

# Questions for public consultation on draft application paper on climate risk market conduct issues in the insurance sector

Thank you for your interest in the public consultation on draft application paper on climate risk market conduct issues in the insurance sector. The Consultation Tool is available on the IAIS website.

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## Consultation questions

1	<p>General comments on the application paper on climate risk market conduct issues in the insurance sector</p> <ul style="list-style-type: none"> <li>• Consider using flowcharts and infographics to break down complex ideas, especially to illustrate the different roles of insurers, intermediaries, and supervisors in tackling greenwashing. For example, a flowchart illustrating the different checkpoints needed to review the design, delivery, and performance monitoring of a product with sustainable features could be helpful in breaking down the recommendations in 2.3.</li> <li>• Consider including a glossary for technical terms and standardize these terms and where best to use them. For example, there are multiple terms that include the word sustainability: sustainability preferences and objectives, sustainability preferences, sustainability related objectives, sustainability goals, sustainability factors, sustainability features can be confusing as they are not defined, and some are used interchangeably and some are not.</li> <li>• Consider adding a summary or conclusion section that reiterates the key takeaways and proposed actions for insurance supervisors.</li> </ul>
2	Comments on section 1 Introduction
3	<p>Comments on section 1.1 Context and objective</p> <ul style="list-style-type: none"> <li>• <b>Paragraph 2:</b> the third sentence seems somewhat overstated; suggest: If not adequately identified, monitored and mitigated, such reputational and legal risks could have a substantial impact beyond individual insurers and intermediaries, affecting the insurance sector <del>and even the economy</del> as a whole.</li> </ul>
4	Comments on section 1.2 Related work by the IAIS
5	Comments on section 1.3 Proportionality
6	Comments on section 1.4 Scope
7	Comments on section 2 Greenwashing considerations
8	<p>Comments on section 2.1 Introduction on greenwashing</p> <ul style="list-style-type: none"> <li>• <b>Para 10:</b> last sentence, “englobe” is not the best wording and the rest of the paper refers to sustainability representations that are environmental or social, so for consistency, can remove governance; suggest: This paper uses the term “greenwashing” to <del>englobe cover</del> all misleading sustainability representations (ie environmental, <del>governance</del> and social).</li> <li>• <b>Paragraph 16:</b> last sentence, suggest for clarity and consistency: It is also worth noting that the suggestions in this paper can apply to both supervisors that do and do not have specific sustainability-related mandates, as most jurisdictions have general requirements that insurers and intermediaries treat consumers in a fair, clear and not misleading manner, which would apply also to sustainability aspects <del>related representations</del>.</li> <li>• <b>Footnotes 3 and 6:</b> these are identical – given the text in para 11 describes what ICP 19 says whereas the para 15 talks about what ICP addresses more broadly, suggest footnote 6 could be deleted.</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Para 15:</b> as subsection 3.2 is on natcat issue, not greenwashing, assume the reference here should be to subsection 2.2 and suggest additional edits for clarification (in particular to avoid confusing principles in general with principles as in Insurance Core Principles): Sub-section <del>2.2 3.2 below</del> highlights potential conduct of business issues in the event of misleading information on the impact of a product, an insurer or an intermediary. It also includes recommendations on how supervisors, insurers and intermediaries could address such issues. In particular, it explores the relevance of existing <del>principles concepts</del> related to ICP 19 (Conduct of Business) and greenwashing. Greenwashing is not <u>necessarily</u> a new risk category but rather <u>a new form of an existing category which may be addressed by</u> <del>of</del> existing conduct <del>concepts, principles and related risks; h</del> <u>H</u>ence, jurisdictions should consider whether new tools, policies, or regulations are required to address greenwashing or whether existing requirements, such as providing fair and not misleading information or preventing mis-selling, are sufficient to tackle greenwashing in their market.</li> </ul>
9	<p>Comments on section 2.2 Clear and robust sustainability-related definitions and criteria</p> <ul style="list-style-type: none"> <li>• <b>Paragraph 22:</b> It is not clear whether the description of “misleading” meant to require intent or not; suggest clarifying. The way it’s being used in paragraph 28 and 31 for example could suggest intent making it more related to ICP 21. Additionally, the last sentence example of misleading could be made clearer; suggest: One example is a failure to consider the target market’s <u>known</u> sustainability preferences and objectives when offering a product <u>being promoted as sustainable</u>.</li> <li>• <b>Paragraph 23:</b> The first sentence is confusing, as all insurance products benefit society as a public good. This is why insurance is a regulated industry. Suggest clarifying what this means in this context.</li> <li>• <b>Para 25:</b> the first sentence, suggest improving the readability: Greenwashing can occur at all stages of <del>the life and non-life insurance an</del> <u>insurance product’s</u> life cycle.</li> </ul>
10	<p>Comments on section 2.3 Offering products with sustainable features that meet certain policyholder requirements</p> <ul style="list-style-type: none"> <li>• Even though performance metrics, sustainability benchmarks start appearing in 2.5, this section would benefit from including them and how they could be considered throughout the product’s life cycle.</li> <li>• <b>Paragraph 35:</b> The EU example in the text stands alone as all other examples from jurisdictions are found in the Annex. These examples are quite helpful in illustrating the context or recommendations being made. Rather than have all the examples separate in an Annex, recommend incorporating them throughout the paper in the relevant places by using the blue-boxes that other IAIS supporting material papers use.</li> <li>• <b>Paragraph 35:</b> suggest clarifying that the insurer should know policyholders’ preferences if they are designing products specifically to meet them. Additionally, how insurers would go about such an assessment is not clear – for example what data or quantification is used to determine “sustainability preference”? Clarification or elaboration here would be useful.</li> </ul>

	<p>Insurers should consider policyholders' <b>known</b> sustainability preferences when developing and designing new products <b>that will be promoted as sustainable, for example, either</b> by following industry best practices or by carrying out an assessment of the target market.</p> <ul style="list-style-type: none"> <li> <b>Paragraph 38:</b> While preferences should be considered, a consumer may select or an intermediary may recommend a product due to other factors, such as cost, and/or financial strength or claims settlement practices of a company. Suggest deleting the last sentence:            Intermediaries should consider a potential consumer's sustainability preferences when delivering the product. In doing so, if required under the jurisdiction's law or if consumers express having sustainability preferences, intermediaries should gather information on the consumer's sustainability preferences and advise on appropriate products. <del>Intermediaries should not recommend products that do not meet the customer's preferences.</del> </li> </ul>
11	Comments on section 2.4 Insurers promoting their own sustainability profile to attract clients
12	<p>Comments on section 2.5 Substantiation of sustainability representations presented to policyholders</p> <ul style="list-style-type: none"> <li> <b>Paragraph 50:</b> It is not clear who is being encouraged to develop such methodologies as well as who would use them. The second sentence seems to go beyond the scope of an insurance supervisor's authority, for example, setting requirements for all securities issuers. Suggest clarifying or deleting.           </li> </ul>
13	Comments on section 3 Natural catastrophes considerations
14	Comments on section 3.1 Introduction on NatCat considerations
15	Comments on section 3.2 Provide easy to understand products, using plain language
16	<p>Comments on section 3.3 Test the understanding of exclusions and promote transparent advice</p> <ul style="list-style-type: none"> <li> <b>Para 74:</b> this recommendation seems somewhat overstated; suggest: Supervisors should <del>promote consider</del> the use of behavioural testing, that <b>can help provide understanding of considers</b> the profile of customers within <b>the a</b> target market. <del>If, for example,</del> the testing <b>indicates proves</b> that coverage and exclusions are unclear, supervisors should require insurers to revise the contract and other relevant documentation.           </li> </ul>
17	<p>Comments on section 3.4 Affordability</p> <ul style="list-style-type: none"> <li> <b>Para 81:</b> last sentence, it is not clear what "public interventions" refers to; suggest:            It is important that consumers are fairly treated in light of their vulnerable condition, which, in some cases, may require <b>broader public policy solutions public interventions</b> in order to <del>provide broader coverage</del> <b>ensure sufficient coverage is available.</b> </li> </ul>
<b>18</b>	<p>Comments on section 3.5 Access</p> <ul style="list-style-type: none"> <li> <b>Para 88-90:</b> We recommend removing the final two sentences of para. 88 and all of paragraphs 89 and 90 as they address adoption issues and not potential consumer access to NatCat coverage.           <ul style="list-style-type: none"> <li>               However, if the drafting group would prefer to retain that text, suggest the subheading be changed to: "3.5 Access, <b>awareness, and understanding</b>"             </li> </ul> </li> </ul>

<p>19</p>	<p>Comments on section 3.6 Timely and fair claims handling</p> <ul style="list-style-type: none"> <li>• <b>Para 105:</b> suggest being broader and for consistency: It is important that insurers manage consumer expectations during the claims handling periods following <del>severe weather</del> <u>NatCat</u> events.</li> <li>• <b>Para 108:</b> suggest clarifying: Supervisors should also consider comparing claims handling <u>experiences</u> of extreme NatCat events to <del>that during</del> a business-as-usual period.</li> <li>• <b>Para 109:</b> suggest clarifying: Supervisors should consider whether <del>they need to engage flexibly with</del> insurers <u>need flexibility</u> following a NatCat event to temporarily reduce <del>meeting, if appropriate, the certain</del> regulatory requirements, <u>if appropriate to insurers</u>.</li> </ul> <p><b>Suggestions on the Annex:</b></p> <p>If the suggestion on para 35 to move the Annex examples into the text itself is not followed, there are editorial changes need in the Annex:</p> <ul style="list-style-type: none"> <li>• Header: Annex: List of <u>Jurisdictional</u> Examples</li> <li>• First para: The examples listed in the annex are provided for illustration <u>purposes only</u> and may support supervisors <del>that want to adopt</del> <u>interested in learning more about existing</u> supervisory practices. As this is a rapidly evolving area, however, these are not meant to be a comprehensive and up-to-date list of all examples across the global supervisory community.</li> <li>• Subheadings: use “Example of” rather than “Example about” or “Example” with no preposition.</li> </ul> <p>Regardless of location, there are some typos or consistency issues to fix:</p> <ul style="list-style-type: none"> <li>• Page 22: the IAIS does not use the term “corporates” – suggest using “corporations”.</li> <li>• Page 24: European Union There <u>are</u> specific product oversight and governance requirements (POG) in place...</li> <li>• Page 24-27: introduce the acronym EIOPA the first time “European Insurance and Occupational Pensions Authority” is used to avoid spelling it out every time.</li> <li>• Page 25: Some states have also developed such tools, for example, <u>the</u> South Carolina Department of Insurance has created a webpage explaining the key elements of an insurance policy.</li> <li>• Page 25: it seems prior drafting was not deleted: <del>Excluding household insurance (which in many instances does not include NatCat coverage) and motor and liability insurance</del> In the European Union access to insurance products other than household (which often does not include NatCat coverage) and motor insurance remains low with less than 20% of consumers having such insurance products.</li> <li>• Page 26: CCIR has already been spelled out on page 24, can just use the acronym here.</li> </ul>
<p>20</p>	<p>Does the draft application paper provide sufficient detail to be a useful tool for supervisors and insurers?</p> <ul style="list-style-type: none"> <li>• The Draft Application Paper provides a comprehensive framework addressing climate risk and market conduct issues in the insurance sector. It is sufficiently detailed to be a useful tool for supervisors and insurers. However, for optimal usefulness, it could benefit from more concrete examples throughout the text</li> </ul>

	as opposed to an Annex and clearer definitions. This would enhance its practicality for both supervisors and insurers in navigating these complex issues.
21	<p>Is there any additional work the IAIS should be undertaking in the area of climate risk market conduct issues in the insurance sector?</p> <ul style="list-style-type: none"><li>• The IAIS could consider expanding capacity building and resources to supervisors, especially concerning implementation of the greenwashing recommendations related building a framework to help supervisors assess the design, delivery, and performance monitoring of a product with sustainable features. This can be an expansion of recommendations 33 and 34.</li></ul>

# Questions for public consultation on draft application paper on climate scenario analysis in the insurance sector

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## Consultation questions

1	General comments on the draft application paper on climate scenario analysis in the insurance sector
2	General comments on section 1 Introduction <ul style="list-style-type: none"> <li>• <b>Para 1:</b> for the last sentence, it may be more helpful for the IAIS to describe the other relevant work; otherwise this sentence is rather vague.</li> </ul>
3	Comments on section 2 Scenario analysis versus stress testing <ul style="list-style-type: none"> <li>• <b>Para 7:</b> this paragraph does not seem necessary as the first sentence just restates what was said on the prior page and the second tees up para 8 and 9 – suggest deleting.</li> <li>• <b>Para 10:</b> last sentence, suggest rewording to clarify: As a result, supervisors need to consider <u>the</u> proportionality <del>of</del> <u>when undertaking these</u> exercises.</li> </ul>
4	Comments on section 2.1 Identifying and applying climate change risk drivers <ul style="list-style-type: none"> <li>• <b>Paras 15 and 19:</b> the IAIS does not use the term “corporates” – suggest using “companies” or “insurers” depending on the context.</li> <li>• <b>Para 18, Table 3:</b> In the third column of the “Non-life specific” row, recommend adding “than those” to the final sentence so it reads: “For instance, the move to electric vehicles will present different fire risks to vehicles <b>than those</b> powered by combustion engines.”</li> <li>• <b>Para 20:</b> IAIS material typically uses “jurisdictional” rather than “national” – suggest: Transition risks will be driven by a range of <b>national jurisdictional</b> factors...</li> </ul>
5	Comments on section 3 Scenario analysis objectives and scenario design (ICP 24 and 16)
6	Comments on section 3.1 Objectives of climate-related scenario analysis exercise <ul style="list-style-type: none"> <li>• <b>3.1 subheading:</b> typo – should be “<u>exercises</u>”</li> <li>• <b>Para 25:</b> first sentence, for consistency should this refer to the supervisor rather than the jurisdiction? Last sentence suggest this would be an and/or: <b>Jurisdictions</b> <u>The supervisor</u> should decide on the scope of insurers to include in a scenario analysis exercise after defining their objectives. It is desirable that when the aim is to analyse financial stability implications, such exercises cover at least all domestic systemically important insurers <b>and/or</b> locally headquartered internationally active insurance groups (IAIGs).</li> <li>• <b>Table 4:</b> last row/column, suggest swapping the sentences to start with what the design may look at and then note working together in a twin peaks model.</li> </ul>
7	Comments on section 3.2 Scenario design <ul style="list-style-type: none"> <li>• <b>Para 28:</b> last sentence suggest this would be an and/or: ...it is desirable that when the aim is to analyse financial stability implications, such exercises cover at least all domestic systemically important insurers <b>and/or</b> locally headquartered internationally active insurance groups (IAIGs).</li> <li>• <b>Table 5:</b> second row, suggest deleting “such as the Bank of England” and move to footnote 10: <u>See Bank of England:</u> [hyperlink]</li> </ul>



	<ul style="list-style-type: none"> <li>• <b>Table 5:</b> third row, if ICP 24.0.3 is being quoted, then the “ie” is not needed: (see ICP 24.0.3: <del>), ie</del> “the risk of amplification and transmission of shocks to the financial system and real economy caused by (...) collective actions of a sufficiently large number of insurers undertaking similar activities and thus exposed to common risks.”).</li> </ul>
8	<p>Comments on section 4 Macprudential considerations for supervisors (ICP 24)</p>
9	<p>Comments on section 4.1 Assessing systemic importance (ICP 24.3)</p> <ul style="list-style-type: none"> <li>• <b>Para 36:</b> for clarification, suggest quoting the ICP material: ICP 24.3 requires supervisors to have “an established process to assess the potential systemic importance of both individual insurers and the insurance sector” <del>as a whole</del>. In particular, guidance under ICP 24.3.3 states that, as part of their assessment under ICP 24.3, supervisors “should consider emerging developments that may affect the insurance sector’s risk exposures”.</li> <li>• <b>4.1.1 subheading:</b> IAIS material typically uses “jurisdictional” rather than “national” – suggest: Challenges at a <del>national</del> <u>jurisdictional</u> level</li> <li>• <b>Para 39:</b> a) For instance, this could be addressed by developing a cross-agency standing committee or a similar structure <del>for information sharing and joint analyses</del>. b) In this case, the two authorities could strive to share information <del>and collaborate to discuss findings and formulate strategies</del>.</li> <li>• <b>Para 40:</b> second sentence, suggest rewording as this is not something that currently exists: This <del>is</del> <u>may be</u> a useful exercise to the extent it reduces the number of overlapping requests that insurers receive...</li> <li>• <b>Para 44:</b> Comments on the second and forth bullets <ul style="list-style-type: none"> <li>- Transition risk specific to: carbon-intensive assets concentrations (<del>whether in</del> fixed income or equity <u>investment</u>) and their <u>associated</u> credit quality. This has the potential to be both a micro and macroprudential risk;</li> <li>- Reinsurance: given ... (eg reducing <u>coverage</u> for certain primary insurers in <del>certain specific</del> jurisdictions, increasing prices). Scenarios analysis should critically challenge assumptions to understand what impact climate change will have on different parts of the insurance sector.</li> </ul> </li> <li>• <b>Box 2:</b> while the material in this box provides a good description of how scenario analysis may help with protection gaps, it is not clear why this is in a blue example box, which are typically used in IAIS material for jurisdictional examples, and examples that are much shorter. Also it’s not clear how this necessarily relates to systemic importance which is the subject of this section. Suggest making this material a (sub)section of paper where most relevant and numbering the paragraphs which will help readability.</li> <li>• <b>Box 2:</b> Impact on policyholders: As climate change impacts physical risk in the form of increasing frequency and severity of losses from weather extremes, insurers could decide to reprice their products to reflect the change in risk. This could lead to <del>either</del> a decline in the <del>availability and/or</del> affordability of property catastrophe lines <del>and reduced adoption</del>, as individuals and businesses are priced out of the market. A sufficiently material increase in physical risks could reduce insurers’ risk appetite. Insurers may reduce their exposure to certain</li> </ul>

	<p>geographies or perils, which could lead to an exit or substantial reduction in the <del>provision</del> <b>availability</b> of catastrophe insurance cover. This may also apply to other lines of business.</p> <ul style="list-style-type: none"> <li>• <b>Box 2:</b> last subsection, first bullet – IAIS material typically uses “jurisdictional” rather than “national” – suggest: To create a <del>national</del> <b>jurisdictional</b> climate peril map...</li> </ul>
10	<p>Comments on section 4.2 Supervisory response (ICP 24.4)</p> <ul style="list-style-type: none"> <li>• <b>Para 46:</b> rather than one paragraph, suggest converting a,b,c,d into 4.2.1, 4.2.2, etc and number the paragraphs to be more consistent with the paper’s formatting elsewhere and improve readability.</li> <li>• <b>Para 46:</b> a) third para, suggest splitting into two sentences for better readability: Further work may take a macroprudential perspective. <del>For,</del> <b>for</b> instance, scenario analysis may highlight climate change risk concentrations across the sector and, therefore, could be a useful early indicator for the need to undertake further thematic supervisory activity.</li> <li>• <b>Para 46:</b> c) first para, in the phrase “volatile and changing nature” consider whether both ‘volatile’ and “changing” are necessary, as they may be somewhat redundant: ..., show the volatile <del>and changing</del> nature of climate risks ... Second para, suggest using more open wording: Conducting follow-up scenario analysis exercises <del>will</del> <b>may</b> allow supervisors to observe</li> </ul>
11	<p>Comments on section 4.3 Transparency (ICP 24.5)</p> <ul style="list-style-type: none"> <li>• <b>Para 50:</b> the penultimate bullet is missing its bullet. It seems the sentence after the bullet list should be a separate paragraph as it does not follow from or seem related to the rest of the paragraph. <ul style="list-style-type: none"> <li>- Quantitative assumptions and caveats for the scenarios <del>itself themselves</del>;</li> <li>- Soundness of the insurance sector under <del>the</del> different scenarios and time horizons (eg solvency impacts);</li> </ul> </li> </ul>
12	<p>Comments on section 5 Scenario analysis to inform assessment of insurers’ risk management and governance (ICP 16)</p>
13	<p>Comments on section 5.1 ERM framework review (ICP 16.16)</p> <ul style="list-style-type: none"> <li>• <b>Para 53:</b> The nature and materiality of <del>the</del> relevant risks ...</li> <li>• <b>Para 54:</b> last sentence, it seems some words are missing – suggest: As such, the supervisor should assess whether the scenario analysis and modelling approaches <del>used</del> <b>are</b> commensurate with the insurer’s vulnerability to climate risks, based on the insurer’s risk profile.</li> <li>• <b>Para 55:</b> the second sentence seems somewhat overstated – suggest: The outcome of the scenario analysis, shall define the resilience of the <del>insurer’s</del> business strategy <del>of the insurer</del>, providing insights into material exposures and business risks as well as testing the robustness and adequacy of its solvency position. These insights should be taken into account when defining both short- and long-term strategy and <del>determining</del> the most appropriate management actions to properly react to occurring risks (eg a limit breach).</li> </ul>

	<p><del>shall</del> <u>may help</u> define the resilience of the business strategy of the insurer...</p> <ul style="list-style-type: none"> <li>• <b>Para 56:</b> suggest clarifying what supervisors may take a proportionate approach to and strengthen to should given what ICP 16.16.5 says: <u>In determining any requirements for insurers' ERM frameworks,</u> supervisors <u>should</u> <del>may wish to</del> consider taking a proportionate approach... However, using only size as a <del>criteria-criterion</del> for inclusion will not capture smaller entities that may be materially exposed to climate change risks; or any potential change in climate risk concentrations of smaller entities. For this reason, a broader <del>criteria-criterion</del> for the scope might be more appropriate.</li> <li>• <b>Para 57:</b> “vs” should be spelled out as “versus”</li> </ul>
14	<p>Comments on section 5.2 Investment policies (ICP 16.6)</p> <ul style="list-style-type: none"> <li>• <b>Para 58:</b> second sentence, IAIS supporting material does not use “must” – suggest: Where material, these risks <del>must</del> <u>should</u> be taken into account regardless of whether the insurer invests directly...</li> <li>• <b>Para 58:</b> for formatting consistency, suggest using bullets rather than a and b. a) ...consider engaging with investee companies (through proxy voting or sector collaboration, as appropriate) to <del>help</del> positively <u>influence</u> <del>shape the</del> corporate behaviour <del>of investee companies</del>. This <u>engagement</u> includes ...</li> </ul>
15	<p>Comments on section 5.3 Underwriting policies (ICP 16.7)</p>
16	<p>Comments on section 5.4 Insurer ORSAs (16.12) (16.14)</p> <ul style="list-style-type: none"> <li>• <b>Para 64:</b> U.S. state insurance regulators agree that climate scenario analysis can be a valuable input to an insurer’s ORSA process and expect insurers materially exposed to climate risk to include information on the results of scenario analysis in U.S. ORSA filings. In addition, we agree that it may be appropriate for insurers to extend the time horizon utilized for climate risk assessment to go beyond normal business planning cycles of three to five years, to take account of medium- and longer-term risks. However, we believe that any extension of the ORSA time horizon for climate (or other medium and longer-term risks) should be limited to risk assessment purposes and not for capital adequacy purposes. As such, suggest the following edit to clarify this expectation: Some climate related risks may take longer to fully materialise and, therefore, it would be expected that the ORSA also include appropriate scenarios that cover a more extended time horizon. When assessing the appropriateness of time horizons used by insurers, supervisors should consider the nature and types of business written by the insurer <u>as well as for what the time horizons are used (for example, risk assessment purposes versus capital adequacy purposes)</u>.</li> <li>• <b>Para 65:</b> As part of the ORSA, an insurer is required to perform a continuity analysis to assess its ability to manage <del>its</del> risks and meet <del>its</del> capital requirements under a range of plausible adverse scenarios, with a forward-looking perspective <u>in mind</u>. When material, this analysis should include the identification and assessment of the direct and indirect impacts of climate-related risks. <del>{For instance, including as part of the scenario analysis a (reverse) stress testing process}</del>. This would enable insurers to assess their resilience to financial losses with respect to climate change. This process</li> </ul>

	<p>should incorporate <del>an</del> assessments of physical, transition and liability risks across the different risk categories, for example:</p> <ul style="list-style-type: none"> <li>○ The assessment ... (eg 1-in-100, 1- in-500 or 1- in-1000 year events),...</li> <li>○ The assessment ... to avoid any negative reputational impacts ...</li> <li>○ The Assessments should cover litigation risk ...</li> </ul> <ul style="list-style-type: none"> <li>● Para 67: The rationale for immateriality could be included in the documentation that summarises the risks that the insurer considered for incorporation in the ORSA and <del>may be concise</del> should be presented concisely.</li> </ul>
17	<p>Comments on section 5.5 Integrating scenario analysis into risk policies (ICP 16.5, 16.6 &amp; 16.7)</p> <ul style="list-style-type: none"> <li>● <b>Para 72:</b> for clarity, suggest quoting what is ICP 16.5: ICP 16.5 requires “the insurer’s ERM frameworks to include an explicit asset-liability management (ALM) policy that specifies the nature, role and extent of ALM activities and their relationship with product development, pricing functions and investment management”.</li> <li>● <b>Para 72:</b> Scenario analysis could help to identify correlation risks between assets and insurance liabilities that are not apparent (<del>For instance, it can reveal risks associated with</del> retail mortgage backed assets in areas subject to significant climate risk , <del>which are held</del> as assets on an insurer’s balance sheet <del>and where while</del> the insurer underwrites cover for residential property in the same area).</li> </ul>
18	<p>Comments on section 5.6 Risk appetite statement (ICP 16.4)</p> <ul style="list-style-type: none"> <li>● <b>Para 73:</b> for clarity, suggest quoting what is ICP 16.4: ICP 16.4 requires “the insurers to have a risk appetite statement that: ... through a more granular risk limits structure”.</li> </ul>
19	Comments on section 5.7 Board accountability (ICP 16.11)
20	Does the draft application paper provide sufficient detail to be a useful tool for supervisors and insurers?
21	Are the different dimensions of climate risk for insurers namely (i) transition (ii) physical and (iii) climate-related litigation risks effectively covered in the application paper to both sides of insurer balance sheets?
22	Are there concepts or approaches which should be added to the application paper?
23	Does the application paper cover all relevant issues for scenario analysis from a macroprudential perspective (see section 4)?
24	Does the application paper cover all relevant issues for scenario analysis related to Enterprise Risk Management and governance (see section 5)?
25	Is there any additional work the IAIS should be undertaking in the area of climate-related scenario analysis?