

Stakeholder Session:

Issues Paper Climate Change Risks to the Insurance Sector

IAIS Secretariat

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Overview

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Introduction (1)

1. The paper was developed by the Sustainable Insurance Forum (SIF) and the IAIS
2. Public consultation 30 March – 29 April 2018
3. Public background session on 10 April 2018
4. Adopted by ExCo on 25 July 2018

About Issues Papers

1. Issues Papers are “Supporting material” and provide background on particular topics, describe current practices, actual examples or case studies pertaining to a particular topic and/or identify related regulatory and supervisory issues and challenges.
2. Issues Papers are primarily descriptive and not meant to create expectations on how supervisors should implement supervisory material. They are therefore not binding.
3. Issues Papers often form part of the preparatory work for developing standards and may contain recommendations for future work by the IAIS.

About the Paper: Structure and Main Contents

1. Introduction
2. The Climate Risk Landscape
3. How Climate Change may Affect the Insurance Sector
4. Industry responses to climate risks
5. Relevance for Insurance Supervisors
6. Applicability of Insurance Core Principles for Climate Change
7. Supervisory Approaches to Climate Change Risks
8. Observed Practices: Case Studies
9. Conclusions

About the Paper: Context

- Climate change – the warming of the world’s climate system, including its atmosphere, oceans, and land surfaces – is advancing around the world.
- In recent years, there has been increasing recognition at the global level that climate change will also affect the financial system, including insurance firms:
 - UNFCCC COP 21 Paris Climate Agreement
 - Financial Stability Board Task Force on Climate-Related Financial Disclosures
 - G20 Green Finance Study Group
- SIF was launched in December 2016 as a global platform for international collaboration by insurance regulators and supervisors on sustainability issues, and undertook several activities relating to climate change in 2017.
- At SIF2 (Windsor), members requested the SIF Secretariat to develop a guidance document on climate change and insurance supervision.
- At SIF3, (Kuala Lumpur), the SIF and the IAIS agreed to advance this document jointly as an issues paper.

About the Paper: Objectives

- Raise awareness for insurers and supervisors of the challenges presented by climate change, including current and contemplated supervisory approaches for addressing these risks.
- Provides an overview of how climate change is currently affecting and may affect the insurance sector now and in the future
- Provides examples of current material risks and impacts across underwriting and investment activities, and describes how these risks and impacts may be of relevance for the supervision and regulation of the sector.
- Explores potential and contemplated supervisory responses, and reviews observed practices in different jurisdictions.
- Identifies gaps and emerging areas which need to be resolved to allow for effective supervision.
- Offers insights from practice, and initial conclusions relating to the supervision of climate change risks to the insurance sector.

Results of the Public Consultation

- Resolutions of comments available on the website under Closed Consultations and under Stakeholder Events
- The comments showed broad support for the initiative, including by the industry, underlining the role the insurance sector has to play in this area, describing initiatives that are already in progress and the need for a good understanding of the subject matter.
- Concerns were expressed with future standard setting work by the IAIS – in particular if it were to work on adjusting the standards and ICPs to climate change risk and if the IAIS would promote a change to supervisory mandates.
- Resolutions – emphasised that:
 - the purpose is to raise awareness for the challenges presented by climate events and to share supervisory approaches used to address these risks
 - Issues Paper is a descriptive paper
 - Any follow-up work considered as part of the new Strategic Plan and Roadmap process

Questions?

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