



Public Consultation on the draft Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures

Thank you for your interest in the public Consultation on the draft Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures. The Consultation Tool is available on the IAIS website from 19 December 2019.

Please do not submit this document to the IAIS. All responses to the Consultation Document must be made via the Consultation Tool by 5 February 2020 24.00 CET to enable those responses to be considered.

Questions on the Draft Issues Paper on the Implementation of the TCFD Recommendations

Q2 Comment on Section 1 Introduction

The Canadian Institute of Actuaries (CIA) thanks the International Association of Insurance Supervisors (IAIS) for its Draft Issues Paper on the Implementation of the TCFD Recommendations and appreciates this opportunity to provide feedback. The CIA believes that the broad issue of financial disclosure is important, notably the consideration of the significant risks from climate change undertaken by insurers and other financial institutions.

Q3 Comment on Section 1.1 Context

The TCFD initiative as proposed in 2017 was for a voluntary approach to the disclosure of climate change-related risks. In our recent paper, “Time to Act: Facing the Risks of a Changing Climate,” the CIA proposes that mandatory TCFD disclosure begin as early as 2021. For such a short timeframe to be implemented, the IAIS should give supervisors guidance on such new disclosures. This proposed approach would highlight that information in the public domain helps to create the awareness of the risks from climate change that could impact financial institutions, industry, and society as a whole.

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

The CIA commends the SIF and the IAIS on the discussions and approaches being undertaken by its member supervisory agencies to elevate the issue of disclosure on the risks from climate change.

Q8 Comment on Paragraph 4

Q9 Comment on Paragraph 5

Comment Box

Q10 Comment on Section 1.3 Evolving supervisory interest in TCFD

As noted in Q2, the CIA supports a more immediate timeline to increase the implementation of the TCFD recommendations. Related to this issue is the need for more levels of government to work closely together to provide more robust data on extreme weather events (floods, wildfires,

windstorms, etc.) arising from the risks of climate change. From the CIA's "Time to Act: Facing the Risks of a Changing Climate" public statement, it is clear that the insured losses related to these weather events represent only a fraction of the economic loss from the risks of climate change. More information is needed to enumerate the losses from business disruption, future investment income returns, operating expenses, infrastructure destruction, emergency room and hospitalization incidences, and increases in morbidity and mortality arising from extreme weather events.

Q11 Comment on Paragraph 6

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Q12 Comment on Paragraph 7

The CIA agrees with the proposal that the supervisors, via the IAIS, should take the lead in developing more information on climate risk that can be of use to insurance companies.

Q13 Comment on Section 1.4 Objectives of this paper

Comment Box

Q14 Comment on Paragraph 8

The CIA appreciates that this document is "...meant to be descriptive and is not intended to create supervisory expectations." However, the paper also recognizes that practices are evolving with respect to the financial impacts of climate change. We recommend that the IAIS work with associated experts to direct a coordinated effort for this development. This would include supervisors, actuaries (via the IAA for modelling and assumption development), and accountants (via the IASB and IFRS17). Consistency between jurisdictions, between different accounting models, and public financial disclosure requirements is necessary to have public disclosures accepted by both supervisors and the public financial community.

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

Comment Box

Q18 Comment on Paragraph 10

Comment Box

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

Comment Box

Q20 Comment on Paragraph 11

The "physical risks" mentioned relate mostly to non-life insurance companies. A prime risk for long-term life insurance is the effect on policy liabilities from changes in the future investment returns due to climate change.

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

Comment Box

Q22 Comment on Section 2.1.1 Recent developments in climate science

This section is well developed and outlines the key risks from climate change in good detail.

Q23 Comment on Paragraph 12

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Q24 Comment on Paragraph 13

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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

It is good to know that the IAIS has classified climate risk as an important emerging risk in its five-year strategic plan. It is also a good first step for the IAIS to develop its application paper in 2020 on how supervisors intend to examine enterprise risk management (ERM), investment, governance and disclosures by insurers in light of climate risk trends and developments. The CIA would look forward to working with its IAA partners to assist the IAIS in this endeavour.

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

Related to the earlier comment on requiring mandatory TCFD disclosure, ICP 20 (Public Disclosure) can be strengthened by increasing the pace at which insurers publicly disclose their risks from climate change as per the TCFD framework.

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

The information in Figure 1 would be more useful if the effects could be shown separately for life insurance and non-life insurance.

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

While current plans by insurers to disclose climate-related risks according to the TCFD are low (20%), this figure will rise if there is a more immediate timeline put in place by the IAIS and the national supervisory bodies to require disclosure according to the TCFD framework.

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

The CIA believes that the enhanced actuarial modelling, the development of scenario analysis, and the requirements to disclose transition risks (to ensure financial stability) can be more readily accomplished by ensuring that actuaries are directly engaged in these processes.

Q64 Comment on Section 3.3 Findings of the TCFD secretariat report

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Q65 Comment on Paragraph 45

It is concerning that the smallest increase by sector on climate-related risks comes from the insurance sector. We question whether life and health insurers have included the effects on future investment returns. It is clear that non-life insurers are directly impacted by the risks of climate change, especially as it pertains to physical risks.

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

The CIA strongly supports the proposed approach for the IAIS and its member supervisory bodies to work with other professionals (actuaries, engineers, accountants, economists, and climate scientists) to develop the appropriate scenarios to be modelled and tested by insurers regarding the risks from climate change.

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

While the CIA states in our “Time to Act: Facing the Risks of a Changing Climate” paper that we would like to see more immediate and complete implementation of the TCFD framework, as a start it would be advisable for the IAIS to encourage insurers to immediately start voluntary disclosure of their climate risks according to the TCFD Framework.

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

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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

The CIA supports an approach to the implementation of the TCFD framework that ensures consistency, quality, comparability, and reliability.

Q95 Comment on Paragraph 64

The CIA welcomes the opportunity to comment in 2020 on the SIF’s and IAIS’s development of an Application Paper on Climate Risk in the Insurance Sector, including a section on disclosures.

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

The CIA is encouraged by the work done by the ACPR-France on ESG compliance, as the CIA's "Time to Act: Facing the Risks of a Changing Climate" paper has made strong recommendations about insurers and pension plans fully adopting an ESG framework in their investment decisions.

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

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