

Paragraph	Comments
-	<p><General Comments></p> <p>We, the General Insurance Association of Japan, are grateful for this opportunity to comment on the IP.</p> <p>We are aware of the importance of the insurance industry to respond to climate change and support the TCFD Recommendations. Although this IP draws on the results of a SIF Survey on Implementation of the TCFD Recommendations and Guidance, TCFD aligned disclosures are still at an early stage of development. In particular, there are problems such as insufficient data and the lack of a quantitative method for disclosing risk-related information. The insurance sector is currently looking at various ways of moving forward.</p> <p>In such circumstances, it is important to start with voluntary disclosures to share practices, and a step-by-step method to promote disclosures. It should be noted that mandatory disclosures without established methods may lead to a one-size-fits-all approach, such as simply placing checkmarks on check-sheets. Such an approach is unlikely to promote the understanding among insurers nor will it have a positive impact that leads to action regarding climate-related risks and opportunities.</p> <p>In addition, making climate-related disclosures mandatory in a premature manner could cause a rapid acceleration of divestment from certain businesses, etc. and also halt insurance underwriting for these businesses. This could lead to transition risks and the destabilization of the financial system.</p> <p>In Japan, as described in Annex 1, a number of companies including the insurance sector support TCFD Recommendations through initiatives such as the TCFD Consortium of Japan. Cooperating closely, the private and public sectors are actively discussing and considering disclosure methods on the assumption that they are voluntary. Several statements in the IP that seem to support mandatory approaches such as “a purely voluntary pathway towards adoption of TCFD Recommendations may not yield disclosures of the quality and scope necessary...” in paragraph 61 should be deleted because such points of view are premature. In order to implement TCFD Recommendations, the first step supervisors need to take is to establish the most appropriate means of implementation according to the situation of their own jurisdictions. Discussions that assume they will be made mandatory may inhibit supervisors from considering appropriate implementation means, or the private sector from making spontaneous efforts.</p> <p>Moreover, while the IP mentions changes to underwriting and investment practices, the insurance sector can contribute to the transition towards decarbonization, or a low-carbon economy, not only through direct methods, such as changes to underwriting and investment practices, but also through engagement with their customers and communities. We are of the opinion that constructive dialogues are more important than divestment to further create positive momentum toward energy transition and the development of new innovations.</p>

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7	At this stage, it is rather premature to assert, “recognising that supervisors are questioning whether market-led action alone will deliver the necessary transformation”. Therefore, this sentence should be deleted.
14	Despite the statement that reads, “However, there are significant differences in awareness of climate risk (and views on materiality) across the insurance sector”, we are of the opinion that the insurance sector is sufficiently aware of climate risk. In addition, the statement is incongruous with “relatively high levels of awareness of climate change risk” in paragraph 39. As such, the sentences after “However…” should be deleted.
15	<p>As insurers not only underwrite, invest, and offer loans, but also engage with customers and society, we propose adding “Insurers are responding to climate risks through various measures such as changes to underwriting and investment practices, and through engagement with customers and society through climate policy” to the paragraph.</p> <p>Moreover, the Japanese insurance sector is of the opinion that constructive dialogues are more important than divestment to further create positive momentum toward energy transition and the development of new innovations.</p>
35	The statement “This stems from differences in regulatory requirements relating to climate change risk disclosure” does not seem to be presented with sufficient rationale. As analysis that is not based on objective data may not necessarily describe facts in an appropriate way, the statement after “This…” should be deleted.
41	Although this paragraph suggests that the disparity between large and small insurers is due to "resource requirements", we think that “whether or not the necessary resources can be secured” explains the cause more accurately. Therefore, we propose revising “considering the resource requirements of climate risk assessment” to “considering whether or not the necessary resources can be secured to assess climate risk”.
44	While the first bullet point (Implementation process) in the paragraph ends with, “… more advanced disclosures (e.g. risk management, metrics and targets, and scenario analysis)”, it should be noted that risk management, metrics and targets, and scenario analysis may be recognized as difficult to respond to not because they are “advanced” but because a common framework is still being developed for them. In line with the aims of the TCFD Recommendations, TCFD aligned disclosures only become meaningful after all the market participants have delivered them. The original aim of the Recommendations cannot be achieved if they are seen as something that only limited numbers of companies with resources can implement because the above-mentioned elements are advanced. Therefore, we propose avoiding the “advanced disclosures” wording and revising the sentence to: “Insurers report that the presence of established governance processes relating to climate risks, and TCFD implementation specifically, are necessary in order to take the necessary steps to further the understanding of disclosure items for which common methodology is currently under development (e.g. risk management, metrics and targets, and scenario analysis)”.

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44	<p>Despite the statement in the third bullet point (Strengthening climate risk assessment capacities), “Insurers can work with third-party service providers...”, it should also be stated that technological gaps remain huge to assess long-term physical and transition risks, and conduct scenario analysis, even if insurers work with third-party service providers.</p>
45	<p>We understand that the source of Figure 3, referred to in this paragraph, is the comparisons of the insurance sector with other sectors included in the TCFD Status Report. However, since the Status Report collected data from certain sectors and insurers’ climate efforts are mostly made indirectly through their customers, comparisons between other sectors are not necessarily appropriate. As a result, “The insurance sector exhibited some of the smallest improvements in disclosure practices when compared to other financial sectors (such as banking) or corporate sectors” is misleading.</p>
46	<p>Although this paragraph is a lead to the section “4. The role of supervisors”, its title and the lead sentence are inconsistent, since it begins with an example regarding mandatory disclosures. In implementing TCFD Recommendations, we think the first step supervisors should take is to consider preferred strategies for their widespread use, depending on the situation of their own jurisdictions. The TCFD Recommendations, which were developed as a voluntary disclosure framework, should first be applied on a voluntary basis, and supervisors should provide support in order to achieve the objective. In this regard, we are very uncomfortable when “mandatory” comes to the forefront.</p> <p>In this context, the first sentence of this paragraph should be described as an example of “4.1.7 Referencing TCFD as a component of mandatory climate risk disclosures”. Also, this paragraph should make sure that “supervisors should understand the intention of the TCFD Recommendations and contemplate how to implement them appropriately in their own jurisdictions”, without mentioning “making mandatory”. In addition, the second sentence of this paragraph and paragraph 47 could be integrated into one, as follows, in order to make them introductory contents for different initiatives. Also, it would be better to revise the term “supervisory guidance” to “supervisory approach” in the process.</p> <p>“The TCFD Framework provides an important foundation on which a supervisory approach for insurer disclosures can be developed. On the basis of current and contemplated practices used by insurance supervisors and other relevant supervisory coalitions, as described in Annex 1, there are several approaches that supervisors are exploring to strengthen public disclosures based on TCFD Recommendations – as well as to leverage the TCFD Framework to support broader supervisory objectives relating to climate risk assessment”.</p>
49	<p>As both are about supervisory expectations, we propose integrating 4.1.2 (paragraph 49) and 4.1.3 (paragraph 50) into one.</p>
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52	Regarding the sentence, “Involved supervisors may consider ways to integrate climate risks more routinely into group supervisory processes, including supervisory colleges.”, it should be noted that completely integrating the necessary level of engagement and disclosures on climate risk issues within insurance groups is difficult, considering each country’s circumstances vary widely.
54	This paragraph, which argues for the "standardisation of aspects of TCFD" and "guidance on how to consider climate risk impacts", mentions "climate sensitivity of a given level of greenhouse gas (GHG) emissions" and "the impacts associated with a given level of temperature rise" in the latter part. Regarding these elements, we request the addition of the following wording: “...differences in each country’s energy policies and transition paths are also duly taken into account”.
56	<p>As for “An increasing share of industry stakeholders have also expressed positive views on the implementation of mandatory disclosure, reflecting a phased approach to allow for practices to develop although some stakeholders have suggested that mandatory approaches could discourage the evolution of innovation practices, and that therefore some degree of flexibility is necessary to identify best practices”, we are wondering if this correctly reflects the views of the majority of IAIS members based on objective data. Unless objective rationales exist, this statement should be deleted.</p> <p>We think that mandatory disclosures without established methods may lead to a one-size-fits-all approach, such as simply placing checkmarks on check-sheets, and that this is unlikely to promote the insurance sector’s understanding nor will it lead to actions regarding climate-related risks and opportunities. It is important to start with voluntary disclosures to share practices, and to promote disclosures step-by-step.</p> <p>Given that disclosure methodologies based on the TCFD Recommendations are yet to be established, using the expression “best practices” is misleading. We propose replacing it with “good practices”.</p> <p>In addition, this paragraph only mentions views that promote making disclosures mandatory, despite stating in the beginning, “Supervisors have expressed a range of views on whether or not climate-related disclosure should be mandatory or remain voluntary in nature...”. In order to ensure the impartiality of this IP, views from both sides should be taken up. For example, Japan’s Ministry of Economy, Trade and Industry regards voluntary disclosures as a positive measure, stating that “it is assumed that accumulating companies’ disclosures and investor feedbacks on such information will lead to finding ways for better disclosure”. (In the Guidance for Climate-related Financial Disclosure (TCFD Guidance) released in December 2018.)</p>
Section 4.1.8	We propose changing the orders of 4.1.7 and 4.1.8. Considering the spirit of the TCFD, 4.1.7 should not be positioned after 4.1.8 given that it was developed as a voluntary disclosure framework.

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58	As disclosure methodologies based on the TCFD Recommendations are yet to be established, use of the expression “best practices” is misleading. We propose replacing it with “good practices”.
60	Although it is stated that, “Finally, only a small number of the surveyed insurers have made plans to, or are already taking steps to, actually implement the TCFD Recommendations and to deliver TCFD aligned disclosures”, leading insurers (i.e., those able to secure resources relatively easily) have an edge over others in terms of TCFD aligned disclosures. In addition, raising the standard of the insurance sector is still at an early stage. Developing disclosure methodologies is also just getting started by the UNEP FI’s TCFD insurance pilot group. Both disclosers and disclosed have only just begun their efforts within voluntary frameworks and are about to enhance the quality of their disclosures.
61	<p>The sentence, “Given this wide dispersion…” seems to support mandatory disclosure and should be deleted. The conclusion of this paper should be for supervisors to establish the most appropriate means of implementing the TCFD Recommendations in their own jurisdictions, and must not encourage supervisors to make the Recommendations mandatory.</p> <p>We do not support the implication that a purely voluntary pathway towards adoption of TCFD Recommendations has problems just because there is a wide dispersion on climate-related disclosure among insurers. Leading insurers (i.e., those able to secure resources relatively easily) have an edge over others in terms of TCFD aligned disclosures. In addition, raising the standard of the insurance sector is still at an early stage. Developing disclosure methodologies is also just getting started by the UNEP FI’s TCFD insurance pilot group. Both disclosers and disclosed have only just begun their efforts within voluntary frameworks and are about to enhance the quality of their disclosures. While “a purely voluntary pathway towards adoption of TCFD Recommendations” could yield the disclosures of the required quality, this IP does not state enough rationale about the sentence, and is inappropriate from that aspect as well.</p>
Annex 1	In line with the aims of the TCFD Recommendations, the nature of TCFD aligned disclosures only become meaningful after all the market participants deliver them. In Japan, with the premise of voluntary disclosure, many companies, in addition to the insurance industry, support the TCFD recommendations through activities such as the TCFD Consortium of Japan. In Japan, the financial/insurance supervisor builds cross-sectoral cooperating mechanisms while working with other ministries. Through initiatives such as the TCFD Consortium of Japan, discussions and considerations regarding methodologies of disclosures, which are led by the private sector in cooperation with public sector, are becoming more active. We think such initiatives are beneficial.