



## ClimateWise response to the TCFD Recommendations consultation February 2017

ClimateWise is a global network of leading insurance companies, facilitated by the University of Cambridge Institute for Sustainability Leadership (CISL). ClimateWise members work together with CISL to help close the climate-risk protection gap.

Therefore, ClimateWise welcomes the TCFD's draft recommendations and its accompanying supplemental guidance for insurance companies. As a foundation of the group's existence, ClimateWise members have been publicly disclosing their strategic response to climate change, across their core business activities, voluntarily for the past decade. We are therefore pleased that the TCFD has identified the ClimateWise Principles as a relevant tool to help insurers implement many of the TCFD recommendations. Implementing the TCFD's recommendations for insurance companies will be made significantly easier if the following challenges are addressed:

1. Insurance companies are often exposed to both physical and transition risks on both the asset and liability sides of their balance sheets. However, greater attention has traditionally been paid to insurers' exposure on the liability side of their business. The draft recommendations' dominant focus on underwriting reinforces this and should reflect the need to manage risk across both sides of the business. In this context, the TCFD's conclusion, that more work is needed on asset classes like non-corporate bonds is particularly relevant for the insurance sector, given its exposure to this asset class. However, this must acknowledge the potential social justice dynamics needing careful consideration.
2. Insurance companies both underwrite the risks of, and invest in, other companies. Therefore, their ability to assess and disclose their own exposure to climate-related risks will always be, to some extent, dependent on the quality and consistency of disclosure by others. Actions to support consistent implementation of the TCFD's recommendations by international organisations like the OECD, the International Accounting Standards Board (IASB) and the International Organisation for Security Commissions (IOSCO) will therefore be welcome. In this context, the insurance industry itself has data and analytic expertise that can support companies to assess and manage their exposure to physical risks.
3. It is important to develop common understandings of what is understood by short, medium and long-term timeframes, including within the insurance industry where taking into account the differences between providers of life and non-life cover will be important. Standardising definitions will enable insurers to work more closely with the risk modelling community and with high quality climate data produced by public agencies to assess the impact of different scenarios on business strategies over these varying timeframes.

## ClimateWise membership 2017

