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International Cooperative and Mutual Insurance Federation

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ICMIF response to IAIS consultation on draft Issues Paper on the Implementation of the TCFD Recommendations

Q1 General Comments on Issues Paper on Implementation of TCFD Recommendations

ICMIF appreciates the opportunity to comment on the joint SIF/ IAIS Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures. We welcome the cooperation between the IAIS and UNEP within the Sustainable Insurance Forum for Supervisors and hope this platform will uphold the essential role of insurance in increasing the resilience of individuals and societies with international policymakers. We believe this second Issues Paper is timely and value the openness and transparency in the IAIS' approach.

Q3 Comment on Section 1.1 Context

We agree climate change constitutes a challenge for our economies. We believe re/insurers are well placed to understand the impact of climate related risks on the financial sector and the global economy. We support the Recommendations issued by the Task Force on Climate-related Financial Disclosures on a voluntary basis and note that some of our members have started adjusting their disclosures accordingly. We believe however that the requirements to disclose in such detail should remain flexible and proportionate to the size of the company and to the nature of the risks. On the other hand, while the complex challenges posed by climate risks require a strategic response at higher level, we strongly believe it is equally important to encourage all stakeholders, from the national to the local administrations, to start assessing their exposure/vulnerability to climate-related risks. It is important for them to know insurance can help them in the process as well as enhancing the incentives to invest in climate adaptation measures.

Q8 Comment on Paragraph 4

Our comments to the 1st joint IAIS/SIF Issues Paper on Climate Risks to the Insurance Sector noted the challenges caused by the availability of data. We would like to reiterate what we believed then, i.e. for the AIS to become a focal point and disseminator of best practices for its member-jurisdictions, with a view to facilitating the exchange of information between advanced to less advanced and emerging markets, in particular as regards disclosures, climate scenarios and stress testing.

Q9 Comment on Paragraph 5

It is reassuring to know the 2018 Issues Paper was the catalyst for a greater understanding of climate related risks.

Q10 Comment on Section 1.3 Evolving supervisory interest in TCFD

As mentioned before, our federation supports the TCFD as a voluntary approach and aims to monitor the TCFD's aligned disclosures of some of our larger members to encourage medium-sized and small members to start. We would however like to stress that the framework is still very recent and therefore, probably needs more time to be known and understood in emerging economies but also in advanced ones.

Q11 Comment on Paragraph 6

The lack of a comprehensive climate risk awareness across the insurance sector and the great variance between the sector's disclosure practices across market segments do not help convincing smaller to medium sized members they should adopt the TCFD reporting framework. Furthermore, the lack of certainty on whether the framework will be revised, the poor quality of data and the uncertainty about whether it will ever be comparable across jurisdictions constitutes another obstacle for broad adoption.

Q14 Comment on Paragraph 8

We believe an Application Paper would be a positive outcome provided it does not add an additional layer of climate disclosure requirements.

Q20 Comment on Paragraph 11

We agree that insurance is of critical importance for the economy and we note that many developments are currently taking place around climate change, including the behaviour of consumers, policyholders and the general public. All these developments are likely to have an impact on the business of insurance.

Q25 Comment on Section 2.1.2 Industry responses

Climate risk is likely to materialise over the course of many years and possibly decades. Assumptions must be made regarding the behaviour of consumers, on the technological innovations, etc. This will be very challenging, and the resulting outcome could be very diverse. We believe it is essential that jurisdictions develop physical impact scenarios, consistent with latest research for the main risk events (e.g. flood, heatwaves, sea level rise...) so that insurers can assess their own risk exposure starting from a common framework. Physical risks are at the core of all insurance activities. If these risks become too great for the sector to cover, reinsurance or other risk mitigating measures should be considered. Transition risks constitute however a very intangible risk type, thus very difficult to substantiate.

Q27 Comment on Paragraph 15

We agree that affordability and availability of insurance in certain high-risk areas may become an issue and hope that access to relevant expertise and data will be available and affordable for all insurers, regardless of their size.

Q31 Comment on Paragraph 18

We shall be looking forward to receiving the SIF's Question Bank.

Q32 Comment on Paragraph 19

Will this Guide be subject to consultation?

Q33 Comment on Paragraph 20

We could provide the IAIS with some examples on how some of our members are adapting their governance, risk management, strategy and metrics and targets according to the TCFD.

Q55 Comment on Paragraph 37

We would also like to ask for supplementary guidance on how to report according to the TCFD principles. We would value having some key performance indicators specifically designed for insurance.

Q56 Comment on Paragraph 38

Our internal survey also indicates TCFD recommendations are best known in developed economies.

Q58 Comment on Paragraph 40

We slightly disagree with the wording of this paragraph as some of our members applying the TCFD are medium sized insurers compared to the world's largest.

Q63 Comment on Paragraph 44

Most of our members have not developed sophisticated models to assess physical climate-related hazards. We are however aware that catastrophe models are needed in order to enhance the industry's climate risk assessment capacities. We note that currently these are not available for all perils that are sensitive to climate risk, and the development of own catastrophe models is not realistic for most insurers. Most of them are dependent on the availability of catastrophe models in the market and on vendor models. On other hand, if they are to help insurers with the assessment of the climate change related risks and the adaptation of their strategy these scenarios need to be consistent and comparable. In our opinion these physical impact scenarios should integrate the latest research on the main risk events (e.g. flood, heatwaves, sea level rise...) and thus should be developed by public authorities, so that insurers can assess their own risk exposure starting from a common framework. Some of our members have already started adjusting their risk management, products and corporate governance to integrate climate risk. We believe that embedding long term scenario analysis in risk management and governance processes will enable insurers to develop a forward-looking approach about climate change risks.

Q75 Comment on Paragraph 50

We would welcome some guidance on how to apply the TCFD disclosures; this would help grow familiarity and shape the discussion.

Q77 Comment on Paragraph 51

Ensuring the consistency between the recommendations set out by the TCFD reporting with public disclosure rules is very important in our view. We welcome further research in that matter.

Q89 Comment on Section 5 Conclusion

We would like to remind supervisors and regulators they are learning at the same rate as the industry and hence, that they should use guidance more than punishment. We would also ask that the proportionality and materiality principles be applied as it is of utmost importance that the entire industry buys in the process.

Q97 Comment on Annex 2 – TCFD thematic areas with links to ICPs

We agree with the proposed disclosures as outlined in the annex, provided the proportionality principle applies.

About ICMIF (see www.icmif.org)

With its global headquarters in the United Kingdom and regional offices in the USA and Japan, today ICMIF represents 197 values-based insurers in 66 countries with over USD 232 billion in premium income and USD 1.7 trillion in total assets held.

- ICMIF delivers unique networking opportunities, market and member intelligence and external relations services. It takes a strong lead in encouraging best practice amongst its member firms in key insurance issues, including; performance management, legal and governance, marketing, brand and reputation, reinsurance and social and environmental performance.

- ICMIF is active in the microinsurance and Takaful sectors, with Takaful providing Shariah-compliant risk amelioration products to Islamic markets.

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