International Association of Insurance Supervisors

Summary of consultation comments on the supporting material in Climate Risk Consultation Package 3 and their resolution

April 2025

Ref	Summary of comments received	IAIS response
Comments on the proposed changes to reflect climate risk in existing supporting material related to ICP 7 (Corporate Governance)		
General comments on section 3.3	Sections 3.3 effectively promote a high degree of attentiveness to climate-related risk. The boards have to be aware of all material risks to the firm. A narrow focus on a single risk could misguide their attention and increase the insurer's overall vulnerability. Consideration should be given to remove section 3.3 or to include language that ensures that climate-related risk is appropriately balanced with other risks and business considerations.	No change made as the focus of this material is on climate-related risks. Also, part of section 3.3 stems from existing language from the IAIS/SIF 2021 Climate Risk Application Paper.
General comments on section 3.3	Given the IAIS proposal around skills and knowledge, it would be more appropriate for the IAIS to provide principles-based guidance to firms on the types of training that would help to ensure that firms, board members, and employees have right skills and knowledge in relation to material climate and sustainability-related risks. One option would be for the IAIS to produce guidance setting out recommendations for knowledge and skills applicable to all staff, senior management, board members, etc. Such guidance would need to be developed with industry, as it is industry that is best placed to say what knowledge and skills are needed for each role.	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.
General Comments on section 3.3	Because the capacity of an insurer's is not limitless, an overly narrow focus on a single risk dynamic (climate change) could increase the insurer's overall vulnerability to broader risk exposures. IAIS guidance should promote a balanced view of risks.	This Application paper focuses on climate-related risks. Other IAIS supervisory materials cover the wider risk universe impacting insurers.

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Para 32	The term “demonstrate” is vague. If a scientific basis is sought, it would be extremely challenging to implement. This paragraph should be removed.	IAIS considers that this statement is clear and written in the style of the IAIS application paper.
Para 32	When an insurer’s board retains external expertise, the relevant board committee should conduct appropriate due diligence, but it cannot be expected to ‘demonstrate the competence of the experts’ or ‘assess that the information and guidance is appropriate’. Rather, the board committee should be expected to review the qualifications and background of proposed experts and make an informed decision as to whether their retention would benefit the firm.	A new sentence has been added to paragraph 32 on Board’s review of experts’ qualification and background.
General comments on section 3.4	Firms should be free to make their own determination about which senior managers are most appropriate to assume responsibility across the range of sustainability-related actions.	The paragraph refers to senior management as a whole.
General Comments on section 3.5	The revisions of Section 3.5 about remuneration blur risk management (the risks assumed by the insurer in the normal course of business) and sustainability considerations, which are premised on the insurer’s broader social responsibility. Paragraph 35, 37, the first part of paragraph 38, and paragraph 39 focus on risk management, while paragraph 36 and the second half of paragraph 38 focus on sustainability considerations. If section 3.5 retained, consideration should be given to separating these topics.	Section 3.5 has been rearranged to better groupe the themes presented.
General Comments on section 3.5	We respectfully disagree with the proposed change to the supporting material to reflect climate risk under “3.5 Duties related to remuneration”. We believe there are other effective measures of climate risk management progress. For example, regular ESG committee at senior management level, and regular reports to Risk Committee can provide oversight on progress and impact of climate risk management. There are other equally	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.

	pervasive systemic risks that go through the risk management process and in our view climate risk is no exception.	
Para 35	In the last sentence of paragraph 35, "as appropriate" is taken out. We strongly suggest retaining.	This part of the sentence has been deleted out as it implies that climate-related risks should not be considered in the same way as other risks.
Para 36	Given the difficulty of distinguishing the effects of weather versus climate, remuneration should not be aligned with climate specifically. It should be aligned with the management of all material risks. This section places climate above all other risks and pre-supposes that its effects can be measured separate from weather. Paragraph 36 is overly prescriptive and should be deleted.	With Application Papers, including this one, the IAIS does not set out new requirements, but provides further advice, illustrations, recommendations, or examples of good practice to supervisors on how supervisory material may be implemented. The focus of this supporting material is on climate related risks only.
Para 36	The guidance should go further by stating that insurers "should" rather than "may" use variable remuneration to reflect climate risk management process. Making this an explicit expectation would strengthen the standard.	No change made, also consistent with the ICP 7.
Para 36	The IAIS should be cautious from creating the impression that climate risks deserve preferential attention compared to other risk drivers. We are particularly concerned that the IAIS considers variable remuneration as a helpful tool for reaching climate-related or broader sustainability goals. It is not within the mandate of insurance supervisors to promote the transformation to a climate-neutral environment. In addition, the supposed emphasis on climate-related goals may expose senior management and the board to conflicts of interest.	The IAIS disagrees that this paper creates the impression that climate risks are more important compared to other risk drivers. The focus of this supporting material is simply on climate related risks. The paper also includes language that notes that climate-related risks should be considered alongside other risks.

Para 37	The paragraph appropriately cautions against superficial actions by requiring remuneration to be tied to measurable climate risk mitigation impacts. Building on this, the guidance could specify that variable pay should be linked to quantitative climate targets and metrics relevant to the insurer's specific climate exposures and transition plan.	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.
Para 38	Non-financial criteria are more difficult to measure than financial criteria, and there is concern that variable remuneration may be administered in an arbitrary manner.	Reflected
Paragraph 38	Some respondent suggested removing the phrase "…and non-financial criteria should not be negligible". As it is primarily up to insurers to define this.	Reflected. Also, the sentence already mentions that financial and non-financial criteria should be appropriately balanced.
Paragraph 38	Some respondents suggested removing the phrase "These should be linked to the decisions made by relevant staff member".	The phrase has not been deleted as it is an important statement. However, the sentence has been changed by using "may" instead of "should".
Para 39	Since climate-related risks are considered only one element or remuneration arrangements, we suggest replacing "should" with "can".	To soften the tone a different change has been made to the sentence has been made (: "consider" instead of "take into account").
Comments on the proposed changes to reflect climate risk in existing supporting material related to ICP 8 (Risk Management and Internal Controls)		

Para 41	Most stakeholders recognize that double materiality has become a topic of importance when addressing sustainability issues. Some stakeholders show skepticism in adding it in IAIS' supporting material, arguing that it may fall outside of the remit of insurance supervisors. However, a majority of stakeholders explicitly support the inclusion of double materiality.	No significant changes were made.
Para 41	Suggestion for adding "When addressing climate-related risks, insurers should be aware of, and consider, the extent to which these risks could affect the longer-term strategy of the insurer (such as its continued market presence beyond the maturities of their current assets and liabilities), their current assets and liabilities through different channels (including physical, transition and reputational/liability risks)."	Added "long-term strategy" in "When addressing climate-related risks, insurers should be aware of, and consider, how these risks have the potential to affect their long-term strategy and their assets and liabilities through different channels (including physical, transition and reputational/liability risks)."
Comments on section 4.1	Overall support for the additions of forward-looking assessments and recognize the limitations of historical data to fully reflect climate-related risks. A minority of stakeholders argue that more flexibility should be granted to insurers when carrying out forward-looking assessments which themselves have limitations.	The proposed change has not been made as the paragraph outlines that forward-looking assessments are encouraged as a complement (and not a perfect substitute) to historical data analysis.
Para 42	Paragraph 42 should reference climate risk drivers rather than climate risks.	Reflected
Para 43	Suggestions to: 1. Provide more guidance on the types of tools and methodologies insurers could use to translate climate scenarios into financial risk metrics, such as climate Value-at-Risk or scenario-based capital charges. Sharing illustrative examples or case studies of emerging good practices in this area could help accelerate adoption.	Sentences at the end of para 43 and 49 added to partly reflect the suggestions.

	2. Encourage insurers to engage with external data, modeling, and service providers to enhance their climate risk assessment capabilities, while ensuring appropriate due diligence and internal accountability for any outsourced elements. Industry collaboration and knowledge-sharing platforms could also be highlighted as valuable resources. 3. Emphasize the need for insurers to consider not only the impacts of climate risks on individual risk categories, but also the potential for amplified or cascading effects across the risk landscape. Capturing these complex interactions and feedback loops will require a more integrated and dynamic approach to risk management. 4. Highlight the importance of setting clear risk appetite statements, limits, and key risk indicators for climate risk exposures, informed by forward-looking scenario analysis. This can help translate high-level risk assessments into actionable monitoring and steering metrics for senior management and the board.	
Comments on the proposed new supporting material related to ICP 14 (Valuation) to reflect climate risk		
General	It could be perceived that the potential effects of climate change are not sufficiently taken into account.	IAIS does not consider that this is implied.
General	On the liability side, this recommendation should keep a better balance between climate risks and other risks.	IAIS does not consider that a change is needed; the focus of the material is on climate risk.

General	Suggestion for additional material and recommendations: 1. Provide more specific examples or case studies of how insurers are integrating climate risk into their valuation methodologies and assumptions for different asset classes and lines of business. Sharing emerging good practices can help accelerate the development of industry standards. 2. Encourage insurers to leverage climate scenario analysis to assess the potential impacts of transition and physical risks on asset and liability valuations over different time horizons 3. Highlight the importance of considering the interdependencies and correlations between climate risks across the balance sheet, rather than assessing assets and liabilities in isolation. A holistic approach to climate risk assessment is needed to capture potential amplification effects and risk concentrations. 4. Emphasize the need for insurers to disclose their approach to climate risk integration in valuation processes, including key assumptions, uncertainties, and sensitivities. Transparency in this area can help build market confidence and enable more informed decision-making by stakeholders. 5. Encourage supervisors to engage in dialogue with insurers on their climate risk valuation practices, and to share insights and lessons learned across the sector. Collaboration and knowledge-sharing will be essential to drive convergence towards best practices over time. 6. Provide more specific guidance on the types of long-term climate scenarios and risk factors that insurers should consider in their investment valuations. This could include references to established frameworks such as the NGFS scenarios, as well as emerging best practices around physical and transition risk modelling. 7. Highlight the importance of considering not just individual assets or issuers, but also the potential for systemic risks and market-wide disruptions due to climate change. Insurers should assess their exposure to climate-sensitive sectors and geographies at a portfolio level and consider potential amplification effects across asset classes. 8. Encourage insurers to develop integrated internal processes and controls around climate risk incorporation in liability valuation, including regular review and updating of assumptions, models, and data sources as new	Some of the suggested additional content is beyond the scope of the material. Part of the suggestions are also already reflected in the overall climate risk consultation packages (eg, on climate scenario analysis, on disclosures, or macroprudential considerations. IAIS would consider the proposals and decide whether further supporting material should be developed to address them.

	information becomes available. Insurers should document these processes and be able to explain their approach to supervisors. 9. Highlight the importance of considering the interplay between asset and liability valuations, and the need for consistency in the climate-related assumptions used on both sides of the balance sheet. Insurers should assess the potential for climate risks to affect asset-liability management and take appropriate actions to mitigate any mismatches. 10. Provide additional examples or case studies of how different types of insurers are approaching climate risk incorporation in liability valuation, including key challenges faced and emerging best practices. Sharing knowledge and experiences across the industry can help accelerate the development of robust valuation practices.	
Section on Valuation of assets	While Paragraph 3 explains that "As the ICPs address risks more broadly, ICP 14 does not directly discuss how climate risk specifically could impact the drivers of valuation and how insurers should consider the impact on those drivers in valuation", we would appreciate it if the IAIS could provide some specific examples of methods for assessing the impact of climate risk on assets. As mentioned in Paragraph 14, it is difficult to estimate the impact of climate risk on assets at this time, but if there are good practices, it would be useful for both supervisors and insurers.	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.
Section on Impacts on types of valuations	Highlighting the need to further develop valuation methodologies to ensure that climate-related risks are accurately reflected in asset valuations without delay.	The suggested additional content is beyond the scope of the material. However, IAIS could consider the proposals and decide whether further supporting material should be developed to address them.
Para 11	Paragraph 11. Suggested rewording to add concepts of materiality and reliability: "Valuation may be based on different levels of market information. Regardless of the method or level of market information, valuations should reflect known reliable information, including any "financially material" impacts from climate change, "when reliable and estimable".	"financially material" has been added

Para 12	Paragraph 12. Suggested rewording to incorporate materiality: “If assets are valued based on amortised cost, impairment evaluations should consider reliably estimable potential cash flows including any "financially material" reduction in future cash flows due to transition and physical risk.”	No change made as the issue is already reflected in the preceding paragraph. Proportionality and materiality are concepts that are relevant across the IAIS material.
Para 14	Paragraph 14. This paragraph places emphasis on climate-related risks and, as currently articulated, appears to give this risk precedence over other risks. We believe it is important for the regulatory framework to promote an equitable focus on all types of risk. If climate risk were to be retained, we believe it is important to add materiality qualifications around it, such as through the following rewording: “Supervisors should review insurers’ valuation methodologies to determine whether known and reliable estimable information, including the “financially material” impacts of climate risk on their investments, are being considered."	No change made as this sentence is a general description about “the impact of climate risk” and how it may evolve over time.
Section on Time horizons of the investment	Recommendation for including guidance on the use of forward-looking information derived from transition plans. Insurers should take into account the transition plans of their investee companies and clients when assessing investment and underwriting risk levels. Transition plans provide valuable insights into how companies intend to adapt to a low-carbon economy, including policy changes, technological advancements, and mitigation of physical risks.	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.
Section on Valuation of liabilities	The paper does not seem to address some of the specific issues related to how climate-related risks could impact valuation of future claims liabilities. Guidance should be provided to insurers which aspect they should give more emphasis in the valuation: prudence or absence of bias. Also, it should cover to what extent should insurers consider the uncertainty related to climate in the central estimate or in the margin over it, given it is likely that a reliable central estimate is unavailable. Furthermore, it could be noted that insurers should consider the impact of mitigation and adaptation where relevant.	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.

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Para 19	Paragraph 19 seems to combine consideration of short-term liabilities with considerations used to set future premiums. Future effects of climate change do not affect current liabilities for events that have already occurred (as noted in paragraph 23)."	IAIS considers that the paragraph explains why this is relevant.
Para 22	As for "Regarding the latter, economic scenario generators should be calibrated to current market prices", approaches exist that do not employ economic scenario generators. Therefore, we suggest revising the sentence as follows: "Regarding the latter, predictions based on economic scenarios should be calibrated to current market prices".	Addition reflected (but using “projections” instead of “predictions”)
Para 22	Paragraph 22. Suggested rewording to add the concept of financial materiality: "For (longer-term) life business, the long horizon for cashflows also means that there may be room to consider the impact of climate change in the calculation of the current estimate, if the impacts are "financially material and" reliably estimable."	Reflected
Para 26	Suggestion for deleting "Supervisors should consider if data used in these processes reflect current climate risk exposure."	The statement has not been deleted as IAIS considers that it is an important statement.
Comments on the proposed changes to reflect climate risk in existing supporting material related to ICP 15 (Investments)		
General	We do not believe that supervisors need to establish prescriptive regulatory investment requirements that include the impacts of climate change, as suggested in Paragraph 1 in the proposed new supporting material related to ICP 15. Any prescriptive, one-size-fits-all requirements would be at odds with the principle of proportionality and could give rise to negative unintended consequences, including herding behavior, if applied to all insurers in a particular jurisdiction.	IAIS does not consider that this is implied by this paper.

General	The proposed material appears to be quite prescriptive.	The text is written in line with the IAIS drafting style for Application Papers, which provide recommendations and examples of good practices; it does not create new requirements.
General	An insurer's asset management strategy should include the review of issuers' climate-related disclosures and/or transition plans, in order to identify and manage climate-related risks of potential investments. Climate disclosures and transition plans can be valuable tools for insurance companies to understand the risks of their investments in a changing climate	A reference was added in paragraph 11, which discusses how insurers should have sufficient information about their investments, to note this as one possible source of information.
General	Suggestion for additional material and recommendations: 1. Provide more specific examples or case studies of how insurers are integrating climate risk considerations into their investment policies, processes, and decision-making. Sharing emerging best practices can help accelerate the adoption of these approaches across the industry. 2. Encourage insurers to set clear targets and metrics for aligning their investment portfolios with the goals of the Paris Agreement and to regularly disclose their progress towards these objectives. This could include metrics such as portfolio carbon footprints, green investment ratios, and alignment with science-based decarbonization pathways. 3. Emphasize the importance of capacity-building and knowledge-sharing on climate risk assessment and management within insurers' investment teams and among key service providers such as asset managers and ESG data providers. Supervisors could play a role in facilitating the development and dissemination of educational resources and training programs. 4. Highlight the need for insurers to consider not only the climate risk exposure of individual assets, but also the potential for amplification effects and systemic risks at the portfolio level. This may require the use of advanced scenario analysis and stress testing tools to assess the resilience of investment strategies under different climate futures.	The suggested additional content is beyond the scope of the material. However, IAIS could consider the proposals and decide whether further supporting material should be developed to address them.

	5. Encourage supervisors to engage in regular dialogue with insurers on their climate risk investment practices and to take appropriate actions where material risks are not being adequately managed. This could include setting supervisory expectations for disclosure, governance, and risk management, and using thematic reviews or stress tests to assess industry-wide vulnerabilities.	
Section on Climate change factor for investment requirements	It's important to recognise that an insurer's investments can be overly focused on climate risk or heavily geared towards a potential "green" transition. This can lead to risk concentrations or missed investment opportunities, ultimately reducing policyholder protection. Long-term investors in real estate and infrastructure need to be concerned about the insurability of these assets over the long term. Investments in green infrastructure face the same issues, as many facilities developed for decarbonisation may become uninsurable due to physical climate risks over the asset's life cycle or the duration of the investment.	Noted.
Section on Climate change factor for investment requirements	The material related to ICP 15.2 largely falls outside the remit of insurance supervisors. Insurance supervisors are not typically responsible for requiring insurers to consider the impact of their investments on the climate, to engage with investees, or to require divestment of certain assets deemed non-sustainable.	No changes have been made as the language does not set any new requirements for insurers: for instance, the wording used is "insurers could decide to".
Section on Climate change factor for investment requirements	All scientific evidence states that there is no need for investment in new fossil fuel supply in our net zero pathway.- We therefore urge the IAIS to recognise this and state that investments into fossil fuel exploration are unjustifiable.	The suggested additional content is beyond the scope of the material. However, IAIS could consider the proposals and decide whether further supporting material should be developed to address them.
Section on Climate change factor for investment requirements	Please provide examples of specific methods for "monitoring...the financial risks arising from climate change"	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.

Section on Climate change factor for investment requirements	All scientific evidence states that there is no need for investment in new fossil fuel supply in our net zero pathway. We therefore urge the IAIS to recognise this and state that investments into fossil fuel exploration are unjustifiable.	The suggested additional content is beyond the scope of the material. However, IAIS could consider the proposals and decide whether further supporting material should be developed to address them.
Section on Climate change factor for investment requirements	Suggestion for additional material and recommendations: 1. Encourage insurers to engage with scientific experts, policymakers, and other stakeholders to stay abreast of the latest developments in climate science, policy, and litigation, and to inform their risk identification and assessment processes. 2. Highlight the importance of considering the interconnections and potential spillover effects between different risk categories, rather than assessing them in isolation. For example, physical risks could exacerbate credit risks, while transition risks could amplify market and liquidity risks. 3. Provide guidance on how insurers can effectively integrate climate risk considerations into their existing risk taxonomies, frameworks, and management processes, rather than treating them as a separate or standalone issue. 4. Encourage insurers to leverage emerging tools and methodologies for climate risk assessment, such as climate scenario analysis, stress testing, and geospatial mapping, and to continually refine and enhance these approaches as data and best practices evolve. 5. Emphasize the need for insurers to consider the distributional impacts of climate risks across different geographies, sectors, and communities, and to take a nuanced and context-specific approach to risk assessment and management.	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.
Para 3	The phrase “and take necessary action” should be deleted from the second sentence in paragraph 3. It is entirely appropriate for a supervisor to assess whether it believes an insurer is taking climate risk into account – it is not appropriate for the supervisor to direct an insurer to take action based on the supervisor’s view of climate risk.	IAIS considers that there is a role of a supervisor in this context.

Para 3	With respect to Paragraph 3, we would amend the third sentence to read that ‘it may be relevant for senior management of the insurer to assess and take necessary action as to how the impact from climate change on the insurer’s investment may affect the risk-return characteristics of a portfolio’. This assessment and any subsequent action should be taken by the senior management of the insurer rather than by the supervisor. Insurers invest their assets in light of a number of important objectives, including compliance with existing regulatory requirements and asset-liability management being among the most important given insurers’ obligations to policyholders. As noted above, insurers and supervisors have a common goal of ensuring that all material risks are well managed, including material climate-related financial risks. Supervisors should intervene in the event that senior management does not meet regulatory requirements or fails to adequately manage the risks of the investment portfolio (and particularly if risk management shortcomings could negatively impact policyholders).	IAIS considers that there is a role of a supervisor in this context.
Para 3	With regard to paragraph 3 (the last sentence), there is a suggestion that the IAIS provides examples of specific methods for, "monitoring...the financial risks arising from climate change".	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.
Section on Investment of assets for the portfolio as a whole	Insurers should not be required to check the appropriateness of credit ratings. Rather, we believe that carrying out plausibility checks on such investments in light of their own investment appetite is the right response.	Noted, but this paper does not set out new requirements.
Para 5	A description about transition finance should be added, as transition finance can influence the activities of investees.	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.

Para 7-8	We note also that while the proposed new ICP 16 supporting material includes in its paragraph 12 some of the same material contained in this proposed new ICP 15 supporting material, it also includes additional language in proposed paragraph 13 that is relevant to asset-liability management as discussed in paragraphs 7-8. That language should be included in the supporting material at paragraphs 7-8.	No change is made to avoid repetitions.
Para 8	The material related to ICP 15.3, particularly paragraph 8, indicates that transition risk can impact the matching of assets and liabilities due to the “significant” impairment of individual firms (i.e., investees). This assertion fails to recognise that (i) the viability of investees businesses is constantly impacted by many dynamics, not just climate change, and (ii) investees may potentially benefit from these dynamics, because their business models may be adaptable. Paragraph 8 should reflect a more thorough assessment of market dynamics and potential business model changes and their adaptability. A similar assertion is within the material related to section 16.5. Thus, this material should be removed. For insurers with long-term liabilities, having assets with long durations is preferable from an ALM perspective. However, climate-related risks, which are difficult to assess, are hard to consider over a long-term time horizon due to inherent uncertainties. Also, other risk drivers might be more dominant over a long-time horizon.	This level of consideration goes beyond the scope of the consultation. Also, the language merely suggests that insurers should consider ***whether*** it could be significantly impaired.

Comments on the proposed changes to reflect climate risk in existing supporting material related to ICP 16 (Enterprise Risk Management for Solvency Purposes)

General	Suggestion for additional material and recommendations: 1. Provide more specific examples or case studies of how insurers are integrating climate risk considerations into their investment policies, processes, and decision-making. Sharing emerging best practices can help accelerate the adoption of these approaches across the industry. 2. Encourage insurers to set clear targets and metrics for aligning their investment portfolios with the goals of the Paris Agreement and to regularly disclose their progress towards these objectives. This could include metrics such as portfolio carbon footprints, green investment ratios, and alignment with science-based decarbonization pathways. 3. Emphasize the importance of capacity-building and knowledge-sharing on climate risk assessment and management within insurers' investment teams and among key service providers such as asset managers and ESG data providers. Supervisors could play a role in facilitating the development and dissemination of educational resources and training programs. 4. Highlight the need for insurers to consider not only the climate risk exposure of individual assets, but also the potential for amplification effects and systemic risks at the portfolio level. This may require the use of advanced scenario analysis and stress testing tools to assess the resilience of investment strategies under different climate futures. 5. Encourage supervisors to engage in regular dialogue with insurers on their climate risk investment practices and to take appropriate actions where material risks are not being adequately managed. This could include setting supervisory expectations for disclosure, governance, and risk management, and using thematic reviews or stress tests to assess industry-wide vulnerabilities.	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.
General	An insurer’s asset management strategy should include the review of issuers’ climate-related disclosures and/or transition plans, in order to identify and manage climate-related risks of potential investments. Climate disclosures and transition plans can be valuable tools for insurance companies to understand the risks of their investments in a changing climate	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.

General	The proposed supporting material on ICP 16 is missing a section on underwriting policy, which should follow the section on investment policy. Insurers' underwriting of fossil fuels represents an equal or greater contribution to climate change.	The suggested additional content is beyond the scope of the material. However, this was partly covered in the 2021 Climate Risk Application Paper which is included in the updated 2025 Climate Risk Application Paper. Also, IAIS would consider the proposals and decide whether any further supporting or supporting material should be developed to address them.
Para 1	For ERM purposes, the focus should centre on materials risks to companies and reflected in the section. In paragraph 1, the proposal is for adding "material" between "insurer's" and "risks."	No change made as there is a need to establish whether risks are not material
Para 2	Paragraph 2 suggests that climate change poses material risks to insurers. This may not be universally the case, hence we believe this paragraph will improve with more nuanced wording: " Climate change poses wide-ranging and "potentially" material risks to the financial system."	Noted.
Section on Risk identification and measurement	Given the unique attributes of climate risk, the proposed additions to the guidance should acknowledge that traditional approaches to risk management, including modeling, hedging, and reinsurance, are insufficient to manage the risks posed by climate change, and the guidance should instead direct supervisors to focus on actions they can take now to reduce climate-related risk.	No change made, the overarching paper already touches upon some of these issues, such as the need to use forward-looking scenario analysis to assess climate-related risks to avoid relying on historical data only.
Para 3	We suggest rewording of the second bullet point: "In turn, related financial and credit market losses "can affect" insurers' assets, while increased litigation "can impact insurers' liabilities and "can impact" the long-term viability of certain business lines."	Reflected

Para 4	Paragraph 4 notes that "Climate-related risks present unique challenges and require a strategic approach to financial risk management. Climate-related risks are...Uncertain but foreseeable". However, it is difficult to foresee climate-related risks (as stated in "Dependent on short-term actions"), although it is to some extent possible to foresee major climate-related trends such as an increase in GHG concentrations leading to global warming. Therefore, we suggest replacing "but foreseeable" with "but inevitable".	Reflected
Para 4	Suggested rewording of the fourth bullet point: "Certain physical and transition risks are unlikely to be adequately captured in historical data, or the pricing model [suggestion for deletion: is no longer fit for purpose]" may have to be re-considered" due to the evolution of climate risks [and their interactions], given their unprecedented and long-term nature, "depending on the nature and duration of the underlying liability". Given the forward-looking nature of climate risks and the inherent uncertainty of both the physical impact of climate change and resulting societal responses, past experience may not be a good indicator of future conditions. "	Reflected
Para 5	Suggestion for adding "and materiality" between "potential impact" and "of climate related risks" in the top sentence.	Reflected
Para 5	In the "Pricing and underwriting risk" section, the IAIS should add "financially material" ahead of "impacts of climate change on their underwriting activities…" in the first sentence.	No change made, issues on materiality and proportionality apply across IAIS material.

Para 5	Suggestion to delete the third sentence in that same paragraph, "However, pricing models may not properly reflect climate-related physical risks…". There is no need to price for potential future risks in current contracts for short-term liabilities.	Noted as there is a need to price for future risks even in short term contracts.
Section on Risk concentrations	It would seem appropriate for insurance supervisors to be equally cautious about concentrations in "green" investments.	Noted, but no change made.
Section on Risk concentrations	The material related to ICP 16.2, Risk Concentrations, observes that, "insurers with significant investment exposures to assets that are vulnerable to climate-related risks are potentially more exposed to systemic risk." It is unclear why this is characterised as "systemic risk", rather than a potential firm specific risk driver.	The updated 2025 Climate Risk Application Paper includes material on the potential systemic risk.
Section on Corporate strategy and time horizons	It should be noted that in its strategic ERM approach, the insurer should take into account risks that relate to being a going concern over a longer period of time than the time horizon of their detailed business plan. They should also consider risks (such as climate related risks) that may have a serious impact of its market presence in relation to its strategically covered lines of business. Consequently, the time horizon for the strategy perspective may need to be much longer than the business planning of the insurer, i.e. it may need to have regard to a long-term strategic goal of the insurer for each major line of business.	No change made as the proposed statement relates to strategic considerations which are not the in scope of ICP16
Section on Risk appetite and limits	Section 16.4 should note that the risk policy should also include the insurer's appetite for the reputational risk associated with investing in and underwriting fossil fuel and deforestation projects, as well as reputational risks from limiting coverage of communities vulnerable to climate change.	No change made as the proposed changes are too specific for the nature of this material.

Section on Asset liability management	The material related to ICP 16.5, Asset-Liability Management, describes how climate change can negatively affect the matching of assets and liabilities. This assertion fails to recognise that (i) the viability of investees businesses is constantly impacted by many dynamics, not just climate change, and (ii) investees may potentially benefit from these dynamics, because their business models may be adaptable. A similar assertion is within the material related to section 15.3.	No changes made as the statements in the section are considered valid.
Section on ORSA	Where the assessment goes beyond the usual 3-5 years business planning time horizon for the ORSA, a more qualitative and contextual nature of the long-term analysis should be acknowledged as being fit-for-purpose, as well as the inherent uncertainties and potential limitations due to data quality.	No change made as issues already sufficiently covered elsewhere.
Section on ORSA	Proposal for the following rewording to paragraph 21: "It is expected that" climate-related risks are material to the insurance industry and are expected to potentially have an impact on all insurers; therefore, these risks should be considered for inclusion in the ORSA. If climate-related risks are assessed to be immaterial by an insurer [or immaterial over the time-horizon of the ORSA], the insurer should document the reason for the assessment".	The second suggested change has been reflected.
Section on ORSA	We do not believe that supervisory expectations for the ORSA should include scenarios beyond the three- to five-year business as usual horizon. An insurer's ORSA should primarily cover near- to medium-term material risks, consistent with the strategic planning horizon, which is considerably shorter than some climate physical and transition risk time horizons.	Noted, but the IAIS disagrees – see also ICP 16.
Section on ORSAs	Suggestion for additional material and recommendations: 1. Providing more detailed guidance on the types of climate scenarios and stress tests that insurers should consider in their ORSAs, drawing on established frameworks. This could include specifying the range of transition and physical risk pathways to assess, as well as the key macroeconomic and financial variables to model.	The suggested additional content is beyond the scope of the material. However, IAIS would consider the proposals and decide whether further supporting material should be developed to address them.

2. Encouraging insurers to leverage their ORSA findings to inform strategic decisions around business models, product development, pricing, and capital allocation. The ORSA should not be viewed as a purely compliance-driven exercise, but rather as an opportunity to integrate climate risk considerations into core business and financial planning processes.
3. Highlighting the importance of engaging with key stakeholders, including policyholders, investors, and regulators, when developing and communicating ORSA results related to climate risk. Transparency around insurers' climate risk assessments and management strategies can help to build trust and accountability and support the broader sustainable finance goals.
4. Clarifying the expectations for insurers to consider the potential second-order and spillover effects of climate risks in their ORSAs, such as the impact on asset-liability management, reinsurance arrangements, and broader market dynamics.