could be used as background for the supervisor's expectation of insurers' ORSA-reports. As climate risk will affect both the liability and asset sides of the balance sheet, this section could be	This Application Paper is structured to map the ICPs, hence the ORSA section

			split out as a separate chapter. This could be a new chapter 7, after the description of underwriting and investment risks. For entities regulated by Solvency II, the ORSA process and report has become a very important part of the insurers work in describing the risk situation. The capital situation is shown under different stress scenarios giving the Board valuable insight.	should fall under this section.
356. Zurich Insurance Company Ltd.	Switzerla nd	No	We support the idea of stress testing for comparability purposes. The European stress testing exercise may eventually become a better tool to incorporate a forward-looking approach based on standardized scenarios, provided its design and the calibration of the scenarios are appropriate.	Noted
Q91 Comment on paragraph 62				
357. ABIR	Bermuda	No	ABIR believes that stress and scenario analysis should be included in the ORSA only if the insurer considers climate risks as material. If climate risks are not material, the insurer should only be required to provide support for its assessment of the risk as immaterial.	Added language in response to comment 363.
358. Insurance Europe	Europe	No	While a forward-looking perspective with regard to sustainability risks is useful, insurers should be able to decide what is the right instrument to capture climate-change risks over time, in line with their specific business profile. While the paper acknowledges the benefits of stress-testing and scenario analysis, it should also acknowledge their limitations. There is a risk that these analyses result in ill-informed market signals. Specifically, the paper should highlight that: - The results of climate-scenario analyses might not be fit for the solvency assessment because there are many uncertainties relating to climate change itself, its impact on the environment and its complex interactions with economic and social systems. - A forward-looking perspective can be useful for strategy decisions, but stress-testing of future physical risks may not always be operationally necessary. Continued and intensified qualitative or semi-quantitative scenario analysis might be more useful and provide better guidance, also given that physical risks are usually underwritten on an annual basis. Insurers can also apply adjusted pricing and choose different portfolio management options.	Noted

			While Insurance Europe does not disagree, the first sentence may be inaccurate where it describes the requirement of continuity analysis as it combines elements of both ICP standard 16.14 and guidance under it. In the same vein, the second sentence is misleading as it seems to disregard the optionality of scenario analysis and stress-testing under ICP 16. With regard to proportionality, it should be possible for small insurers with simple risk profiles not to prepare scenario analyses at all. Insurance Europe proposes the following amendment: "when identified as material by the insurer, this analysis should include the identification and assessment of the direct and indirect impact of climate-related risks, where relevant including as part of the scenario analysis and (reverse) stress-testing process." With respect to the last bullet point on liability risks, it should be noted that general exclusions are considered as a last resort solution.	Scenario analysis and stress testing are not optional under ICP 16, as these are tools used in conducting continuity analysis under ICP 16.14. Amended language
359. GFIA	Global	No	Climate change scenario analysis should be included in the ORSA only if the insurer considers climate risks material. It is key that scenarios remain relevant for each company's risk profile. Undertakings need to have full flexibility to reflect differences in time horizons and company specificities (the measurement and quantification of these risks is necessary only when these effects are financially material for the insurer, which depends on their company-specific strategy). The main aim of the ORSA is to reflect the company's own risk analysis, so being overly prescriptive goes against its very essence. Supervisors could provide voluntary guidance on what the ORSA should include but leave the final decision to companies. GFIA suggests changing the wording of the sentence "[Supervisors could provide voluntary guidance to help insurers to better] incorporate an assessment of physical, transition and liability risks". In addition, while the paper acknowledges the benefit of scenario analysis, it should	See response to 358

			also acknowledge its limitations. Specifically, the paper should highlight that the results of climate scenario analyses are not fit for the solvency assessment because there are many uncertainties relating to climate change itself, its impact on the environment and its complex interactions with economic and social systems. There is a risk that climate scenario analyses result in ill-informed market signals.	
360. Partnership for Carbon Accounting Financials	Global	No	Agree. To measure and assess transition risks in a standardized, consistent way, insurers could use absolute financed emissions. Using this metric provides not only a way to measure current risk, but also a fundamental step in scenario analysis to determine the effect of future transition risks such as carbon taxes, stricter environmental regulations, and other policies with the goal of moving society to a low-carbon economy.	Noted
362. The Geneva Association	International	No	Care should be taken with regard to stress tests, as they may not be appropriate for all climate change related risks. Not recognizing that in this context stress tests are used in a different way, means that the interpretation of outcomes may be misleading. In our view, where agreed methodologies exist, stress testing could be a useful tool in understanding the potential impacts of known, quantifiable short-term climate-related risks. In considering the outcomes, attention must be given to the degree of uncertainty underpinning the scenario parameters and the role risk mitigation could play in managing exposures. For example, for physical risks - in particular qualitative - scenario analysis could lead to more useful outcomes than stress testing due to the uncertainties over long time-horizons. In addition, most physical risks are underwritten annually and therefore general re/insurers can continually adjust their pricing, and portfolio management. We do recognize though repricing may affect affordability and availability of cover (see recent EIOPA discussion paper on this topic). In addition to the above, we find this paragraph is overly prescriptive and suggest the following rewording "As part of the ORSA, an insurer should perform a continuity analysis to assess its ability to manage its risks, meet its capital requirements or obtain a group-level perspective on risk and capital".	Added language to address comment.

363. General Insurance Association of Japan	Japan	No	In performing continuity analysis, insurers are required to include the direct and indirect impact of climate-related risks in the scenario analysis and (reverse) stress testing process, when risks are identified as material. However, there may be other approaches besides scenario analysis and (reverse) stress testing in responding to climate-related risks. Therefore, in order to make it clear that scenario analysis and (reverse) stress testing are examples of the possible approaches, we propose revising as follows: "When material, this analysis should include the identification and assessment of the direct and indirect impact of climate-related risks. For instance, including as part of the scenario analysis and (reverse) stress testing process". The description of the "claims-made policies" seems abrupt. While only claims-made policies are mentioned in this paragraph, the same could be said regarding the occurrence-based policies, as claim payment in both policies require "accidental events insured" defined in the terms and conditions of policies to occur during the duration of the insurance coverage, and explanation for only mentioning claims-made policies is not provided. Moreover, regarding the conclusion that "Insurers offering claims-made policies should consider appropriate exclusions and/or limits," rationale behind this conclusion is not clear. Therefore, we believe the following second sentence should be deleted: "Insurers offering claims-made policies should have an understanding of the potential impact on their liability risks as a result of increasing pressure on Boards to manage their companies in a responsible manner, especially as it relates to the environment, and should consider appropriate exclusions and/or limits".	See response to comment 358.
365. acli	U.S.A.	No	the language in Paragraph 62 is prescriptive, i.e.: "This process SHOULD incorporate an assessment of physical, transition and liability risks." To accommodate all jurisdictions, we suggest that paragraph 62 be amended to read as follows: "As part of the ORSA, the supervisor may ask the insurer to perform a continuity analysis to assess its ability to manage its risks, meet its capital requirements or obtain a group-level perspective on risk and capital."	Proposed language to address

366. Lloyd's of London	UK	No	We agree that firms should conduct appropriate scenario analyses to inform their strategic planning on climate change and that the regulators' expectations on this should be proportionate. A key supervisory challenge will be ensuring an appropriate level of compliance across industry, whilst at the same time allowing individual firms the scope to determine scenarios most relevant to their business models. Collaboration across the insurance sector would be beneficial here so that best practices can be shared.	Noted
367. Institute of International Finance	United States	No	Given the longer-term, forward-looking focus of scenario analysis relative to stress testing, we reiterate the comments raised above with respect to the need for supervisory focus on climate scenario analysis. A focus on forward-looking scenario analysis also reflects the longer-term focus of Paragraphs 61 and 62 of the Application Paper, in particular, the statement in Paragraph 62 that an insurer is required to perform a continuity analysis to assess its ability to manage its risks and meet its capital requirements under a range of plausible adverse scenarios with a forward-looking perspective in mind. The comments that follow are focused on scenario analysis, as we view scenario analysis as the better tool for assessing the potential impacts of climate-related risks, but many of these comments apply as well to stress testing. With respect to the appropriate time horizon for the consideration of climate risks in scenario analyses (see Paragraph 61), we believe that this is a decision best made by the company's senior management based on the activities and risk profile of the firm and the types of assessments and scenarios that are the most decision-useful for the board and senior management. Climate risks do manifest over longer time horizons than many other risks but the decreasing reliability of results over a longer time horizon should be acknowledged. Supervisors should also consider that robust scenario analysis may rely on data which is not currently available, such as data from counterparties. Consultation with the industry on the parameters and assumptions used in scenario analysis exercises can be useful in identifying data gaps and avoiding unrealistic expectations regarding the results of these exercises.	Noted, revisions were made to address comments.

			More generally, the design of scenario analyses should be industry-driven, providing firms with the flexibility to develop scenarios that best reflect their business models and particular risk profiles. An industry-driven approach to scenario design would help to develop effective and decision-useful tests. Supervisors and supervisory colleges have an important role to play in assessing the robustness of firms' analyses as well as the output of scenario analysis exercises. At this time, given the early stage of development of climate scenario analysis, these analyses should be focused on understanding potentially material climate risks, exploratory in nature, and balanced between quantitative and qualitative data and observations, in order to produce reasonably reliable outputs that are decision-useful and avoid creating a false sense of precision in the results. This focus would also promote the efficient management of firms' resources. Regular mandatory disclosure of quantitative scenario analysis results is premature at present. Any call for scenarios that could potentially cause insolvency is especially premature and could lead to inappropriate supervisory action. We encourage insurance supervisors to consider an iterative approach to any quantitative reporting or disclosure requirements when climate risk measurement tools and techniques are at a more advanced state. Importantly, climate scenario analysis is not well enough advanced to serve as a foundation for decisions on prudential regulation, particularly regulatory capital requirements. There are a number of important conceptual and practical challenges associated with using regulatory capital to respond to climate-related risks and other tools are better suited to address these risks. In particular, firms' internal risk management processes are a strong tool for managing evolving risks such as climate-related risks.	
Q92 Comment on paragraph 63				

368. ABIR	Bermuda	No	It's helpful to specify the underlying assumptions (e.g. which time horizon should be considered, extreme, moderate or optimistic scenarios) to narrow the range of possible outcomes. The examples provided seem to specify those but we encourage including the need for this level of specification outside of the examples. ABIR encourages supervisory cooperation to facilitate consistency and clarity.	Noted
369. Insurance Europe	Europe	No	Regarding the fact that "supervisors should encourage insurers to adopt the relevant models", Insurance Europe warns about standardisation and suggests putting more emphasis on the relevance aspect. While standardised set of scenarios might be useful guidance, there should be no requirement to include them in the ORSA, especially as there are outstanding issues among experts regarding the choice of scenarios and their evolution over time. Modelling work by regulators are welcome provided such models are not mandatory and do not conflict with the own nature of the ORSA.	Added language
370. GFIA	Global	No	GFIA warns about standardisation and suggests putting more emphasis on the relevance aspect. While a standardised set of scenarios might be useful guidance, there should not be a requirement to include them in the ORSA, especially as there are disagreements among experts about the choice of scenarios and their evolution over time. Modelling work by regulators is welcome provided such models are not mandatory and do not conflict with the individual nature of the ORSA.	Added language
372. The Geneva Associatio n	Internati onal	No	Although we appreciate the suggestion that supervisors should encourage insurers to adopt the relevant models that are pertinent to their geographic scope and nature of business, we would like to highlight the complexity of translating frequency of flooding events into insured losses, especially if longer time horizons are considered. Further, we believe the paragraph should acknowledge that modelling efforts should focus on potentially material risk exposures given the need for insurers to prudently manage resources, the inherent uncertainty underpinning climate related risk, which may impact the decision useful-ness of modelled results, and the valuable insights that could be obtained through qualitative analysis and assessments.	Noted

374. acli	U.S.A.	No	We believe the paragraph should acknowledge that modeling efforts should focus on potentially material risk exposures to recognize the need for insurers to prudently manage resources and recognize the valuable role qualitative analysis and assessments can play in exploring potential impacts of emerging risks such as those climate change may give rise to.	Noted
Q93 Comment on paragraph 64				
376. IAA	Internati onal	No	The IAA has some concern with the proposal in this paragraph, as it is not proportionate to have a requirement to "clearly document" all immaterial risks. Any such requirement should consider the principle of proportionality with regard to what constitutes "clear documentation".	Climate risk is expected to be a material risk for the industry and should be considered in ORSAs. Revised the language to indicate where it is deemed immaterial there does not need to be extensive documentation.
377. General Insurance Associatio n of Japan	Japan	No	In ORSA, insurers identify risks that are material to their company and describe responses and assessments, etc. regarding the identified risks. Materiality of climate-related risk differs across companies, and therefore, we believe it is not appropriate to require documentation and explanation regarding climate-related risk regardless of each companies' materiality assessment. Thus, we suggest deleting paragraph 64.	See response to comment 376.
379. Zurich Insurance Company Ltd.	Switzerla nd	No	The suggestion to document risks that are non-material could open the door to having to do the same for an extensive list of other risks. We therefore urge the IAIS/SIF to follow a risk-based approach for the documentation of climate-related risks. Regarding "Transition risks": The recommendations (and therefore implicit requirements) provided are typically based on "discrete" or "binary" assessments. In the examples, the adduced assets either are or are not "sensitive to an energy transition" or they either represent or do not represent "a non-sustainable real estate". Most circumstances are much better described by a rather "continuous outcome	See response to comment 376.

			spectrum", i.e. specific assets are either sensitive to an energy transition or correspond to the category of a non-sustainable real estate. However, allowing for a more nuanced and differentiated assessment (instead of one that only results in "yes" or "no" answers) and therefore better adapting these recommendations to real life requires a "continuous" valuation methodology, which in turn would need to be based on establishing a general price for carbon.	
Q94 Comment on section 6 Investments				
380. Insurance Europe	Europe	No	Insurance Europe agrees that sustainability risks including climate-related risks should be included in policies relevant for investment, provided that these risks are financially relevant and material.	Noted
382. Institute of International Finance	United States	No	We agree that physical and transition risks could have complex and non-linear impacts on insurers' investments that need to be taken into account whether the insurer invests directly or though a third-party asset manager or investment advisor. Insurers need to understand the long-term suitability of their investments as part of prudent asset-liability management, the ultimate purpose of which is to meet policyholder obligations. Greater recognition of and incorporation of climate risk into financial asset prices over time should serve to help to mitigate these potential investment risks.	Noted
Q95 Comment on paragraph 65				
Q96 Comment on paragraph 66				
383. Insurance Europe	Europe	No	An insurer should identify, assess and manage climate-related risks only when these risks can have material financial impacts on the insurance undertaking. The second sentence should be amended to read as follows for clarification and coherence with ICP 16.1: "Where material, these risks must be taken into account regardless of whether the insurer invests directly or through a third-party asset manager or investment advisor"	Added 'where material'.
384. General	Japan	No	It is stated in paragraph 4, "Application Papers do not establish standards or expectations," and therefore, "This section provides guidance related to supervisory	Amended to 'supervisory approaches'.

Insurance Association of Japan			expectations…" in the third sentence should be revised to, for example, "This section discusses supervisory viewpoints…".	
Q97 Comment on paragraph 67				
385. IAA	International	No	With regard to the mention of "liquidity risk … as a result of a sudden increase in claims as a result of a natural catastrophe" the IAA notes that a sudden increase in claims is not the same as a sudden increase in cash outflow, although this viewpoint depends on how "sudden" is defined. In general, the larger the catastrophe the slower the cash payout, so for large events the relevant outflow occurs over many quarters or even years. As noted in the IAA response to Q19, climate risk is not likely to materially affect the existing liquidity risk sufficiently to warrant it being called out specifically in this context.	Disagree, climate change could potentially have impacts on liquidity risks for some types of risk. Amended language from 'natural catastrophe and pandemic' to 'natural hazard'.
386. The Geneva Association	International	No	Beyond catastrophe risk, we are not aware of evidence that there is a clear link between liquidity risk and climate risk. The example in paragraph 67 appears to presume that pandemic risk is linked to climate risk, which is speculative. In addition, the example provided seems to equate catastrophe risk to climate change risk, which is not necessarily the case.	See response to comment 385.
387. General Insurance Association of Japan	Japan	No	It is unclear what "This" at the beginning of the second sentence refers to. Judging from the rest of the sentence, we understand "this" refers to transition risk, and if that is the case, it should be revised as such.	Added language to clarify.
388. acli	U.S.A.	No	This paragraph seems to suggest that climate change contributes to pandemics, and that pandemics have severe liquidity impacts. These links have not been established and we therefore suggest they be removed from the application paper or reference to definitive scientific support be added or the language be otherwise tempered.	See response to comment 385.

Q98 Comment on paragraph 68				
389. IAA	International	No	The last part of this paragraph says that it is "… always prudentially relevant to enquire … " about the impact of climate change on an insurer's investments. This statement needs some qualification. For example, an investment portfolio of only investment grade bonds of short duration is highly unlikely to be materially impacted by climate change. The IAA suggests instead guiding supervisors as to what would make such an impact most likely, and therefore most relevant to their oversight and review. (This is likely to be largely a function of the duration of such investments and their concentration in certain industry sectors.)	Amended language to qualify language, but sentence reads “also” instead of “always”.
390. The Geneva Association	International	No	Prudential regulatory frameworks should be risk based to avoid creating inappropriate incentives/disincentives (e.g. to invest in certain assets over others absent a risk-based rationale). In addition, supervisors should consider the extent to which climate related risks are already factored into investments through credit ratings and/or market pricing, before any supervisory actions are taken to avoid potential double counting such risk factors.	Noted
Q99 Comment on section 6.1 Asset liability management				
391. GFIA	Global	No	GFIA highlights that diversification is a key risk management strategy for dealing with any kind of risk. A well-diversified portfolio with different kinds of assets in terms of geography, sector and other considerations will, on average, have a lower risk than concentrated portfolios. Any part of the portfolio that has a higher degree of concentration, eg sovereign bonds or real estate, may require a more in-depth risk analysis. A global investment strategy is the best and most efficient way to support the sustainability transition and deal with climate-related risks. In addition, ALM within insurers is essentially a market interest rate risk management issue. GFIA would therefore suggest a more cautious approach in this sub-section; encouraging insurers to take action rather than prescribing it.	Noted

Q100 Comment on paragraph 69				
392. General Insurance Association of Japan	Japan	No	It is stated that, "Climate change can negatively affect the matching of assets and liabilities", However, if there is such anticipation, we believe it is not due to incongruity of interest rate matching, but rather is due to widened credit spreads or increased default of credit risk assets embedded in ALM. If so, it should be sufficient as long as climate-related components are considered in credit risk management regarding assets, not necessarily in the context of ALM. Therefore, we believe the description of ALM (paragraph 69-71) should be removed from this AP.	Disagree with comment. Higher defaults do create ALM issues.
Q101 Comment on paragraph 70				
393. Insurance Europe	Europe	No	Insurance Europe agrees that asset/liability matching is a key factor to consider in investing. In this respect, it notes that the concept of the materiality of transition risk on longer-term bonds is not sufficiently elaborated and therefore invites the IAIS to better elaborate on this concept, taking into account other transmission factors and mitigation actions that the insurer might take to minimise such risks. In addition, Insurance Europe believes that diversification is a key risk-management strategy for dealing with any kind of risk. A well-diversified portfolio with different kinds of assets in terms of geography, sector and other considerations will, on average, have a lower risk than concentrated portfolios. Any part of the portfolio that has a higher degree of concentration, eg sovereign bonds or real estate, may require a more in-depth risk analysis. A global investment strategy is the best and most efficient way to support the sustainability transition and deal with climate-related risks.	Noted This might be difficult for smaller firms and diversification may help mitigate the risk, but it does not necessarily eliminate the risk on ALM.
394. GFIA	Global	No	GFIA believes that the concept of the materiality of transition risk on longer-term bonds is not sufficiently elaborated and therefore invites the IAIS to better elaborate on this concept, taking into account other transmission factors and mitigation actions that the insurer might take to minimise such risks.	See response to comment 393.
395. IAA	International	No	The statement that "many insurers use longer-term bonds to match the liability cash flows" is overly broad as it lacks context. It is probably true for insurers of long duration products, but likely to be far less true for non-life insurers with an ALM policy that tries	Agreed – clarified language.

			to match asset and liability portfolio durations. The comment on correlation could be expanded. For example, the correlation between different asset classes is important but there is also a correlation between asset and liabilities when holding both a bond of an enterprise and insuring that enterprise for climate risks.	
396. The Geneva Association	International	No	We agree that insurers should consider the potential for climate risk effects on their investment portfolio as related to asset-liability management, but do not see how correlation of asset classes is directly related to ALM. As part of sound management, it is important that insurers avoid over concentration in sectors individual firms or asset classes. We suggest deleting the last sentence or alternatively, request that the IAIS clearly explain what it is intended to address and the connection to potential climate related impacts to ALM.	Disagree with comment – if an insurer has a high correlation within the portfolio, in adverse circumstances they may not be able to meet their liability cash flows.
397. General Insurance Association of Japan	Japan	No	It is stated that, "Climate change can negatively affect the matching of assets and liabilities", However, if there is such anticipation, we believe it is not due to incongruity of interest rate matching, but rather is due to widened credit spreads or increased default of credit risk assets embedded in ALM. If so, it should be sufficient as long as climate-related components are considered in credit risk management regarding assets, not necessarily in the context of ALM. Therefore, we believe the description of ALM (paragraph 69-71) should be removed from this AP.	Disagree with comment; this is not in line with our understanding.
398. acli	U.S.A.	No	We agree that insurers should consider the potential for climate risk effects on the investment portfolio as it relates to asset-liability management (ALM), but do not see how correlation of asset classes is directly related to ALM. We suggest deleting the last sentence or, alternatively, request that the IAIS clearly explain what it is intended to address and the connection of potential climate-related impacts to ALM.	See response to comment 396.
399. Institute of International Finance	United States	No	With regard to the last sentence in Paragraph 70, we request that the IAIS further clarify the impacts of climate risk on asset-liability management and, in particular, how the correlation of asset classes is directly related to asset-liability management.	See response to comment 396.

			As mentioned in our comments at Section 2, Role of the Supervisor, while the insurance sector can contribute to the shift towards lower-carbon economies, the development of enduring, sustainable responses to climate change will require and be driven by the degree to which broader national and societal efforts to transition are pursued and effective. While insurers may consider the stewardship aspect of climate change as one of a broad range of factors when considering strategic decisions, the supervision of climate-related risks should be risk-based and remain focused on policyholder protection, the promotion of fair, safe and stable insurance markets and financial stability. Section 6 should also acknowledge that the promotion of strategies to avoid certain assets in favor of others could create or exacerbate financial risks by incenting large shift in portfolio composition across the industry or by eliminating sources of investment and financing that will be needed to facilitate the transition to a lower-carbon economy. While capital and valuation issues are not within the scope of the Application Paper, we understand that the IAIS is discussing these issues, as are a number of supervisors and standard setters. As a general matter, supervisors' use of prudential tools should remain risk-based. Climate or environmental regulatory capital adjustments or other regulatory efforts to re-direct insurers' away from certain types of assets and towards "green' assets - an investment class that is still ill-defined -- could potentially undermine the credibility and efficacy of risk-based prudential instruments. These efforts could also generate unintended effects that could actually hamper the transition to a low-carbon economy, including by producing destabilizing asset bubbles in "green' assets. To the extent that rating agencies or market prices already factor in climate risk, climate-based prudential requirements could introduce a double counting effect.	Noted Noted
Q102 Comment on paragraph 71				
400. IAA	International	No	There is a minor typo in the first sentence - this should be "… insurers' investment portfolios…"	Changed made.

401. General Insurance Association of Japan	Japan	No	It is stated that, "Climate change can negatively affect the matching of assets and liabilities", However, if there is such anticipation, we believe it is not due to incongruity of interest rate matching, but rather is due to widened credit spreads or increased default of credit risk assets embedded in ALM. If so, it should be sufficient as long as climate-related components are considered in credit risk management regarding assets, not necessarily in the context of ALM. Therefore, we believe the description of ALM (paragraph 69-71) should be removed from this AP.	See response to comment 397.
Q103 Comment on section 6.2 Risk assessment of investments				
Q104 Comment on paragraph 72				
402. GFIA	Global	No	As previously stated, access to data has been flagged by many insurers as one of the barriers that exists in terms of conducting scenario analysis for their investment portfolios.	Data issues have been acknowledged in other sections.
Q105 Comment on paragraph 73				
403. GFIA	Global	No	The paragraph suggests that insurers are responsible for rating methodologies. However, such elements are rather subject to the disclosure policies of external rating agencies. Insurers cannot control such methodologies. GFIA suggests keeping the first sentence and deleting the rest of the paragraph.	Disagree; the idea is that insurers should understand how the ratings are determined.
404. General Insurance Association of Japan	Japan	No	With reference to "…ensure that the rating methodology is sufficiently transparent…" and "…consider the extent to which climate risk has been factored into the rating…", these factors are not controlled by insurers, but are rather subject to the disclosure policies of external rating agencies. Thus, the following sentences should be deleted. "However, insurers should ensure that the rating methodology is sufficiently transparent to allow them to understand the ratings provided for their investments. Insurers should also consider the extent to which climate risk has been factored into the rating as well as the time horizon of the assessment."	See response to comment 403
Q106 Comment on section 6.3 Stewardship				

405. GFIA	Global	No	Stewardship seems a rather vague term and the discussion of it in a separate section might wrongly imply that it is an issue or goal that is in addition to other climate-related issues and goals. For this reason, GFIA suggests moving paragraph 74 to 76 under Box 4 and considering also other investment strategies, especially when more relevant from a prudential perspective. A good description of common practices, also used by insurers to include sustainability risks in insurers' investment decisions, is provided by Eurosif (a European association for the promotion and advancement of sustainable and responsible investment across Europe) and includes best-in-class investment selection, exclusion of holdings, norms-based screening, engagement and voting on sustainability matters, etc. Should this section be kept at the same level as other sections, then the paper should also acknowledge the limitation of "stewardship": the impact of investment decisions on sustainability factors (eg via engagement) can be very costly and its effectiveness can be questionable depending on the types of portfolio (eg equity versus bonds) and the size of the investing undertaking. It should be noted that insurers face challenges in measuring the impact of investment decisions on sustainability factors (eg via engagement). At this stage, the financial sector does not have a commonly accepted approach to how to capture the effects of investments on sustainability factors. In addition, some financial players do not have the resources to adequately build up the necessary tools (for small insurers coordination with other investors may be the only viable means of achieving effective stewardship). When promoting engagement strategies and stewardship activities, it should also be avoided that stewardship serves as implicit investment restrictions and limitations, which would conflict with insurers' freedom of investment and potentially undermine solvency or competition.	Revised title of section and added a new paragraph.
406. The Geneva	Internati onal	No	Transitioning to a low-carbon economy needs to be well planned and to follow a predictable path with alignment across the layers of government and the private sector. Despite growing waves of climate change related policies and regulations,	See response to comment 405.

Association			national pathways for building climate resilience and transitioning to a low-carbon economy remain a work in progress. While the insurance sector can contribute to the shift, the ability to make meaningful progress on combating climate change will first and foremost be driven by the degree to which broader national and societal efforts to transition to lower carbon economies are pursued and effective. To achieve scale, the key barriers, opportunities and solutions need to be identified through more coordinated dialogue, engagement, and action among key stakeholders - including the insurance sector. As a global leader in risk management, the insurance industry is already contributing significantly to building resilient societies through its underwriting business, investment strategies and active reduction of its own carbon footprint. In the context of the Application Paper, we note that while insurers may consider the stewardship aspect of climate change as one of a broad range of factors when making strategic decisions, supervision of how climate change may affect the sector should be risk-based and remain within the remit of protecting policyholder and contributing to financial stability.	
407. acli	U.S.A.	No	The section on stewardship seems misaligned with the scope of the paper and primary objectives of insurance supervisors and the IAIS. Further, while the insurance sector can contribute to the shift toward lower carbon economies, meaningful progress on combating climate change will require and be driven by the degree to which broader national and societal efforts to transition to lower carbon economies are pursued and effective. While insurers may consider the stewardship aspect of climate change as one of a broad range of factors when considering strategic decisions, supervision of how climate change may impact the sector should be risk-based and remain within the remit of protecting policyholders, promoting fair, safe and stable insurance markets, and contributing to financial stability. The application paper should also acknowledge the potential for the promotion of certain strategies that fall in the realm of "stewardship" to potentially create or exacerbate risks such as promoting or accelerating asset sales en masse and eliminating financing that will be needed to support a smooth transition to lower carbon economies.	See response to comment 405.
Q107 Comment on paragraph 74				

408. Insurance Europe	Europe	No	Insurance Europe recognises the importance of stewardship and appreciates the IAIS acknowledgment of the engagement efforts of insurers to encourage the sustainability transition. Insurance Europe notes that stewardship is only one of the strategies used by insurers. For this reason, it suggests moving paragraph 74 to 76 under Box 4 and considering also other investment strategies, especially when more relevant from the prudential angle. A good description of common practices, also used by insurers to include sustainability risks in insurers' investment decisions, is provided by Eurosif (a European association for the promotion and advancement of sustainable and responsible investment across Europe) and includes best-in-class investment selection, exclusion of holdings, norms-based screening, engagement and voting on sustainability matters, etc.	See response to comment 405 – decided to keep in this section.
Q108 Comment on paragraph 75				
409. Insurance Europe	Europe	No	Insurance Europe notes that stewardship is a broader investment strategy. Its objective goes beyond the management of climate-related risks to push investee companies to move their business towards a more sustainable approach in general. When considered from a prudential point of view, exclusion strategies can be more effective to manage climate-related risks. Should this section be kept at the same level as other sections such as supervisory guidance, then the paper should also acknowledge the limitation of "stewardship": the impact of investment decisions on sustainability factors (eg via engagement) can be very costly and its effectiveness can be questionable depending on the types of portfolio (eg equity versus bonds) and the size of the investing undertaking. It should be noted that insurers face challenges in measuring the impact of investment decisions on sustainability factors (eg via engagement). At this stage, the financial sector does not have a commonly accepted approach to how to capture the effects of investments on sustainability factors. In addition, some financial players do not have the resources to adequately build up the necessary tools (for small undertaking	See response to comment 405.

			coordination with other investors is the only viable means of achieving effective stewardship). When promoting engagement strategies and stewardship activities, it should also be avoided that stewardship serves as implicit investment restrictions and limitations, which would conflict with insurers' freedom of investment.	
410. Liberty Mutual Insurance Group	USA	No	We do not believe the prudential supervisory authority over insurers' management of sustainability risks should be used by insurance supervisors to achieve public policy objectives that are more properly the province of other policymakers.	See response to comment 405.
Q109 Comment on paragraph 76				
Q110 Comment on section 7 Public Disclosure				
411. Insurance Europe	Europe	No	Increased transparency on sustainability, including climate-related information, is welcome, provided that it avoids information duplication and overload for businesses and consumers. It is important that: - Insurers have flexibility in disclosures while respecting consistency and comparability. - Insurers have access to good quality sustainability-related information at asset level based on a globally coordinated approach to general company ESG data reporting. The industry recognises that climate-related disclosure is important for a number of reasons (eg to improve awareness of the effect of climate change, understanding of climate-change risks, market discipline, etc). In fact, most European insurers already publish a dedicated climate report or provide some form of climate-related risk disclosures, eg following the TCFD recommendations. Insurance Europe thus welcomes the IAIS facilitating a coordinated approach between jurisdictions. Coherent policymaking between jurisdictions will avoid duplicative or	Noted

			contradictory standards, while also reducing requests for information. The European industry is of the opinion that the convergence of potential requirements to disclose information on climate-related risks, from both financial and non-financial perspectives, should be promoted through a global approach and international coordination given the cross-border nature of the risks. Sustainability disclosures should be strengthened for all sectors as well as for public entities, and they should be publicly available.	
412. GFIA	Global	No	It is critical that any disclosure mandate avoids information duplication and overload for businesses and consumers and respects the principles of confidentiality, proportionality and materiality. It is important that: - Insurers have flexibility in disclosures while respecting consistency and comparability; and - Insurers have access to good quality sustainability-related information at the asset level based on a globally coordinated approach to general company ESG data reporting. GFIA thus welcomes the IAIS facilitating a coordinated approach between jurisdictions while also highlighting that a voluntary step-by-step method to promote disclosure is needed to avoid a one-size-fits-all approach. Sharing best practices and promoting transparency between jurisdictions will avoid duplicative or contradictory standards, while also reducing requests for information. We thus recommend replacing every "should" with "may" or "could' in this section.	Noted – the Application Paper does not introduce new requirements, therefore there is no need to change 'should' to 'may' throughout the section.
413. Partnership for Carbon	Global	No	What is not measured is not managed. Five years after the Paris Climate Agreement was reached in 2015, the largest market actors have still invested more than USD $2.7 trillion into the fossil fuel sector with no downward trend and no assessment of the greenhouse gas (GHG) impact of that finance. The scale of the climate challenge is massive and the role of the financial industry in accelerating the transition to a net-	Noted

Accounting Financials			zero emissions economy is essential. This status quo will never lead to Paris alignment, highlighting the importance of GHG accounting, especially in the financial industry. The European Commission rightly underlines that the ongoing COVID-19 outbreak shows the critical need to strengthen the sustainability and resilience of our societies and the ways in which our economies function. The Sustainable Finance Action Plan, and subsequently the Renewed Sustainable Finance Strategy, translate these European ambitions into a political agenda for the EU's legislative framework for the financial sector, and aim at re-orienting capital flows, from harmful towards sustainable activities. However, for well-informed finance decisions, concise and relevant information regarding both financial performance and impact on sustainable development must be available to all. The current Accounting framework, and reporting requirements for financial undertakings, lack consistent information that would serve balanced finance decisions. At a minimum, the GHG emissions financed by financial undertakings should be known, in order to enable (science based) targets and tracking progress towards a zero-carbon economy. International accounting standards and reporting rules as determinants for longer term assessments of financial soundness ignore subsidies for harmful energy-sources and negative impact of economic activities on people and planet; in general, their focus on shareholder value implies neglecting many aspects of life that matter to broader groups of corporates' stakeholders. Since financial disclosure requirements do not include mandatory sustainable impact reporting, stakeholders cannot assess whether a company contributes to or harms the agreed Sustainable Development Goals, or the European Union's sustainable ambitions for that matter. The re-allocation of money towards sustainable causes is hampered by incomplete and non-mandatory reporting requirements for companies.	
414. IAA	International	No	The introductory paragraph for this section acknowledges concerns with confidentiality and proprietary information, yet many of the following paragraphs suggest disclosures	Disclosures can be at a high enough level to avoid

			inconsistent with those concerns (e.g., in paragraph 85, which includes disclosure of climate-related products under development). The IAA suggests that the rest of this section needs to be reviewed to be more consistent with the concerns raised in the introductory paragraph. This section also appears to be very prescriptive, with little mention of proportionality. Public disclosure of climate risk is important. The examples given from other stakeholders are relevant and must be aligned with local requirements. It is important that the insurance sector manages to describe climate risks in a meaningful and similar manner to its customers and other stakeholders.	disclosing proprietary information. Proportionality is an overarching principle of the ICPs and it is not necessary to mention in every instance.
415. The Geneva Association	International	No	Climate modelling is an evolving discipline and hence the ability to monitor the impact of climate risk on financial performance, investment risk and overall solvency remains a work in process. In light of this, it is important that emphasis be given to qualitative analyses - which is in line with the TCFD recommendations, particularly for long-term exposures, and that firms are given flexibility in designing adequate and decision useful scenarios and decide on an appropriate time horizon for their assessment. Additionally, we find this section to be more prescriptive than what one would normally expect from an application paper - for example the sentence "insurers should disclose the metrics used to assess climate-related risks […]" in paragraph 82. In addition, reporting on climate-related risks should be consistent with reporting on other risk exposures, and subject to materiality.	Added language to address comment
416. General Insurance Association of Japan	Japan	No	Regarding disclosure, although TCFD aligned disclosures are developing, they are still at an early stage. In particular, there are issues such as insufficient data and the lack of a quantitative method for disclosing risk-related information, and the insurance sector is currently exploring various ways of moving forward. In such circumstances, it is important to start with voluntary disclosures, share practices, and promote disclosure in a step-by-step approach. While paragraph 4 states "Application Papers do not establish standards," there are many prescriptive descriptions in this section that seem to specify in detail what	Noted. Current language states that supervisors 'may' use TCFD.

			insurers should disclose. It should be noted that mandatory disclosures without established methods may lead to a one-size-fits-all approach, such as simply placing checkmarks on check sheets and that such approach may not promote understanding and actions regarding climate-related risks and opportunities among insurers. Therefore, we request every wording of "should" be replaced with "may" or "could".	
418. Zurich Insurance Company Ltd.	Switzerland	No	In terms of disclosure especially in the area of financial reporting we think we should emphasize that there needs to be agreement on the basic elements to be disclosed. More disclosure does not help much if there is a lack of clarity and comparability. For a widely supportive and specific position on TCFD, kindly see comments by our trade associations.	Noted
419. acli	U.S.A.	No	In general, we do not believe that it is appropriate for the IAIS to make such granular recommendations for disclosures, as disclosure regimes will naturally be tailored to the nature of the local insurance marketplace and regulatory regime.	Disagree, the paper is providing examples.
420. Institute of International Finance	United States	No	We encourage a more proportionate and less prescriptive approach to public disclosure at this point in time, with an emphasis on voluntary disclosure. Market-led responses to the need for public disclosure should inform supervisory expectations or best practices on public disclosure. In designing any disclosure guidance, due recognition should be given to the requirements arising from the rules of listing authorities. Guidance on disclosure should be proportionate and focused on the financial risks that are material and decision-relevant for the insurer, recognizing that materiality is company-specific. Companies should be encouraged to highlight not only risks but also opportunities that arise from the transition to a low-carbon economy. Any disclosure requirements should be imposed in an iterative manner, with an initial focus on qualitative measures (especially for longer-term exposures), until climate risk measurement tools and techniques are at a more advanced state. A careful approach to disclosure requirements would help to mitigate insurers' exposure to legal risks. As	Disagree, the paper is providing examples.

			noted above, the disclosure of quantitative climate scenario analysis results in particular is premature at present. Finally, a number of companies within the financial sector and beyond voluntarily issue TCFD-compliant reports. The IIF welcomes the IAIS reference to TCFD as an example of developing best practice as it is important that firms consider internationally recognized guidance where appropriate in an effort to better align disclosures.	
421. Liberty Mutual Insurance Group	USA	No	We encourage the global supervisory community to coalesce around a single disclosure blueprint. This will address the risk of multiple, varying and different regimes, be more easily understood and utilized across jurisdictions and sectors, and yet assure adaptability and market useful information as knowledge and measures related to climate risk develop over time. We also believe that equal supervisory focus should be applied to the challenges that insurers may face in implementing a disclosure regime. As the IAIS has recognized, climate risk is an emerging area, and we anticipate that insurers will be at different stages of their climate risk journey for some time. Too prescriptive an approach could produce rote or meaningless disclosures. We also caution that supervisors not attempt to require or encourage insurers to disclose potentially proprietary information, most of which has little to do with prudential supervision. For example, these might include processes, plans and strategies only tangentially related to climate risk.	Noted
Q111 Comment on paragraph 77				
422. ABIR	Bermuda	No	ABIR supports the need for supervisors to carefully consider proprietary and confidential information when establishing disclosure requirements	Noted
423. Insurance Europe	Europe	No	Insurance Europe welcomes the clear statement on the need to protect proprietary and confidential information. It is essential that disclosure requirements do not compromise fair competition.	Noted
424. GFIA	Global	No	GFIA strongly supports the need to carefully take into consideration business confidentiality in disclosure requirements.	Noted

425. Partnership for Carbon Accounting Financials	Global	No	Agree. There is evidence that companies report when legislation specifies relevant disclosure requirements, e.g. GHG intensity in the UK. Yet, standards must balance the need for standardization with the need to retain corporate discretion on materiality of information. The COVID-crisis has shown what will happen when economic and financial decisions ignore material impact on people. "Material' sustainability information must be published, not only climate-related information, although the climate-emergency is most urgent and triggers many other kinds of negative impact, notably inequality. "Material' would be the impact on a broad set of stakeholders, including the company itself, its owners and employees, clients, suppliers along the value chain, plus society and the environment, such that it would change a decision if the information would have been known. Financial market participants, just like supervisors, are eager to see non-financial information that helps them understand the material sustainability effects of a company's business model and operations.	Noted
426. The Geneva Association	International	No	The objectives set out in Paragraph 77 suggesting that supervisors should take into account proprietary and confidential information that could negatively influence the competitive positions of competing insurers. We would like to highlight the importance of avoiding disclosure of proprietary and confidential information. In addition, all disclosures should reflect proportionality and materiality.	Noted
429. acli	U.S.A.	No	We suggest the addition of the following sentence: Any measures on disclosure should reflect the proportionality and materiality principles set out in the paper.	The section already includes comments on material risk. Proportionality is an overarching principle of the ICPs and does not need to be reiterated.
430. NAIC	USA, NAIC	No	Suggest avoiding paraphrasing of ICP 20 (this is the principle statement, not an objective) and for additional clarity: According to ICP 20 (Public Disclosure) the supervisor requires insurers to disclose relevant and comprehensive information on a timely basis in order to give policyholders and market participants a clear view of their business activities, risks, performance and financial position. Public disclosures on emerging(ed) risks, including	Revised language

			climate change, are of primary relevance to this objective. In establishing disclosure requirements for climate risks, the supervisor should take into account existing relevant requirements as well as proprietary and confidential information that could negatively influence the competitive position of an insurer if made available to competitors.	
Q112 Comment on paragraph 78				
431. Partnership for Carbon Accounting Financials	Global	No	Agree. "Material' would be the impact on a broad set of stakeholders, including the company itself, its owners and employees, clients, suppliers along the value chain, plus society and the environment, such that it would change a decision if the information would have been known.	Noted
432. General Insurance Association of Japan	Japan	No	The ICP 20 Standard does not require "insurers to provide information on all material risks faced by the company and its management". As we believe the description in this paragraph is an arbitrary, stretched interpretation, we request the first and second sentences, which refers to ICP 20, be deleted.	Disagree – ICP 20 requires the disclosure of all relevant information. If information is material, it is relevant.
433. acli	U.S.A.	No	We suggest modifying the wording of the third sentence to read: The level and type of information disclosed may depend on the line of business; for example, disclosures on climate-related risks on an insurer's [insurers'] investment portfolio are likely to be more extensive for life insurers with long duration insurance contracts and more weight should be given to qualitative analysis, while non-life insurers…	Comment not taken - This paragraph is not suggesting quantitative or qualitative disclosures.
434. Liberty Mutual Insurance Group	USA	No	This is an example of the point we made in our response to Question 19 where the Application Paper properly focuses on material climate-related risks.	Noted

Q113 Comment on paragraph 79				
435. ABIR	Bermuda	No	ABIR supports supervisors allowing insurers to meet public disclosure requirements via existing standard general purpose financial reports versus requiring duplicative disclosures for regulatory purposes.	Noted
436. Insurance Europe	Europe	No	Increased transparency on climate risk is welcome, provided that it is efficient. To this end, it is important that any disclosure requirements would permit insurers flexibility over how they fulfil their responsibilities on climate-related public disclosures, while recognising the importance of consistency and comparability of information. Flexibility will allow insurers to meet the varying and evolving interests of the audience. Flexibility in disclosure is particularly relevant for communication to customers. It is vital that insurers are able to communicate climate impact to their policyholders in a flexible and clear manner. Overly detailed disclosure leads to lack of interest and disengagement. Therefore, disclosures to customers should be distinguished from those to experts (eg regulators, investors, other relevant market experts) and be less detailed and technical. In addition, it is key to consider the flow of information for insurers. In fact, insurers' disclosure will have to depend on information disclosed by other entities, particularly invested companies and asset managers for investment-related information. The IAIS should better recognise the implications of limited data quality and availability of climate-related information. The lack of quality data creates significant obstacles to the preparation of consistent public disclosures by insurers. For example, this is clear with investment-related information, where it is vital that insurers' disclosure requirements are aligned as much as possible with asset-level disclosures from corporates and public entities.	No changes needed – the paper notes that the risk of climate change assessment methodologies are at the early stages and disclosures may be an iterative process. In other sections the information challenge is noted.
437. GFIA	Global	No	GFIA would like to bring to supervisors' attention the fact that disclosure is also important for fostering policyholders' engagement. It is therefore vital that insurers are able to communicate climate impact to their policyholders in a flexible manner to ensure customers are engaged. An overly rigid approach could lead to a lack of	See response to comment 436.

			interest and disengagement with disclosures. Similarly, disclosures to regulators, investors and other market experts need to be flexible to reflect the different interests of the audience and are likely to be much more detailed and technical than engagement with customers, while respecting the principles of confidentiality, materiality and proportionality. In addition, it is key to consider the flow of information for insurers. In fact, insurers' disclosure will have to depend on information disclosed by other entities, particularly invested companies and asset managers for investment-related information. The IAIS should better recognise the implications of limited data quality and availability of sustainability-related information. The lack of quality data creates significant obstacles to the preparation of consistent public disclosures by insurers. For example, this is clear with investment-related information, where it is vital that insurers' disclosure requirements are aligned as much as possible with asset-level disclosures from corporates and public entities.	
438. Partnership for Carbon Accounting Financials	Global	No	Indeed, a range of available methodologies could be used to disclose material climate related impact of an insurance company's activities, both their underwriting activities and their investment exposures. For example, PCAF's Global GHG Accounting and Reporting Standard for the Financial Industry: - Is a harmonized approach, providing all types of FIs with the starting point required to set science-based targets and align their portfolios with the Paris Climate Agreement and simplifying the comparison of GHG emissions information across financials. - Is open source and free to use, ensuring universal adoption across all types of financial institutions globally, no matter their size or geography. - Creates transparency and accountability, enabling FIs to satisfy the growing investor demand for climate data while helping FIs, their investors and their supervisors to monitor and manage progress towards goals. PCAF also facilitates data collection: - PCAF makes use of existing climate data registers as much as possible, (notably	Noted

			where it regards smaller debtors such as SMEs and households) and processes data in a manner that serves portfolio management for all financial undertakings. - PCAF identifies gaps where more effort is needed to produce relevant information. - PCAF shares methodologies, data and estimates, which lowers the cost of setting up internal accounting systems and simplifies the challenges faced by financial undertakings in finding relevant information with respect to their climate impact.	
441. acli	U.S.A.	No	At this stage, given the challenges in understanding the risk and relative immaturity in climate-related reporting, public disclosure should be voluntary. We recommend adding the following sentence to the beginning of paragraph 79: "Given the challenges in understanding the risk and the relative immaturity in climate-related reporting, public disclosure should be voluntary."	Disagree, if a risk is material there should be some disclosure. This Application Paper is not describing how the risk should be disclosed.
Q114 Comment on paragraph 80				
442. ABIR	Bermuda	No	Where organizations already disclose in another way, such as TCFD, this should be taken into account and allowed to be referenced or cross-referenced to avoid parallel reporting requirements.	Agreed – paragraph 79 allows it.
443. Insurance Europe	Europe	No	Insurance Europe acknowledges the relevance of voluntary disclosures based on the TCFD recommendations under ICP 20 when climate risk is material. However, supervisors should take into account the business-sensitivity of some KPIs contained in the TCFD guidance, such as the aggregated risk exposure to weather-related catastrophes of property business (ie annual aggregated expected losses from weather-related catastrophes). Insurance Europe suggests adding the following sentence to clarify this point: "Supervisors should carefully assess the business-sensitivity of some Key Performance Indicators contained in the TCFD guidance in order to avoid undermining the competitive position of an insurer."	The section already acknowledges the consideration of proprietary information.
444. GFIA	Global	No	GFIA would like to point out that the TCFD Recommendations were originally developed to help investors, and other users of disclosed information, to understand climate-related risks and opportunities rather than to serve supervisory objectives.	See response to comment 443.

			All in all, GFIA acknowledges that TCFD voluntary disclosure is appropriate under ICP 20 when the climate risk is material. Using such a framework may be beneficial to allow for consistency in terms of disclosures by insurers, as well as consistency in what multinational insurers would need to disclose in different jurisdictions. However supervisors should consider that the resources for preparing the disclosure are limited and take into account the business-sensitivity of some Key Performance Indicators contained in the TCFD guidance, such as aggregated risk exposure to weather-related catastrophes of property business (ie, annual aggregated expected losses from weather-related catastrophes). GFIA suggests adding the following sentence: "However, as stated previously, supervisors should carefully assess the business-sensitivity of some Key Performance Indicators contained in the TCFD guidance in order to avoid undermining the competitive position of an insurer."	
445. Partnership for Carbon Accounting Financials	Global	No	The TCFD is a good start for disclosing climate related impact, although the TCFD guidelines themselves merely focus on the financial risk resulting from climate risk, while the impact of activities on climate change is as much relevant for future risks of the insurer. In addition, while the TCFD provides a framework for assessing risk, it does not provide guidance on how to obtain the necessary data for such assessments. The latest version of the TCFD guidelines includes PCAF as an example of how to measure and disclose absolute financed emissions, a useful metric not only for assessing risk, but also for setting targets and performing scenario analysis.	Noted
446. General Insurance Association of Japan	Japan	No	When using the TCFD Framework for insurance supervisory objectives, the fact that TCFD Recommendations were originally developed to help investors and other users of disclosed information, to understand climate-related risks and opportunities rather than to serve supervisory objectives, should be taken into consideration. Expected disclosure for insurance supervisory objectives and disclosure that is useful to investors may not necessarily be the same, and trivializing the latter as a result of overemphasizing the former should be avoided. In addition, the fact that the resources of the companies that prepare the disclosure are limited should also be considered.	Noted

Q115 Comment on paragraph 81				
Q116 Comment on section 7.1 General disclosure requirements				
448. GFIA	Global	No	Promoting the convergence of non-financial reporting standards will be key to facilitating the transition of all sectors while also accounting for global linkages of financial markets and avoiding competitive disadvantages for globally operating companies. In addition, policy actions that avoid overlaps between financial and sustainability reporting should be encouraged. However, at this stage, as non-financial frameworks are still under development, non-financial disclosure should remain voluntary. In any case, any new mandate should respect the principles of confidentiality, proportionality and materiality.	Noted
449. The Geneva Association	International	No	A lot of work and experimentation is underway as to how to assess climate-change related risks. It is also important to note that there should be consideration for the fact that insurers are at different places with respect to their monitoring, and hence the level of information that they are in a position to disclose is varied. Further, it is important to recognize the need for caution around what is disclosed in order to minimize a company's exposure to potential litigation.	Noted
Q117 Comment on paragraph 82				
450. GFIA	Global	No	GFIA believes that the approach taken in the paragraph is overly prescriptive for an evolving issue. GFIA recommends replacing "insurers should" with "insurers may be encouraged to".	Disagree. Material risks should be disclosed, even if only qualitatively.
451. Partnership for Carbon	Global	No	Given the initiatives going on for banks and asset managers with respect to the re-allocation of their funds away from harmful and towards more sustainable activities, there's no reason for insurance undertakings to stay behind and continue their business as before. As longer-term oriented capital market actors, and as those who cover the losses of unexpected events, they should be the first to understand and	Noted – comments are outside the scope of the paper.

Accounting Financials			minimize the risks they face, both for themselves as for their stakeholders. First, they should commit to reporting at least their climate risks with the TCFD guidelines. Second, they should aim to halt negative impact, for the benefit of both their clients and their own soundness. Third, they may want to do so by finding out what matters most for their insurance company, the most material issues that matter to their stakeholders, and align their investments and products along the lines of those material aspects. But also, they could benefit from the challenge society faces, seize opportunities, and ensure all investments and underwriting activities have positive impact on people and planet.	
452. The Geneva Association	International	No	We believe the detail regarding that disclosure of how metrics are set, tracked and rewarded is overly granular and prescriptive and could be suggesting disclosure of proprietary or sensitive data.	Revised language
453. General Insurance Association of Japan	Japan	No	The overly prescriptive expressions in this paragraph should be revised. Specifically, "Insurers should…" in two places should be revised to "It is recommended for insurers to…", and "They should…" at the beginning of the last sentence should be revised to "It is also recommended…". It should be noted that these are not requirements but recommendations in the TCFD recommendations.	Amended the language to address the concern.
455. acli	U.S.A.	No	While we agree that insurers should disclose to their regulators the extent to which their risk profile exposes them to material climate-related risks, we believe the detail regarding that disclosure of how metrics are set, tracked and rewarded is overly granular and prescriptive and could be suggesting public disclosure of proprietary or sensitive data; thus we recommend deleting the last two sentences of paragraph 82.	Amended the language to address the concern.
Q118 Comment on paragraph 83				
456. GFIA	Global	No	GFIA is concerned the recommendation in the paragraph may disrupt competitive positioning and suggests deleting or amending it to provide confidentiality to protect this.	Amended sentence

			A simple approach to revising the paragraph would be to replace "insurers should" with "insurers are encouraged to".	
457. Partnership for Carbon Accounting Financials	Global	No	The disclosure of scenario analyses could be optional. The starting point of any new regulation should be the disclosure of actual, absolute financed emissions.	Noted
458. General Insurance Association of Japan	Japan	No	This paragraph should be revised as follows, as we believe it is too prescriptive: "Insurers that perform climate-related scenario analysis on their underwriting activities are encouraged to disclose a description of the climate-related scenarios used, for example, the critical input parameters, assumptions and considerations, and analytical choices. It is also recommended for them to indicate how the assumptions and parameters align with their risk appetite and strategic business direction".	Amended sentence
Q119 Comment on section 7.2 Company profile				
459. Partnership for Carbon Accounting Financials	Global	No	Although we understand how the company profile can be interesting for supervisors and other stakeholders, we recommend starting with the most simple and accessible approaches, in order to move as many insurers as possible into reporting material non-financial impact. Estimating and monitoring financed emissions and emissions of underwritten activities is possible, several insurers around the globe are doing so with PCAF and may serve as a good starting point of any sustainability reporting.	Comment is outside the scope of this paper.
460. acli	U.S.A.	No	The suggested detail is excessive and, in some instances, proprietary (e.g., discussions about strategy).	Disagree. ICP 20 also requires insurers to disclose information on its strategy.
Q120 Comment on paragraph 84				

461. GFIA	Global	No	As previously stated, GFIA believes that such a recommendation is not relevant for all insurers and suggests adding "when material" at the beginning of the paragraph.	The issue of materiality is dealt with in the introductory paragraphs of this section (new paragraph 79) and applies throughout.
462. The Geneva Association	International	No	There are benefits to disclosing a more "balanced" scorecard of both the risks and the opportunities, but the application paper appears to be suggesting the disclosure of commercially sensitive information.	The Application Paper is not requiring the disclosure of commercially sensitive information such as pricing of new products.
463. General Insurance Association of Japan	Japan	No	With regards to this paragraph, we believe explanation should be necessary only for those that are material. This paragraph seems prescriptive, and therefore, "where material" should be added to either the beginning or the end of the sentence.	See response to comment 461.
Q121 Comment on paragraph 85				
464. GFIA	Global	No	GFIA is concerned with the list provided, as it may contain sensitive competitive information. GFIA would thus suggest deleting this paragraph or amending it to take confidentiality into account. In addition, it should be clarified that the list of information to provide is illustrative and depends on the materiality to each entity.	Added ‘relevant’
465. The Geneva Association	International	No	Any information should be conditioned on not only availability, but also on relevance. We suggest revising the first sentence to "where available and relevant".	Added ‘relevant’
466. General	Japan	No	This paragraph seems too prescriptive. What is listed in this paragraph are examples, and each company should consider how and what to disclose according to the	Disagree. This paragraph includes recommendations

Insurance Association of Japan			materiality. This paragraph should be deleted or modified to make it clear that they are illustrative examples.	(should) and examples (such as…) and is not meant to be prescriptive.
Q122 Comment on paragraph 86				
467. Insurance Europe	Europe	No	As the IAIS mentions this "inside-out" approach at this stage, Insurance Europe believes that it would be useful to already introduce it in the introduction of the paper (see comments on paragraph 7). Promoting the convergence of non-financial reporting standards will be even more important to facilitate the transitioning of all sectors, while also accounting for global linkages of financial markets and avoiding competitive disadvantages for globally operating companies. Sustainability disclosures should be strengthened for all sectors as well as for public entities and they should be publicly available. In addition, policy actions to increase the consistency between financial and non-financial reporting should be encouraged to ensure that both follow a similar rationale, especially as non-financial aspects become increasingly relevant from a financial viewpoint.	Amended language to encourage disclosure of the “inside-out” approach.
468. GFIA	Global	No	GFIA acknowledges that the inside-out approach mentioned in the paragraph is increasingly considered in many jurisdictions. However, this approach seems to fall outside the scope of ICP 20 and would seem an excessive requirement especially for small companies. GFIA suggests replacing "insurers should" with "insurers may be encouraged to".	See response to comment 467.
469. The Geneva Association	International	No	The difference between "environment" and "climate" is unclear. The paper generally focuses on "climate". "Environment" is a broader subject.	Removed ‘environment’
470. General Insurance	Japan	No	Regarding disclosure of the external impact of insurers, while this paragraph requires disclosing "the impact to the environment from the insurer", ICP 20 mentions requiring disclosure of "the external environment which it operates". Considering it is not	See response to 468.

Association of Japan			required in ICP 20 and is an excessive requirement, we request this paragraph be deleted.	
Q123 Comment on section 7.3 Corporate governance framework				
471. The Geneva Association	International	No	The language in this section is unnecessarily prescriptive. It is neither necessary nor appropriate for companies to disclose how decisions are made and how issues are communicated internally.	Changed a 'should' to 'may' on disclosure
Q124 Comment on paragraph 87				
Q125 Comment on section 7.4 Insurance risk exposures				
Q126 Comment on paragraph 88				
472. GFIA	Global	No	GFIA would like to emphasise that adopting a flexible approach rather than a prescriptive one will ensure that disclosure requirements do not add a burden to companies where this is not relevant. It thus suggests replacing "insurers should" with "could be encouraged to". In addition, with regards to the recommendation to provide written evidence and model analysis, GFIA believes that this is a discussion of public disclosure and should not embed new supervisory requirements for written documentation or model evaluation and utilisation.	Disagree that the section is to prescriptive. On "materiality" see response to comment 461. Changed 'should' to 'may'.
473. IAA	International	No	Much of this paragraph is very prescriptive, and overly detailed for public disclosure of topics that in some cases are proprietary.	See response to comment 472.
474. General Insurance Association of Japan	Japan	No	This paragraph seems not only overly prescriptive, but also inappropriate as it requires to disclose insurer's confidential information. Also, while the description seems as though liability risk scenario analysis is possible, such method does not exist at this point in time and therefore is inappropriate. Moreover, although "exclusion policies" are stated at the beginning of the examples, they should not come first because	See response to comment 472.

			exclusion is a last resort. Accordingly, this whole paragraph should be deleted, or at least revised as follows: "88. Insurers are encouraged to disclose the process by which they have identified, assessed and managed climate-related risks and opportunities. In this case, insurers should be able to evidence this, preferably in written manner, for example risk management policies, management information, or Board risk reports".	
475. NAIC	USA, NAIC	No	Fourth sentence; editorial, suggest: They should also describe the actions taken in response to climate change risks.	Change made
Q127 Comment on section 7.5 Financial investments and other investments				
Q128 Comment on paragraph 89				
477. GFIA	Global	No	GFIA believes it is difficult to disclose matters regarding investment strategies, as they are directly related to the investment activities of each company. Therefore, it suggests revising "investment strategies" to "investment policy".	Change to 'strategies' to 'policies'.
478. Partnership for Carbon Accounting Financials	Global	No	Several insurance groups and pension funds around the globe are applying PCAF's Global GHG Accounting and Reporting Standard for the Financial industry, which - Is a harmonized approach, providing all types of FIs with the starting point required to set science-based targets and align their portfolios with the Paris Climate Agreement and simplifying the comparison of GHG emissions information across financials. - Is open source and free to use, ensuring universal adoption across all types of financial institutions globally, no matter their size or geography. - Creates transparency and accountability, enabling FIs to satisfy the growing investor demand for climate data while helping FIs, their investors and their supervisors to monitor and manage progress towards goals.	Noted

			PCAF also facilitates data collection: - PCAF makes use of existing climate data registers as much as possible, (notably where it regards smaller debtors such as SMEs and households) and processes data in a manner that serves portfolio management for all financial undertakings. - PCAF identifies gaps where more effort is needed to produce relevant information. - PCAF shares methodologies, data and estimates, which lowers the cost of setting up internal accounting systems and simplifies the challenges faced by financial undertakings in finding relevant information with respect to their climate impact.	
479. General Insurance Association of Japan	Japan	No	We believe it is difficult to disclose matters regarding investment strategies, as they are directly related to the investment activities of each company. Therefore, we request revising "investment strategies" to "investment policy".	Change made
Q129 Comment on paragraph 90				
481. IAA	International	No	Beyond requiring insurance companies to comply with rules, supervisors can also reward and incentivise companies that do more than basic compliance. For example, if companies invest in "green bonds" and such investments have lower physical risk or transition risk, the investment risk charges could be lowered under the capital framework. The IAIS (or SIF) is well-placed to explore the potential for this approach in more depth.	Comment is outside the scope of this paper.
482. The Geneva Association	International	No	The language in this paragraph is unnecessarily prescriptive. It is neither necessary nor appropriate for companies to disclose how decisions are made. It is also not appropriate to single out a subset of assets in a discussion of capital adequacy, as this implies that the regulatory requirements for such assets are materially understated.	Revised language to indicate the investment decision should be at a portfolio level and not an individual asset level.
483. General Insurance	Japan	No	We believe it is difficult to disclose matters regarding investment strategies, as they are directly related to the investment activities of each company. Therefore, we request revising "investment strategies" to "investment policy".	See response to comment 477.

Association of Japan				
484. Swiss Financial Market Supervisory Authority (FINMA)	Switzerland	No	FINMA provides the following practice to "Box 5: Examples of supervisory practice on disclosure requirements": Switzerland: Financial institutions have until now displayed varying levels of transparency with regard to disclosure of climate-related financial risks. In order to create more transparency, FINMA is therefore specifying the disclosure requirements pertaining to these risks for large financial market players. For this purpose, FINMA conducted a public consultation [Footnote] until January 2021 on the planned amendments in its Public Disclosure Circulars for Banks and Insurers. For the insurance sector, it is proposed that large insurance companies and insurance groups are required to make their climate-related financial risks transparent from 2022 onwards. The approach is based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In terms of content, the following principle-based elements should be covered and disclosed: - Governance: description of how the Board of Directors fulfils its oversight responsibilities in respect of climate-related financial risks. - Strategy: description of the key climate-related financial risks identified - short-term, medium-term, and long-term risks, as well as their impact on business strategy, business model, and financial planning. - Risk management: description of the risk management process for the identification, evaluation, and addressing of climate-related financial risks. - Quantitative information on climate-related financial risks and the methodologies underpinning such information. Transparency with regard to climate-related financial risks at supervised entities is an important first step towards the expedient identification, measurement, and management of such risks. More comprehensive and uniform disclosure of climate-	Updated section.

			related financial risks by major financial market protagonists will improve transparency and lead to greater market discipline. [Footnote: Press release Transparency obligations for climate risks - FINMA opens consultation (10.11.2020) https://www.finma.ch/en/~/media/finma/dokumente/dokumentencenter/8news/medienmitteilungen/2020/11/20201110-mm-transparenzpflichten-klimarisiken.pdf?la=en]	
485. acli	U.S.A.	No	This content is unnecessarily prescriptive. It is neither necessary nor appropriate for companies to disclose how such decisions are made. It is also not appropriate to single out a subset of assets in a discussion of solvency absent a risk-based rationale for such an emphasis.	See response to comment 482.
486. Liberty Mutual Insurance Group	USA	No	The examples in Box 5 are informative, but demonstrate the risk that insurers face multiple, potentially inconsistent disclosure regimes. To avoid this outcome Liberty Mutual urges supervisors to coalesce around the TCFD.	Noted
487. NAIC	USA, NAIC	No	Suggest as an update in Box 5, last paragraph for United States: Insurers were encouraged to incorporate FSB TCFD guidelines when answering the Reporting Year 2018 NAIC Climate Risk Disclosure Survey which could effectively align the survey with the TCFD guidelines. For the Reporting Year 2019 NAIC Climate Risk Disclosure Survey, due from insurers in August 2020, participating insurers were allowed to submit a TCFD report. Eight groups and eight individual insurers submitted a TCFD report in the Reporting Year 2019 NAIC Climate Risk Disclosure Survey.	Update made.