

The LIAJ comments on Public Consultation on Climate risk supervisory guidance – part one

Question	Comment
<p>Q1. Do you have any comments on the proposed text referencing climate-related risk within the ICP Introduction?</p>	<ul style="list-style-type: none"> • The Life Insurance Association of Japan (hereafter the “LIAJ”) appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (or the “IAIS”) regarding the Climate risk supervisory guidance – Part one (or the “Consultation Document”). • Based on the acknowledgement that the possible risk of climate change impacts financial stability and resilience of insurers, we perceive each initiative taken by the IAIS as a strategic theme is beneficial for the insurance sector. With this in mind, we would like to submit our comments as follows. • The ICP should include the definition of “climate-related risk,” as stated in the 2021 Application paper, which defined it as “risk posed by the exposure of an insurer to physical, transition and/or liability risks caused by or related to climate change.” If the terms “climate-related risk” and “climate risk” are used interchangeably that should be noted as well.
<p>Q2. Do you have any comments on the location of the proposed text?</p>	<ul style="list-style-type: none"> • It is not appropriate to place the terms “proportionality” and “risk” in the same section, as risks referred here is not relevant to the context of proportionality. It would be better to point this out more clearly by establishing a new section on Risks” mentioned in paragraphs 11 and 12, leaving the sections on “Proportionality and risk-based supervision” the same.
<p>Q4. Do you have suggestions on issues or themes to explore in the forthcoming consultations to improve the usability of the climate risk related Application Papers?</p>	<ul style="list-style-type: none"> • Climate risk is a relatively new category of risk for all standard setting bodies as well as for insurers, so information-sharing and close exchange of views between various stakeholders and supervisors are necessary as to understand climate risk in more detail and to further address the issue of climate risk. We would appreciate if the IAIS could develop additional supporting material in a manner that recognizes the importance of sharing information based on a two-way communication channel, and encourages to do so, rather than requiring insurers to share information to supervisors in a one-way manner.

- While the Net-Zero Data Public Utility(NZDPU) is currently developing a global and open data platform related to climate change, climate-related risk assessment and climate scenario analysis are areas in which insurers are working on figuring out how best to proceed, as there is not any standard for analytical methods being established yet. As the IAIS develops supporting material on ORSA and climate scenario analysis, we would like the IAIS to consider providing information such as best practices on various climate-related risk assessment and climate scenario analysis so that insurers can adopt the most appropriate method that accounts for the scale and business models of theirs and fully utilize their resources effectively.
- Various financial sector initiatives related to climate change exist that broadly encourage society's transition to net-zero, such as the UN-convened Net Zero Asset Owner Alliance (NZAOA). Moreover, the development of international sustainability disclosure standard built upon the recommendations of the Task Force on Climate-related Financial Disclosures(TCFD) recommendations which is led by The International Sustainability Standards Board (ISSB). Taking into account these international developments, as many insurers already participate in initiatives that promote net-zero exist, the IAIS should respect the proactive initiatives of individual insurers, as well as consider to ensure consistency with other international disclosure standards such as the TCFD recommendations and ISSB standard when revising the ICP or developing new supporting material.
- In addition, coordination with supervisors other than insurance supervisors is essential when the IAIS decides on regulatory and supervisory policy. It would be appreciated if the IAIS could respect the principle of proportionality when considering future climate-related work and communicate with other financial sectors to avoid adopting different regulatory and supervisory approaches as to keep them consistent with different financial sectors.

<p>Q5. Should the IAIS' work and upcoming consultations on climate risk also cover considerations related to transition planning by insurers?</p>	<ul style="list-style-type: none">• With regard to considerations for transition planning, guidance has already been developed based on initiatives such as the TCFD and the Glasgow Financial Alliance for Net Zero(GFANZ). Based on these types of guidance, we understand that many insurers are working on their own transition planning. We would like to ask the IAIS to avoid superfluous regulation, as well as to ensure consistency of insurance regulatory material with these types of guidance.
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