



# IAIS

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

## STATEMENT

28 October 2021

### **IAIS commitment to amplify response to climate change**

**In advance of COP26, the IAIS confirms its continued commitment to urgently advance work to address risks and opportunities associated with climate change. The IAIS will support its Members to further strengthen their focus on actions taken by insurers to assess and address climate-related risks and to support an orderly transition to net-zero. The IAIS stands ready to support global initiatives and ensure a coordinated approach.**

**Climate change is a source of financial risk that impacts insurers, both in their roles as underwriters and investors.** It has brought about extreme and more frequent weather-related events, increasing the physical risks that insurers are exposed to in their underwriting and investments. Insurers are also exposed to transition risks from the move to a net-zero emissions economy.

**Insurers have a key role to play in climate change adaptation and risk mitigation.** The insurance industry, is uniquely qualified to price climate-related risks given its expertise in the pooling of risk. Insurers need to help society understand the risks from climate change, encourage policyholders to take adaptive measures and build greater resilience through inclusive insurance so societies are better able to manage the impact of climate events. As underwriters, insurers can encourage the scaling up of green and climate technology. Finally, as large-scale and long-term investors, insurers are well-placed to support a transition to net-zero, for example by considering more sustainable projects in their investment strategy and engaging with investees to support the transition.

**As the global standard-setting body for insurance supervision, the IAIS' focus on climate change and a sustainable transition to net-zero is grounded in its mission to promote the 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 global financial stability.** A commensurate response to both the risks and opportunities of climate change supports insurance supervisory objectives:

- From a microprudential perspective, by requiring insurers to integrate climate-related risks into their corporate governance and risk management frameworks and to publicly disclose their material climate-related risks;
- From a macroprudential perspective, in assessing, understanding and helping to mitigate the impact of risks across the financial system; and
- From a market conduct perspective, by ensuring the fair treatment of customers, such as in product design and underwriting practices for policyholders in areas more

exposed to physical risks, and by ensuring insurers' public disclosures contain all material information and are not misleading, including by exercising vigilance against risks of "greenwashing".

**Central to the IAIS role in supporting insurance supervisors is the need to deepen expertise in this field and develop the relevant supervisory policies and practices.** Setting out clear supervisory expectations helps insurers to manage the climate-related risks to which they are exposed.<sup>1</sup> Failing to support climate resilience and an orderly transition to a climate-neutral economy may ultimately undermine the core objectives of insurance supervision.

**The IAIS will also consider what insurance supervisors can do to support insurers in their role as stewards of an orderly transition, such as by building climate resilience as well as in closing the protection gap.** While it is the role of governments to decide public policy questions on climate change, insurance supervisors can help remove existing barriers, for instance, by addressing data gaps and strengthening internationally aligned public disclosures to support a better understanding of climate-related risks or by contributing to the development of sustainability-related reporting standards. In this respect, the IAIS welcomes the planned establishment of an International Sustainability Standards Board.<sup>2</sup>

**The IAIS will continue to support global initiatives to assess and address climate risk and ensure a consistent approach.** Specifically, the IAIS is committed to deepening and strengthening its contributions in three areas:

- Providing thorough analysis to understand how climate change impacts the insurance sector and financial stability, including through research like the recent Global Insurance Market Report special topic edition on the impact of climate change on insurers' investments;<sup>3</sup>
- Promoting a globally consistent supervisory response to climate change, by developing guidance on supervisory practices, reviewing existing IAIS standards to assess whether further work is needed, for instance related to climate scenario analysis, as well as by supporting cross-sectoral initiatives, such as those of the Financial Stability Board and the Central Banks and Supervisors Network for Greening the Financial System (NGFS); and
- Assisting in capacity building initiatives with our partners, including with the Access to Insurance Initiative (A2ii),<sup>4</sup> as well as through the launch of the Climate Training Alliance, an online portal for training on climate-related risks for central banks and supervisors, established jointly with the BIS Financial Stability Institute, NGFS and the UN-convened Sustainable Insurance Forum.

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<sup>1</sup> See for instance the [Application Paper on the Supervision of Climate-related Risks in the Insurance Sector \(May 2021\)](#), which was developed together with the UN-convened [Sustainable Insurance Forum \(SIF\)](#).

<sup>2</sup> The IAIS issued statements of support in response to the consultations of the IFRS Foundation Trustees, available [here](#).

<sup>3</sup> This report assesses how insurance sector investments are exposed to climate change. Drawing on unique quantitative and qualitative data gathered from the wide IAIS Membership, analysis was carried out to better understand insurers' asset-side exposures to, as well as supervisors' views on, climate-related risks. In addition, scenarios were developed to assess climate change impact on a forward-looking basis. The report is available [here](#).

<sup>4</sup> See the website of the [A2ii](#).

## **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](http://www.iaisweb.org) and follow us on LinkedIn: [IAIS – International Association of Insurance Supervisors](#).