

IAIS Consultation

Print view of your comments on "Issues Paper on the Implementation of the TCFD Recommendations" - Date: 05.02.2020, Time: 22:18

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Treat my comments as confidential	No

Question	
	Q1 General Comments on Issues Paper on Implementation of TCFD Recommendations
Answer	<p>The Institute and Faculty of Actuaries (IFoA) welcome this draft Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) from the International Association of Insurance Supervisors (IAIS) and the Sustainable Insurance Forum (SIF). We are active in the climate change space and recognise that there are material financial risks arising directly from climate change and from measures taken to avoid or mitigate it. Firms within the insurance sector should seek to understand and assess their exposure to climate risks as failure to do so is likely to impact upon resilience and solvency. This is the minimum that insurance supervisors should expect of the firms within their jurisdiction. Supervisors will need to clearly articulate their expectations around this.</p> <p>The IFoA considers effective and thoughtful disclosure to be essential to understanding the financial risks of climate change. While the issues paper identifies that the majority of insurers disclose some information about climate and its impacts, we are conscious of the potential impact of the large variation in the scope and depth of this information, particularly between different jurisdictions. Insurers can also utilise corporate disclosures made by other companies to inform decisions about whether or not to offer insurance, or whether or not to invest. However, insurers will only be able to make adequately informed decisions if disclosures provide sufficiently comprehensive, accurate and consistent information on sustainability risks. It is concerning to note that the level of awareness and understanding of TCFD Recommendations within the sector are low, particularly in non-advanced and advancing economies. Given the low level of awareness it is unsurprising, yet no less concerning, that SIF 2019 survey results indicate only 15-20% of insurers have made plans to, or are taking steps, to implement the TCFD recommendations and to deliver TCFD aligned disclosures. The findings of the TCFD Secretariat report, published in June 2019, compared disclosure practices of firms in 2016/17 and in 2018. The reports finding that the insurance sector exhibited some of the smallest improvements in disclosure practices when compared to other financial sectors should serve as further encouragement for IAIS and SIF to consider interventions to accelerate the scale and pace of response.</p> <p>The IFoA is a listed supporter of the TCFD. The TCFD recommendations provide a useful framework for companies to deliver forward-looking disclosures about climate-related financial risks and opportunities. Insurers who make disclosures in line with the recommendations will be able to better manage these risks. Alignment with the TCFD recommendations will also ensure a greater degree of global consistency and an element of 'future proofing' in that the nature of disclosure in line with the recommendations is an evolving process. Using the TCFD framework, insurers can develop an understanding of good, globally consistent, practice with respect to climate change risk disclosure over the next few years and use this understanding to work towards this good practice.</p> <p>We note that awareness of the framework is highest in insurance markets where supervisors have made clear reference to the TCFD in public statements, and welcome the papers efforts to encourage examples of good practice such as by the Bank of England Prudential Regulation Authority (PRA) with its supervisory statement published in 2019. We</p>

consider the supervisory statement to be a very useful document in helping to put the financial risks from climate change at the forefront of firms' agendas, which is especially important at a time when firms are also grappling with other major issues such as threats to cybersecurity.

We appreciate that as an issues paper, the document lays the foundation for future work on this topic, and future outputs will follow. It is evident that IAIS and SIF understand the longer term challenges around the interaction of insurance and societal effects of climate change over the short, medium and long terms. Annex 2 to the paper, which explains the four TCFD pillars and maps them across to insurance principles (ICPs), is reflective of this. Whether for general insurance or life business, disclosures developed in line with the TCFD recommendations will require consideration of business viability beyond the annual premium cycle. TCFD recommendations around governance and strategy will naturally lead to disclosure, and potentially challenge, around longer term considerations. Table 2 from the July 2018 joint-IAIS and SIF Issues Paper on Climate Change Risks to the Insurance Sector also contains a robust articulation of the potential impacts. Future outputs and initiatives, such as the forthcoming publication of the SIF question bank and the planned Application Paper on Climate Risk in the Insurance Sector, should draw attention to and foster a similar understanding of the longer term challenges within the sector.

Q2 Comment on Section 1 Introduction

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Q3 Comment on Section 1.1 Context

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Q4 Comment on Paragraph 1

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Q5 Comment on Paragraph 2

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Q6 Comment on Paragraph 3

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Q7 Comment on Section 1.2 SIF/IAIS action on climate risk

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Q8 Comment on Paragraph 4

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Q9 Comment on Paragraph 5

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Q10 Comment on Section 1.3 Evolving supervisory interest in TCFD

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Q11 Comment on Paragraph 6

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Q12 Comment on Paragraph 7

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Q13 Comment on Section 1.4 Objectives of this paper

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Q14 Comment on Paragraph 8

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Q15 Comment on Section 1.5 Inputs for this paper

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Q16 Comment on Paragraph 9

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Q17 Comment on Section 1.6 Structure of this paper

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Q18 Comment on Paragraph 10

Answer

Q19 Comment on Section 2 Climate risk and insurance supervision: relevance of the TCFD Framework

Answer

Q20 Comment on Paragraph 11

Answer

Q21 Comment on Section 2.1 Climate risks and responses in the insurance sector

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Q22 Comment on Section 2.1.1 Recent developments in climate science

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Q23 Comment on Paragraph 12

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Q24 Comment on Paragraph 13

Answer

We agree that in its capacity as a risk manager, risk carrier and investor, the insurance sector plays a critical role in the management of physical and transition climate risks. We also agree that through its core actuarial function, the insurance sector is perhaps the best-placed within the financial sector to understand the pricing of climate risks. We also agree that insurers are responding to climate risks through changes to underwriting and investment practices, which may pose implications for affordability and availability of insurance in high-risk areas.

However, we would also want to note that the insurance industry and supervisors will need to develop an understanding and approach beyond the pricing of shorter term physical risk aspects as would be manifested in Property and Casualty business. The implications for life insurance business, both in terms of demographic risks (mortality, morbidity and health), as well as in terms of long term investment are important and supervisory developments must consider and incorporate these.

Q25 Comment on Section 2.1.2 Industry responses

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Q26 Comment on Paragraph 14

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Q27 Comment on Paragraph 15

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Q28 Comment on Section 2.2 Recent supervisory developments

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Q29 Comment on Paragraph 16

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Q30 Comment on Paragraph 17

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Q31 Comment on Paragraph 18

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Q32 Comment on Paragraph 19

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Q33 Comment on Paragraph 20

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Q34 Comment on Paragraph 21

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Q35 Comment on Paragraph 22

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Q36 Comment on Section 2.3 Relevance of the TCFD to IAIS supervisory material

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Q37 Comment on Paragraph 23

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Q38 Comment on Paragraph 24

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Q39 Comment on Paragraph 25

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Q40 Comment on Paragraph 26

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Q41 Comment on Paragraph 27

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Q42 Comment on Section 3 Assessing TCFD implementation and climate risk disclosure within the insurance industry

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Q43 Comment on Paragraph 28

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Q44 Comment on Paragraph 29

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Q45 Comment on Paragraph 30

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Q46 Comment on Section 3.1 Results of the SIF Survey on TCFD Implementation

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Q47 Comment on Paragraph 31

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Q48 Comment on Section 3.1.1 Understanding climate change

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Q49 Comment on Paragraph 32

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Q50 Comment on Paragraph 33

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Q51 Comment on Paragraph 34

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Q52 Comment on Section 3.1.2 TCFD awareness and implementation

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Q53 Comment on Paragraph 35

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Q54 Comment on Paragraph 36

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Q55 Comment on Paragraph 37

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Q56 Comment on Paragraph 38

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Q57 Comment on Paragraph 39

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Q58 Comment on Paragraph 40

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Q59 Comment on Paragraph 41

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Q60 Comment on Paragraph 42

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Q61 Comment on Section 3.2 Identifying good practices

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Q62 Comment on Paragraph 43

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Q63 Comment on Paragraph 44

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Q64 Comment on Section 3.3 Findings of the TCFD secretariat report

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Q65 Comment on Paragraph 45

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Q66 Comment on Section 4 The role of supervisors

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Q67 Comment on Paragraph 46

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Q68 Comment on Section 4.1 Options based on current and contemplated practices

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Q69 Comment on Paragraph 47

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Q70 Comment on Section 4.1.1 Ensuring climate risks are considered by all insurers

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	Q71 Comment on Paragraph 48
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	Q72 Comment on Section 4.1.2 Clarifying the relevance of TCFD to supervisory expectations
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	Q73 Comment on Paragraph 49
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	Q74 Comment on Section 4.1.3 Setting expectations to encourage TCFD-relevant practices
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	Q75 Comment on Paragraph 50
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	Q76 Comment on Section 4.1.4 Checking for coherence with other disclosure requirements
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	Q77 Comment on Paragraph 51
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	Q78 Comment on Section 4.1.5 Assessing coherence in climate risk disclosures within groups
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	Q79 Comment on Paragraph 52
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	Q80 Comment on Section 4.1.6 Providing standardised guidance to support TCFD-related activities
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	Q81 Comment on Paragraph 53
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	Q82 Comment on Paragraph 54
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	Q83 Comment on Section 4.1.7 Referencing TCFD as a component of mandatory climate risk disclosures
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	Q84 Comment on Paragraph 55
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Q85 Comment on Paragraph 56

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Q86 Comment on Paragraph 57

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Q87 Comment on Section 4.1.8 Exploring new engagement models to support voluntary practice development

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Q88 Comment on Paragraph 58

Answer

We acknowledge the benefit of IAIS and SIF developing material to support supervisors' efforts to assess the impact of climate risks to the insurance sector and to help resolve challenges, including those that exist around public disclosure.

The breadth of potential impacts of climate change, and the associated risk implications, are very wide ranging. We would therefore request that further publications, such as the planned Application Paper on Climate Risk in the Insurance Sector and the forthcoming public release of the Question Bank for supervisors consider the full range of potential implications of climate change for the insurance sector. In doing this we consider the assessment table 2 (section 5) as included in the joint-IAIS and SIF paper Issues Paper on Climate Change Risks to the Insurance Sector, published in July 2018, to be a useful structure. Consideration of the breadth of aspects to consider, and the direct linkages to supervisory documentation as shown in Annex 2 of the current publication would also be useful as a check on the breadth of consideration.

Q89 Comment on Section 5 Conclusion

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Q90 Comment on Paragraph 59

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Q91 Comment on Paragraph 60

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Q92 Comment on Paragraph 61

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Q93 Comment on Paragraph 62

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Q94 Comment on Paragraph 63

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Q95 Comment on Paragraph 64

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Q96 Comment on Annex 1: The role of supervisors: Case studies

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