



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS



SUSTAINABLE
INSURANCE
FORUM

PRESS RELEASE

25 May 2021

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IAIS and SIF set out key recommendations for insurance supervisors to strengthen efforts to address climate-related risks

- *The Application Paper on the Supervision of Climate-related Risks in the Insurance Sector provides recommendations and examples of good practice for insurance supervisors to manage the challenges arising from climate change.*
- *Climate change has the potential to affect individual insurers as well as global financial stability. Therefore, supervisors should have the tools to monitor, assess and contribute to the mitigation of the risks from climate change to the insurance sector.*
- *A public webinar will be held on 9 June to provide more background on the publication and allow for a question and answer session.*

Switzerland, 25 May 2021 – The International Association of Insurance Supervisors (IAIS) in partnership with the United Nations-convened Sustainable Insurance Forum (SIF) published today an [Application Paper on the Supervision of Climate-related Risks in the Insurance Sector](#). The Paper, the first of its kind by a global standard-setting body, provides insurance supervisors with concrete tools to further strengthen their efforts in assessing and addressing risks to the insurance sector from climate change. It also sets out recommendations and examples of good practice, consistent with the Insurance Core Principles (ICPs). With this publication, the IAIS and SIF aim to promote a globally consistent approach to the supervision of climate-related risks.

“Climate change poses a material and present risk to the insurance sector”, said Vicky Saporta, IAIS Executive Committee Chair. “The IAIS recognises that failure to adequately manage the impact from climate change across the financial sector could put both global financial stability and policyholders at risk. This joint IAIS/SIF Application Paper will support supervisors in their efforts to address climate change and other sustainability challenges.”

Anna Sweeney, Chair of the SIF, commented: “The IAIS and SIF developed an innovative partnership to increase supervisory attention on the risks posed by climate change. This Application Paper provides an invaluable resource for supervisors and will support the SIF’s ongoing efforts to build supervisory capacity in this area.”

Highlights of the recommendations include:

- **Role of the supervisor:** Supervisors should assess the relevance of climate-related risks to their supervisory objectives. They should collect quantitative and qualitative information on the insurance sector’s exposure to, and management of, physical, transition and liability risks of climate change.
- **Corporate governance:** When addressing climate-related risks, it is expected that insurers integrate these risks into their overall corporate governance framework. For instance, the control functions (including the risk management and actuarial functions) should properly consider climate-related risks and have appropriate resources and expertise to manage them.
- **Risk management:** Climate-related risks have the potential to impact all insurers; therefore, these risks should be considered for inclusion in the Own Risk and Solvency Assessment (ORSA). Likewise, it is expected that insurers adopt the appropriate risk management actions to mitigate any identified risks.
- **Investment policy:** Insurers should assess the impact from physical and transition risks on their investment portfolio, as well as on their asset-liability management. A forward-looking view, including the use of scenarios, may help insurers gain a better understanding of the risks.
- **Disclosures:** Material risks associated with climate change should be disclosed by insurers, in line with ICP 20 (Public Disclosure). Supervisors may use the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) framework when designing best practices or as input for setting their own supervisory objectives. Insurers should incorporate in their disclosure the extent to which their risk profile exposes them to the impacts of climate-related risks, as well as any metrics or targets developed by the insurer.

The IAIS and SIF recognised early the importance of tackling climate risk and sustainability and have been developing a robust toolkit over the past few years. In the coming months, the IAIS will publish a Global Insurance Market Report (GIMAR) featuring, as a special topic, an analysis of the investment exposures of insurers to climate change. Addressing climate risk will remain a strategic priority for both the IAIS and SIF in the coming years as they continue their joint efforts on promoting coordinated supervisory responses.

Interested stakeholders are invited to a webinar providing more background on the Paper and a question and answer session on 9 June. More information and a registration link can be found [here](#).

The Application Paper can be found [here](#). The publication of the Application Paper follows a 90-day consultation period during which 25 stakeholders and members gave valuable input, resulting in various improvements to the draft Paper.



Other joint publications by the SIF and IAIS include:

- [Issues Paper on Climate Change Risks to the Insurance Sector \(2018\)](#)
- [Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures \(TCFD\) \(2020\)](#)

About the IAIS

The IAIS is a global standard-setting body whose objectives are to promote effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to the maintenance of global financial stability. Its membership includes insurance supervisors from more than 200 jurisdictions. For more information, please visit www.iaisweb.org and follow us on LinkedIn: [IAIS – International Association of Insurance Supervisors](#).

About the SIF

The UN-convened Sustainable Insurance Forum (SIF) is a leadership group of insurance supervisors and regulators working together to strengthen their understanding of and responses to sustainability issues facing the insurance sector. The long-term vision of the SIF is a global insurance system where sustainability factors are effectively integrated into the regulation and supervision of insurance companies. The UN Development Programme (UNDP) serves as the Secretariat for the UN-convened SIF. The SIF works closely with the International Association of Insurance Supervisors (IAIS), delivering collaborative projects and research on climate change issues. As of May 2021, the SIF has 31 jurisdictions as members. For more information, please visit www.sustainableinsuranceforum.org and follow us on [LinkedIn](#) and [Twitter](#).