IAIS International Association of Insurance Supervisors

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Summary of consultation comments on supporting material on macroprudential and group supervisory issues and climate risk and their resolution

April 2025

Summary of comments received	IAIS response
Comments on the draft climate risk ICP 24 related supporting material	
General Comments	
With respect to financial stability implications from climate-related risks, the IAIS should place greater emphasis on the crucial role insurers play in managing risks on behalf of the broader economy thereby mitigating overall systemic risk.	The IAIS acknowledges this in its work (see for instance the document setting out the Holistic Framework for the assessment and mitigation of systemic risk, paragraph 15), but for the purpose of this paper no change was made. However, insurers' role in mitigating systemic risk will be mentioned in the introduction of the updated Climate Risk Application Paper. The focus of this supporting material is on climate related macroprudential supervision considerations to help supervisors identify, monitor and analyse market and financial developments and other environmental factors that may impact insurers and the insurance sector as well as to identify vulnerabilities and address, where necessary, the build-up and transmission of systemic risk at the individual insurer and at the sector-wide level.
Climate risk also presents an opportunity for insurers, given that risk management is their core business.	No change made. The focus of this supporting material is on climate related macroprudential supervision considerations to help supervisors identify, monitor and analyse market and financial developments and other environmental factors that may impact insurers and the insurance sector as well as to identify vulnerabilities and address, where necessary, the build-up and transmission of systemic risk at the individual insurer and at the sector-wide level. However, the fact that climate risk may also presents business opportunities for insurers will be mentioned in the introduction of the updated Climate Risk Application Paper.

We also believe that the IAIS's holistic framework for the supervision of systemic risk in the insurance sector is sufficient for the consideration of climate risks, and additional tools are unnecessary.	No change made. The Holistic Framework and ICP 24 on macroprudential supervision provide the framework for macroprudential supervision. The purpose of this supporting material is to complement these materials by providing specific considerations and recommendations related to climate risk. It highlights, where applicable, existing supporting material, notably the Application Paper on macroprudential supervision, for assessing and addressing climate-related risks from a financial stability lens. (In that Application Paper, climate risk is considered implicitly similarly to any other risks.)
While climate change undoubtedly presents significant macroeconomic and societal challenges, this does not automatically translate into macroprudential risks that could destabilise the insurance sector. The insurance industry does not create or worsen climate-related risks but helps to mitigate them. Any argument to the contrary must be thoroughly substantiated, and macroprudential concerns or financial stability implications related to the insurance sector must be clearly identified to justify any supervisory intervention. Rather than initiating with prescriptive supervisory actions based on unsubstantiated assumptions, a more helpful starting point would be if the IAIS conducts a comprehensive study on how climate-change-related risks would affect the economy and the insurance sector. Only after conducting such an analysis and concluding that climate change threatens the viability of the industry appropriate supervisory actions should be defined. The word "amplification" in paragraph 4 should be deleted as it is not supported with sufficient and persuasive explanation, and is misleading.	No change made. As noted in earlier IAIS publications, climate change is not only a source of financial risk for individual insurers; it may also have wider implications on financial stability. Therefore, this material focusses on the need for supervisors to consider climate-related risks and assess the potential wider financial stability implications. Also, the material does not include any unsubstantiated statements, nor does it set new requirements. Consistent with the objective of application papers, it merely provides further advice, illustrations, recommendations or examples of good practice to supervisors. Finally, there is no need to remove the word "amplification" as that is a general term used in systemic risks assessments; finally this sentence already has appropriate wording like using the word "could".
It should take into consideration the premise that climate risks have different effects on life insurance and non-life insurance businesses. So, it would be effective to clarify whether the illustrated measures are intended for life or non-life insurance businesses.	No change made. Most of the illustrated measures are applicable to both life and non-life insurers.

Request the IAIS to focus on a proportional approach to climate change risk and avoid supervisory overreach. We caution against disproportionate supervisory tools, such as prohibiting insurers from underwriting specific climate risks, as these may be counterproductive, especially in light of the issue of the protection gaps.	No change made. Proportionality and materiality are concepts that are relevant across the IAIS material.
We are concerned about prescriptive language in the paper (e.g. using words like “should”).	No change made. Supporting material provide recommendations and examples of good practices; it does not create new requirements.
The IAIS should consult further on any final package of guidance or recommendations on climate-related risks. There is a need for stakeholder input on any final product that is designed to integrate these different and extensive elements into a final product that is intended to position climate risk within the global framework for insurance supervision. This is particularly necessary in light of the need for a substantially different approach to the Draft supporting material.	The overarching application paper will not include any new material that has not already gone through a public consultation process, and as such, there is no need to do another public consultation. However the IAIS will organise a public session to go through the material once it is finalised.
Paragraph 1: We suggest amending to ‘climate change is not only a source of financial risk for individual insurers; it ALSO HAS wider implications on financial stability’	Change not made as climate change may not have financial stability implications across all jurisdictions.
A key point for the draft supporting material is that it should avoid the use of ‘may’ or ‘could’ when providing guidance and rather use ‘do’,‘will’ or ‘should’. A first example comes in the second paragraph of the paper, stating that the guidance provided may be implemented in the context of climate-related risk drivers. The draft supporting material needs to be clearer, using ‘should’ here- otherwise the value of the guidance in supporting more harmonised supervisory application is reduced.	No change made as the wording should be consistent with the objective of Application Papers provided on page 2 of the paper (and other Application Papers), which mentions: "Application Papers do not include new requirements, but provide further advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material may be implemented.

As it has been established that fossil fuel exposures carry a much higher risk differential (transition/ stranding and increasingly reputational), it would be important to see the draft supporting material on ICP 24 dive deeper into the specific risks of high-carbon industries, both for underwriting and assets. Supervisors should also pay special attention to the impact materiality of fossil fuel exposures, as is already embedded in ICP 24.0.2 (outward risks). Systematic underpricing of these risks would lead to concentrations and in the case of abrupt risk materialisation in the case of a disorderly transition will cause knock-on, contagion or spillover effects.	The material already covers transition risks including the relevance to consider the exposure to high-carbon industries.
To improve this guidance, IAIS should encourage supervisors to take a precautionary approach to mitigating risk in the insurance sector. Given the data gaps and shortcomings highlighted in this guidance, supervisors cannot wait for climate risks to materialize in traditional risk models. Instead, supervisors should incorporate precautionary tools including restrictions on fossil fuel underwriting, climate-related capital requirements, and mandated transition planning to mitigate risk now.	Noted but it is outside the scope of the material, although paragraph 35 does acknowledge the range of measures that supervisors have at their disposal.
Insurance supervisors need to: address the risks from a delayed or divergent transition, and the reality that global emissions are not currently aligned with the goals of the Paris Agreement; consider feedback loops and second order effects when assessing climate impacts on the insurance sector, financial system, and broader economy; and, work collaboratively across sectors, and across borders, with other financial regulators to address the ways risks in the insurance sector can affect other parts of the financial system. Cross border cooperation can be especially important with respect to the interconnectedness of major players in the reinsurance market. Guidance should be informed by the forthcoming special GMAR report on systemic risk in the insurance sector: https://www.iaisweb.org/2024/07/iais-publishes-preview-of-2024-global-	Noted

monitoring-exercise-results-reflecting-financial-stability-of-the-insurance-sector/ We support consideration of a range of options to address and mitigate risks noted in the consultation, such as preventive and corrective measures regarding underwriting risks and the use of alternate data sources given the gaps and shortcomings of climate risk data. IAIS could bolster this guidance by urging a precautionary approach to mitigating climate related financial risk in the insurance sector. Given the data gaps and shortcomings highlighted in this guidance, supervisors cannot wait for climate risks to build and/or materialize as in traditional risk models. Instead, supervisors should consider precautionary tools such as restrictions on fossil fuel underwriting, climate-related capital requirements, and mandated transition planning to mitigate risk now. Greater consideration should be given to how micro prudential and macro prudential risks are managed. Supervisors should accelerate work on developing climate related financial stability surveillance mechanisms, as well as dedicated macro prudential instruments. See, e.g., European Systemic Risk Board.	
Comments on climate change and financial stability risks	
• Paragraph 5: We disagree that there is a 'lack of consistent methodologies, standardized metrics and comparable disclosures around climate risk'. Over the last years, TCFD has become a standard framework and has been incorporated in numerous national reporting requirements, either directly or indirectly through requirements that are TCFD-compatible (e.g. EU CSRD/ESRS E1, ISSB/IFRS S2). It is worth noting that in addition to reporting requirements, TCFD also provides methodological recommendations (both in its core version and in its specific guidance for the financial sector) which can be consistently applied and leveraged by insurance companies.	IAIS considers that while TCFD may provide a climate related disclosure framework, it doesn't provide the methodologies and specific climate risk metrics for the effective market pricing of investments. Regarding the comment to paragraph 6, no change made as the IAIS considers that financial support for carbon-intensive sectors litigation risk is significantly less likely to trigger litigation risk compared to reputation risk.

• Paragraph 6: This should be amended to reflect that 'insurers may face reputational AND/OR LITIGATION RISK due to their financial support for carbon-intensive sectors' • Paragraph 8: This should be amended to reflect that 'if the effective transition to a more sustainable or net-zero economy is delayed, this WILL increase the probability that physical risks will materialize' • Paragraph 8: Regarding the transition pathways that supervisors should consider, this should not be limited to orderly and disorderly transitions. For proper macro-prudential risk management, this should also include more adverse scenarios, such as 'business-as-usual'/'hothouse' scenarios.	The first proposed change to paragraph 8 has been made. Regarding the second suggestion related to paragraph 8 – the statement "and, eventually, even higher physical risks associated with policy inaction." is a reference to a "hothouse" type scenario.
Suggest the following editorial change to Para. 8: For instance, if the effective transition to a more sustainable or net zero economy is delayed, this may increase the probability that physical risks will materialise, including the severity and frequency of physical risk events.	Change made (delete "in")
Comments on data collection for macroprudential purposes	
Supervisory authorities should have a clear rationale and objective before requesting extensive data from the industry. They should also consider publicly available information before seeking additional data. IAIS guidance in this direction would in our view be more helpful than the development of additional metrics and the collection of additional data for macroprudential purposes. In particular, it should be made clear that ad-hoc information requests to insurers should be avoided whenever possible and limited to exceptional cases with a clear supervisory rationale.	No change made. The supporting material recognises the challenges some insurers may have in providing climate-related data, so it suggests that supervisors may complement information provided by insurers with data from other sources and the text provides examples about that.

it should be noted that the use of sector-based exposures as a monitoring indicator may overestimate climate risks. Therefore, monitoring indicators need to be determined by individual insurer's exposures with the consideration of transitional and other measures rather than sectoral exposures.	No change made. This supporting material includes a non-exhaustive list of examples of climate-related indicators and data elements that could be utilised for macroprudential purposes.
Annex 1, examples of physical risk indicators: on two occasions, the paper makes use of the expression 'return period (e.g. 1 in 100)'. Such terminology is potentially misleading in the context of emerging risks which are, statistically speaking, non-stationary. For emerging risks such as climate, and as noted elsewhere in the paper by the IAIS, historical data is unlikely to provide reliable estimates for the future. Therefore, it would be more accurate to use for instance '1%-Value-at-Risk', and stress that this must be evaluated on a forward-looking basis and that it will not necessarily coincide with the historical return period. • Annex 1, examples of physical risk indicators, last bullet point: the text should reflect the impact of premium changes, e.g., as follows: '… as well as necessary premium changes for business continuity AND THE EXPECTED IMPACT OF SUCH PREMIUM CHANGES ON AFFORDABILITY AND INSURABILITY.' • Annex 1, examples of transition risk indicators, asset and underwriting risks, second bullet point: the mention of high-carbon industries is welcome, but it is such an important climate mitigation topic that it should also be referred to in the body of the report itself. The body of the report should also include an explanation that the financing and underwriting of high-carbon industries contributes to fueling physical risks that ultimately pose a threat to financial stability. • Annex 1, examples of transition risk indicators, asset risks, first bullet point: CO2 emission indicators should also be extended to liabilities, not just assets, i.e., this indicator should be moved up to the previous section on "asset and underwriting risks". Insurance-associated emissions can be measured in line with the methodology which is being developed by PCAF (the Partnership for Carbon Accounting Financials). • Annex 1, examples of transition risk indicators, asset risks, second bullet point: Portfolio alignment indicators are already mandatory	Noted. The IAIS sets out illustrative indicators in the disclosure consultation but will continue to explore effective climate indicators/metrics as part of its ongoing work.

in some jurisdictions, but are relevant in all jurisdictions for the purpose of financial stability analyses. • Annex 1, examples of climate scenario metrics, asset-related indicators, third bullet point: the mention of uninsurable real estate is welcome, but it is such an important climate adaptation topic that it should also be referred to in the body of the report itself. It should also be accompanied by an explanation that uninsurability (and its precursor, i.e. unaffordability of insurance) is ultimately a threat to financial, economic and social stability. • Annex 1, examples of climate scenario metrics, underwriting-related indicators, fourth bullet point: the mention of technology mix is welcome, but it is such an important climate topic that it should be also referred to in the body of the report itself. It should also be accompanied by an explanation that insurance has an important systemic role in supporting the development and deployment of new technologies that are needed for the climate transition.	
Paragraph 14 – This paragraph suggests monitoring “at least annually”. The implication is that more frequent monitoring may be necessary. We would caution against more frequent monitoring, as portfolios of insurance risk do not turn over that frequently for nearly all product types. With annual policies or longer-term policies, an insurer cannot change its portfolio of insurance risk except over time, such that monitoring more frequently than annual would likely fail any cost-benefit analysis.	No change made as there may be circumstances where more frequent monitoring (eg based on quarterly supervisory reporting) may be warranted, which is already the case for some supervisory reporting requirements
Annex 1 – We were surprised to see AAL listed as a measure of systemic risk. Instead we believe that AAL is not useful for a measure of systemic risk, as it is a pricing variable, a measure of expected losses. Presumably an insurer (and societal in general) should not face systemic risk if expected losses occur. "PML" is what should be used, although the term "PML", while frequently used in this regard, is actually a misnomer. PML with regard to property risks related to what could be expected as a maximum loss for something like theft, where it was not realistic to assume that an entire warehouse would be robbed of 100% of contents (where the PML was an estimate of the maximum amount a thief might steal given the volumes involved). Instead, the VaR (or loss	Noted. The IAIS sets out illustrative indicators in the disclosure consultation but will continue to explore effective climate indicators/metrics as part of its ongoing work.

for a given return period) is what is actually being calculated and given the label of PML.	
• Paragraph 11, third bullet point: Supervisors' data governance and IT infrastructure should also be able to accommodate qualitative data, such as for instance descriptions of transition plans or qualitative risk analysis (e.g., reputation risk). • Paragraph 12: Regarding third-party models for natural catastrophes, supervisors should favor, wherever possible, open-source models that are also available to a wider range of stakeholders, in order to reach a transparent, shared view of climate risks. Such examples include EIOPA (EU) using the Climada models (https://www.eiopa.europa.eu/tools-and-data/open-source-tools-modelling-and-management-climate-change-risks_en) • Paragraph 13: This should be amended to reflect that 'where spillover effects on other parts of the financial sector (e.g., banking) are likely, a cross-sectoral approach WILL be needed', notably for financial conglomerates active in other financial sectors (such as banking, asset management or pension funds) in addition to insurance. • Text box 'IAIS climate data and analysis': supervisors should also collect (and publish) insurers' exposure to fossil fuels, as has been done for their investments by the California Department of Insurance or by France's ACPR/AMF, for example.	Proposed changes to paragraphs 11 and 13 have been made. While there are benefits of using open-source models, in some cases vendor models may be preferable if they are superior to open-source models. The IAIS already collects exposures to high-carbon sectors and publishes its analysis in GIMAR.
Annex 1 outlines key indicators that could be used as part of the dashboard. These indicators must take into account key differences with the impact of climate change for physical risks in particular, such as accelerations when climate tipping points are breached and that the expectations for AAL and PML are likely to fall short in these cases. Annex 1 does, however, capture the key indicators for transition risks for assets and underwriting. In particular the portfolio alignment to the Paris Agreement, exposure to high-carbon industries and the analysis on different transition scenarios are essential. The suggestion to use	Noted. The IAIS sets out illustrative indicators in the disclosure consultation but will continue to explore effective climate indicators/metrics as part of its ongoing work.

exposure-based proxies could also be a useful avenue to explore. However, given the lack of commonly recognised/harmonised methodologies on measuring portfolio alignment (transition risk), additional guidance on transparency on the underlying methodologies and approaches for the disclosed metrics would be important.	
To further enhance the paper's guidance, it is recommended: - Providing more specific direction on standardizing climate risk metrics and methodologies, potentially with a tiered system including both core and optional indicators, to allow governments of different capacity levels to build up their capabilities gradually. - Emphasizing forward-looking metrics and scenario analysis data. - Including guidance on collecting data related to insurers' climate strategies and transition plans. - Specifying data collection frequencies for different types of climate-related information. - Suggesting capacity-building measures for supervisors to enhance their climate data capabilities.	Noted but outside of the scope of the material. The IAIS will take up work in 2025 on metrics and will cover some of these issues there. Scenario analysis based forward looking metrics have already been discussed in the scenario analysis and disclosure application papers.
Comments on risk dashboard for monitoring climate-related vulnerabilities	
To further enhance this guidance, it is suggested: - Recommending regular stakeholder engagement to refine dashboard metrics and ensure their relevance and effectiveness. - Encouraging the inclusion of transition risk indicators, such as measures of portfolio alignment with net-zero pathways. - Suggesting the incorporation of physical risk indicators beyond natural catastrophes, such as chronic risks like sea-level rise or changing precipitation patterns. - Advising on how to present uncertainty and ranges in climate projections within the dashboard format. - Proposing ways to capture interconnected risks and potential feedback loops in the dashboard structure. - Recommending the inclusion of positive indicators, such as insurers' progress in developing green products or supporting climate resilience.	The IAIS considers that the suggestions are focussed on very specific issues to need to be addressed in this material.

- Provide open access to the dashboard (or part of the dashboard) in a user-friendly manner to ensure transparency of both the data and methodology.

Comments on data analysis for macroprudential purposes	
Paragraph 22 – This paragraph says that an assessment of second-round effects "could" be particularly useful when applied to "an insurer". First, we suggest that the word "might" replace the word "could", as the word "could" implies more success in the endeavor than may be justified. Second, we find it interesting that the focus of this is "an insurer", which seems inconsistent with the ICP 24 focus on macroprudential issues. Should the paragraph be discussing approaches which could possibly be applied to an industry or industry sector, rather than to an individual insurer?	Change made to reflect the second comment (changed "an insurer" to "insurers")
• Paragraph 20: This should be amended to 'verify whether a risk driver is emerging and could have wider implications for the stability of the insurance sector AND FOR THE REST OF THE FINANCIAL SYSTEM' • Paragraph 22: This should be amended to 'a risk assessment of the second-round effects induced by endogenous drivers following actions taken by financial institutions, households, regulators and/or policymakers in response to an initial climate risk impact or scenario SHOULD be performed' • Paragraph 26: Relevant stakeholder categories should be explicitly mentioned including insurance industry associations and think-tanks, risk professionals (e.g. actuaries), NGOs, and representatives from consumer associations.	No changes made to paragraph 20 as the mandate of insurance supervisors is typically not to look at the financial stability of the entire system. No change made to paragraph 22 as his is still nascent area and difficult to model, so the IAIS consider that "should" is not appropriate at this point in time. The proposed change to paragraph 26 have been reflected.

It is important for the IAIS to provide more guidance here in the supporting material, to address how climate-related risks can be captured under ICP 24.2. The IAIS should also consider building on the important work of integrating climate-related data into the GME and conduct insurance-sector wide climate risk scenario analysis. Additionally, explicitly referring to the role of climate scenario analysis with a forward looking perspective in view of ICP 24.2.7 would be important. Caution should be taken, however, to ensure that scenario analyses can support sector wide analysis.. As a key starting point the assessments of the economic consequences of climate change in the scenarios needs to be realistic. Scenarios must take account of the following points to achieve this: - Ensure realistic scenarios are used - Ensure that economic models account for the specificities of climate change, including its magnitude and irreversibility - Ensure that the conclusions of economic models are compatible with the conclusions of climate science, including by rejecting the use of quadratic-only damage functions in loss assessments - Conduct unbiased and rigorous analyses of the results - Conduct sanity checks between the results of CSA and climate science This section of the supporting material rightly points to the need to assess second-round effects, but should be clearer in requiring this as a key part of the analysis supervisors undertake. Given that consideration of second-round effects currently remains beyond reach of climate scenario exercises, the paper should be clear to recognise the limitations of climate scenario exercises and their implications in terms of the need for precautionary action. More work should also be done on outlining how supervisors can identify emerging threats to financial stability arising from climate-related risk drivers.	Noted, application of climate scenario analysis for macroprudential purposes has been covered in the draft scenario analysis application paper.

Supervisors must recognize that scenario analysis designed to inform macroprudential supervision is methodologically distinct from scenario analysis designed to inform firm-level risk identification and management. Macroprudential scenario analysis must incorporate contagion effects and account for the flow of risks between financial institutions and sectors. While it is appropriate for financial institutions to be concerned primarily with identifying and mitigating their own risks, regulators must also be attuned to aggregate risks in the system. In the absence of sophisticated models to capture second order effects, contagion risks, and the multiple transmission channels through which climate risk can materialize, qualitative scenarios are necessary. As highlighted in previous consultation responses, overreliance on scenario analysis is likely to postpone necessary regulatory action at a time when urgent action is needed. A precautionary approach necessitates immediate and decisive actions to mitigate the escalating risks of climate change, rather than delaying action due to incomplete information and imperfect models.	These issues have been considered in the scenario analysis application paper, which was part of Climate Risk Consultation Package 2.
To further enhance this section, we suggest: - Providing more specific guidance on integrating climate scenarios with traditional financial stress tests. - Emphasizing the importance of considering transition risks alongside physical risks in vulnerability assessments. - Recommending ways to assess and incorporate climate-related litigation risks in the analysis. - Suggesting methods for analyzing the potential impact of climate risks on insurance affordability and availability. - Advising on how to assess insurers' climate risk mitigation strategies as part of the vulnerability analysis. - Recommending approaches to analyze the interconnections between climate risks and other systemic risks.	Noted but no changes made as these are too specific for the scope of this paper
Comments on supervisory response	

Application of capital add-on to insurers would not be a valid measure to address climate risks.	No change made. Capital add-on is mentioned as an example of supervisory measures which supervisor may need to consider if an individual insurer is considered to operate in a manner that is inconsistent with regulatory requirements (e.g. likely to impact its ability to protect policyholders' interests or pose a threat to financial stability). So, the suggested supervisory measure is not meant to be applied to the whole market. Supervisors would have a range of preventive measures (capital add-ons among which) and they should be chosen among all the options available to address the severity of the insurer's problems.
The suggested example of the supervisory measure to prohibit an insurer from underwriting certain climate-related risks. This would represent a very strong intervention in the market. If a prohibition from covering certain climate-related risks is suggested, there is immediately the question on the alternatives, leading quickly to the assumption that there would be a shift from market-based covers to state intervention. This would send the wrong signal also to affected populations/public and private policyholders that they do not need to or cannot find solutions to cover their risks, based on the assumption that governments will have to step in with taxpayer money if no insurance is available.	No change made. This preventive measure is mentioned as an example of corrective measures which supervisor may need to consider if an individual insurer is considered to operate in a manner that is inconsistent with regulatory requirements (e.g. likely to impact its ability to protect policyholders' interests or pose a threat to financial stability). So, the suggested preventive measure is not meant to be applied to the whole market. Supervisors would have a range of preventive measures and they should be chosen among all the options available to address the severity of the insurer's problems. Also, the supporting material mentions that supervisors are encouraged to consider any possible negative impacts of such supervisory action, and to avoid such action would increase the insurance protection gap.
Withholding approval for acquisitions may have negative impacts on insurance markets and policyholders and may run counter to the need to maintain or improve access to coverage. Withholding approval for acquisitions is extreme supervisory tools, the use of which should be limited to situations involving significant and uncorrected governance or risk management failures.	No change made. This preventive measure is mentioned as an example of corrective measures which supervisor may need to consider if an individual insurer is considered to operate in a manner that is inconsistent with regulatory requirements (e.g. likely to impact its ability to protect policyholders' interests or pose a threat to financial stability). So, the suggested preventive measure is not meant to be applied to the whole market. Supervisors would have a range of preventive measures and they should be chosen among all the options available to address the severity of the insurer's problems. Also, the supporting material mentions that supervisors are encouraged to consider any possible negative impacts of such supervisory action, and to avoid such action would increase the insurance protection gap.

Supervisors should consider any possible negative impacts of their actions, also with view to a potential increase of the insurance protection gap. This remark should be highlighted more prominently in the text, referring to all of the contemplated supervisory measures. In order to support/maintain the insurability of certain climate risks should be highlighted and considered to become part of the role of insurance supervisors.	The text of footnote 4 has been moved to the main text
Instead of restricting insurers from covering respective risks or proposing capital add-On's, a more appropriate response would involve policy measures aimed at reducing overall climate-related risks, which often extend beyond the direct control of insurers and supervisors.	Noted, however such policy measures are typically outside of supervisors' mandates.
• Paragraph 30: This should be amended to 'In cases where identified vulnerabilities in the jurisdiction originate from other parts of its financial sector, the supervisor SHOULD coordinate with other institutions in their jurisdiction' • Paragraph 35: As a general remark, we welcome and support the proposals mentioned here, in particular directions to reinforce the insurer's financial position, such as capital add-ons. • Paragraph 35, first bullet point: This should indeed include ERM frameworks ('Pillar 2'), but not be limited to them. Supervisors should also examine on a regular basis whether capital requirements ('Pillar 1') adequately reflect emerging climate risks from a micro-prudential perspective. • Paragraph 35, third bullet point: Potentially prohibiting insurers from underwriting certain climate-related risks should indeed be part of the supervisory intervention toolbox. However, from a macro-prudential perspective it may also be important to support insurers so that they are still able to fulfil their climate adaptation role and insure certain climate-related risks (e.g. property, due to a potentially catastrophic effect on the price of real estate which is considered uninsurable). Otherwise, if insurers are withdrawing from insuring certain risks, certain regions or certain technologies that are needed for the climate transition, this may have negative consequences for the financial system and for the	The proposed change to paragraph 30 has been made. With regards to the second comment on paragraph 35, please note that focus in this paragraph is on preventive measures (ICP 10.2) and not on Pillar 1, which is covered in ICP 17. With regards to the third comment on paragraph 35, the text of footnote 4 has been moved to the main text to make the protection gap consideration more prominent.

economy as a whole, and this would also include second-order negative feedback loops for insurers themselves. Supporting insurability may go beyond the sole remit of insurance supervisors and may require other policymaking initiatives linked to legislation, regulation, taxes and/or the establishment of adequate Public-Private Partnerships (PPP – see notably https://climate.ec.europa.eu/document/download/4df5c2fe-80f9-4ddc-8199-37eee83e04e4_en?filename=policy_adaptation_climate_resilience_dialogue_report_en.pdf, section 4.1.) for hard-to-insure climate risks. Nonetheless, insurance supervisors have an important role to play here as well.	
The points raised in this section to confirm the application of ICP 24.4 in the case of climate-related risks from a macroprudential perspective are useful. More guidance on how supervisors should coordinate across jurisdictions to tackle vulnerabilities for the sector as a whole or originating from other jurisdictions is needed. This should cover in particular coordination over the application of microprudential instruments with a macroprudential perspective. ICP 25 provides options to structure the coordination between supervisors from different jurisdictions, such as supervisory colleges. Addressing climate-related systemic risk by means of utilising the microprudential instruments under ICP 24 might raise a tension between the microprudential approach, which is primarily concerned with the safety and soundness of individual undertakings, and the macroprudential dimension of climate risk. Given the primarily objective of macroprudential intervention is to prevent the build-up of systemic risk that emerges when individual undertaking's actions contribute to the system-wide risk (which cannot be captured from the microprudential perspective), it is important to elaborate on the need to consider this systemic dimension when applying available microprudential instruments. Furthermore, design of dedicated macroprudential instruments is warranted. For example, in the EU, the European Systemic Risk Board had elaborated on the need for dedicated macroprudential tools for the insurance industry, which are particularly	Noted. We consider that the points in the first paragraph are covered in the ICP25 related material while the points in second paragraph have already been addressed in the ICP24 related material.

relevant in case of climate-related risk (https://www.esrb.europa.eu/pub/pdf/reports/esrb.report181126_macroprudential_provisions_measures_and_instruments_for_insurance.en.pdf).	
To further enhance this section, we propose: - Recommending supervisory actions to promote insurers' alignment with climate mitigation goals, such as portfolio decarbonization targets. - Suggesting ways supervisors can encourage innovative products and services that support climate resilience and adaptation. - Advising on supervisory approaches to address potential market failures, such as insurance availability and affordability issues in high-risk areas. - Recommending supervisory measures to enhance insurers' climate-related disclosures and transparency. - Suggesting ways to incorporate climate considerations into supervisory stress testing and capital adequacy assessments. - Advising on how supervisors can promote knowledge-sharing and best practices in climate risk management across the insurance sector.	Noted but we consider that these are outside of the scope of the material or already covered in the other climate risk consultation materials
Comments on the draft climate risk ICP 25 related supporting material	
General Comments	
Paragraph 36: Coordination with other involved supervisors should not be limited to insurance supervisors, notably for financial conglomerates active in other financial sectors in addition to insurance (such as banking, asset management or pension funds). For instance, during the 2008 Financial Crisis, AIG's bankruptcy was linked to one of their non-insurance subsidiaries (AIG Financial Products). In addition to such obvious cases, we note that coordination with other financial supervisors outside of insurance make sense in general due to the potential macro contagion effects between insurance and the rest of the financial sector. For example, if insurers stop insuring properties in a specific region, the	No change made as ICP25 covers coordination of insurers' supervisors only

responsible insurance supervisor for that region should coordinate with the supervisors of the banks that are exposed to this region, regardless of whether the insurers also have a banking business themselves.	
There could be a need for more guidance on structured coordination of supervisors from different jurisdictions, such as supervisory colleges, or other financial sectors.	Noted
Comments on group considerations for data collection	
When defining climate-related data collection requests that affect insurance groups active in multiple jurisdictions, supervisors should coordinate with other involved supervisors and insurance standard setters. In addition, data collection requests should be made after confirming whether data could be collected from other supervisors.	Agreed and these points have already been addressed in the supporting material
To further strengthen this section, Ceres recommends: - Developing standardized templates for climate-related data collection across jurisdictions to facilitate comparability and reduce reporting complexities. - Establishing clear guidelines for information sharing among supervisors, ensuring data privacy and confidentiality while promoting comprehensive risk assessment. - Encouraging supervisors to collaboratively develop climate scenarios that account for regional variations yet maintain global consistency. - Promoting the creation of a centralized database of climate-related supervisory data, accessible to relevant authorities, to enhance cross-border risk monitoring. - Advising on methods to reconcile potential conflicts between group-wide and entity-specific climate risk management requirements.	The IAIS will take up work in 2025 on metrics and will cover some of these issues there. Also, climate risk data is regularly collected by IAIS from members and some insurers as a part of the Global Monitoring Exercise and analysed to provide a global baseline of climate risk data for the insurance sector. The outcomes of the analysis are published annually as part of the regular GIMAR. Please note that information sharing among supervisors is covered in ICP 3.

- Suggesting mechanisms for regular review and update of coordinated data collection processes to keep pace with evolving climate risks and regulatory landscapes.

These enhancements could foster more effective supervision of cross-border insurance groups, promoting a globally coordinated approach to climate risk management while respecting jurisdictional specificities. This balanced strategy could significantly contribute to building resilience in the global insurance sector against climate-related challenges.