SASB STANDARDS

Now part of IFRS Foundation

Insurance

Sustainability Accounting Standard

FINANCIALS SECTOR

Sustainable Industry Classification System® (SICS®) FN-IN

Under Stewardship of the International Sustainability Standards Board

INDUSTRY STANDARD | VERSION 2023-12

IFRS® Sustainability

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ABOUT THE SASB STANDARDS

As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards. The ISSB has committed to maintain, enhance and evolve the SASB Standards and encourages preparers and investors to continue to use the SASB Standards.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) requires entities to refer to and consider the applicability of disclosure topics in the SASB Standards when identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Similarly, IFRS S1 requires entities to refer to and consider the applicability of metrics in the SASB Standards when determining what information to disclose regarding sustainability-related risks and opportunities.

In June 2023, the ISSB amended climate-related topics and metrics in the SASB Standards to align them with the industry-based guidance accompanying IFRS S2 *Climate-related Disclosures*. In December 2023, the ISSB amended the non-climate-related topics and metrics in connection with the International Applicability of SASB Standards project.

Effective Date

This version 2023-12 of the Standard is effective for all entities for annual periods beginning or after January 1, 2025. Early adoption is permitted for all entities.

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INTRODUCTION

Overview of SASB Standards

The SASB Standards are a set of 77 industry-specific sustainability accounting standards (“SASB Standards” or “Industry Standards”), categorised pursuant to the Sustainable Industry Classification System® (SICS®).

SASB Standards include:

1. **Industry descriptions** – which are intended to help entities identify applicable industry guidance by describing the business models, associated activities and other common features that characterise participation in the industry.

2. **Disclosure topics** – which describe specific sustainability-related risks or opportunities associated with the activities conducted by entities within a particular industry.

3. **Metrics** – which accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information regarding an entity’s performance for a specific disclosure topic.

4. **Technical protocols** – which provide guidance on definitions, scope, implementation and presentation of associated metrics.

5. **Activity metrics** – which quantify the scale of specific activities or operations by an entity and are intended for use in conjunction with the metrics referred to in point 3 to normalise data and facilitate comparison.

Entities using the SASB Standards as part of their implementation of ISSB Standards should consider the relevant ISSB application guidance.

For entities using the SASB Standards independently from ISSB Standards, the *SASB Standards Application Guidance* establishes guidance applicable to the use of all Industry Standards and is considered part of the Standards. Unless otherwise specified in the technical protocols contained in the Industry Standards, the guidance in the SASB Standards Application Guidance applies to the definitions, scope, implementation, compilation and presentation of the metrics in the Industry Standards.

Historically, the *SASB Conceptual Framework* set out the basic concepts, principles, definitions and objectives that guided the SASB Standards Board in its approach to setting standards for sustainability accounting.

Use of the Standards

SASB Standards are intended to aid entities in disclosing information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. An entity determines which Industry Standard(s) and which disclosure topics are relevant to its business, and which associated metrics to report. In general, an entity should use the SASB Standard specific to its primary industry as identified in SICS® . However, companies with substantial business in multiple SICS® industries should refer to and consider the applicability of the disclosure topics and associated metrics in additional SASB Standards.

The disclosure topics and associated metrics contained in this Standard have been identified as those that are likely to be useful to investors. However, the responsibility for making materiality judgements and determinations rests with the reporting entity.

Industry Description

The Insurance industry provides both traditional and non-traditional insurance-related products. Traditional policy lines include property, life, casualty and reinsurance. Non-traditional products include annuities, alternative risk transfers and financial guarantees. Entities in the insurance industry also engage in proprietary investments. Insurance entities generally operate within a single segment in the industry, for example, property and casualty, although some large insurance entities have diversified operations. Similarly, entities may vary based on the level of their geographical segmentation. Whereas large entities may underwrite insurance premiums in many countries, smaller entities generally operate in a single country or jurisdiction. Insurance premiums, underwriting revenue and investment income drive industry growth, while insurance claim payments present the most significant cost and source of uncertainty for profits. Insurance entities provide products and services that enable the transfer, pooling and sharing of risk necessary for a well-functioning economy. Insurance entities, through their products, can also create a form of moral hazard, reducing incentives to improve underlying behaviour and performance, and thus contributing to sustainability-related impacts. Like other financial institutions, insurance entities face risks associated with credit and financial markets. Within the industry, regulators have identified entities that engage in non-traditional or non-insurance activities, including credit default swaps (CDS) protection and debt securities insurance, as being more vulnerable to financial market developments, and therefore more likely to amplify or contribute to systemic risk. As a result, some insurance entities may be designated as Systemically Important Financial Institutions, thus exposing them to increased regulation and oversight.

Note: Topics and metrics regarding sustainability issues associated with the provision of health insurance are outlined in the Managed Care (HC-MC) industry.

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SUSTAINABILITY DISCLOSURE TOPICS & METRICS

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Transparent Information & Fair Advice for Customers	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers [1]	Quantitative	Presentation currency	FN-IN-270a.1
	Complaints-to-claims ratio	Quantitative	Rate	FN-IN-270a.2
	Customer retention rate	Quantitative	Rate	FN-IN-270a.3
	Description of approach to informing customers about products	Discussion and Analysis	n/a	FN-IN-270a.4
Incorporation of Environmental, Social and Governance Factors in Investment Management	Description of approach to incorporation of environmental, social and governance (ESG) factors in investment management processes and strategies	Discussion and Analysis	n/a	FN-IN-410a.2
Policies Designed to Incentivise Responsible Behaviour	Net premiums written related to energy efficiency and low carbon technology	Quantitative	Presentation currency	FN-IN-410b.1
	Discussion of products or product features that incentivise health, safety or environmentally responsible actions or behaviours	Discussion and Analysis	n/a	FN-IN-410b.2
Financed Emissions	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	Quantitative	Metric tonnes (t) CO_2-e	FN-IN-410c.1
	Gross exposure for each industry by asset class	Quantitative	Presentation currency	FN-IN-410c.2
	Percentage of gross exposure included in the financed emissions calculation	Quantitative	Percentage %	FN-IN-410c.3
	Description of the methodology used to calculate financed emissions	Discussion and Analysis	n/a	FN-IN-410c.4

continued...

[1] Note to **FN-IN-270a.1** – The entity shall briefly describe the nature, context and any corrective actions because of monetary losses.

...continued

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Physical Risk Exposure	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes [2]	Quantitative	Presentation currency	FN-IN-450a.1
	Total amount of monetary losses attributable to insurance pay-outs from (1) modelled natural catastrophes and (2) non-modelled natural catastrophes, by type of event and geographical segment (net and gross of reinsurance) [3]	Quantitative	Presentation currency	FN-IN-450a.2
	Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of entity-level risks and capital adequacy	Discussion and Analysis	n/a	FN-IN-450a.3
Systemic Risk Management	Exposure to derivative instruments by category: (1) total exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with a central clearinghouse, and (3) total exposure to centrally cleared derivatives	Quantitative	Presentation currency	FN-IN-550a.1
	Total fair value of securities lending collateral assets	Quantitative	Presentation currency	FN-IN-550a.2
	Description of approach to managing capital- and liquidity-related risks associated with systemic non-insurance activities	Discussion and Analysis	n/a	FN-IN-550a.3

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance[4]	Quantitative	Number	FN-IN-000.A

[2] Note to **FN-IN-450a.1** – The entity shall describe climate-related scenarios used, including the critical input parameters, assumptions and considerations, analytical choices, and time frames, in calculation of the PML.

[3] Note to **FN-IN-450a.2** – The entity shall discuss how climate change-related impacts and variability of weather-related losses impact the cost of reinsurance and the entity's approach to transferring risk through reinsurance.

[4] Note to **FN-IN-000.A** – The entity additionally may disaggregate the number of policies in force by product line.

Transparent Information & Fair Advice for Customers

Topic Summary

Insurance products play an important societal role in alleviating unexpected economic shocks, allowing individual policyholders to reduce the financial consequences of events such as illnesses, accidents and deaths. However, unclear insurance policies, ambiguous product terms and potentially misleading sales tactics may erode brand reputation, spur legal disputes, and reduce the number of services and products an entity can offer. Regulators may deem some policies overly complex and unsuitable for customers. Moreover, entities compete based on financial strength, price, brand reputation, services offered and customer relationships. Dissatisfied customers may reduce or avoid insurance coverage, potentially leading to negative financial outcomes such as personal bankruptcies. While financial regulators continue to emphasise consumer protection and accountability, entities that maintain transparent policy terms and sell products to customers best suited to them may better maintain their brand reputation, avoid regulatory scrutiny and protect shareholder value. Failure to inform customers about products in a clear and transparent manner may result in increased consumer complaints, customer churn, or regulatory fines and settlements.

Metrics

FN-IN-270a.1. Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers

1 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers.

1.1 The scope of the disclosure includes legal proceedings related to false advertising, transparency of small print, marketing to vulnerable groups (for example, small investors), transparency of fees, mis-selling products, overcharging clients, and legal responsibility of the entity with respect to transparent information and fair advice.

2 The legal proceedings shall include any adjudicative proceeding involving the entity, whether before a court, a regulator, an arbitrator or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement, verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (for example, civil judgements or settlements), regulatory proceedings (for example, penalties, disgorgement or restitution) and criminal actions (for example, criminal judgements, penalties or restitution) brought by any entity (for example, governmental, business or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defence.

5 The scope of the disclosure shall include legal proceedings associated with the enforcement of applicable jurisdictional laws or regulations.

Note to **FN-IN-270a.1**

1 The entity shall briefly describe the nature (for example, judgement or order issued after trial, settlement, guilty plea, deferred prosecution agreement or non-prosecution agreement) and context (for example, fraud, disclosure to clients or employee compensation) of all monetary losses resulting from legal proceedings.

2 The entity shall describe any corrective actions implemented in response to legal proceedings. This may include specific changes in operations, management, processes, products, business partners, training or technology.

FN-IN-270a.2. Complaints-to-claims ratio

1 The entity shall disclose its complaints-to-claims ratio.

2 The entity shall calculate the ratio as the number of complaints the entity received across all insurance segments and regions during the reporting period per 1,000 claims filed across all segments and regions during the same reporting period.

3 The scope of the disclosure shall include all insurance-related consumer complaints reported to an external dispute resolution organisation.

3.1 An external dispute organisation is defined as a regulator, ombudsman service or other external dispute resolution scheme that performs independent reviews of consumer complaints.

4 The scope of the disclosure shall include only confirmed consumer complaints, which are defined as complaints in which the final resolution by the respective external dispute organisation is upheld.

5 If relevant, the entity additionally may disclose the complaints-to-claims ratio by product segment (for example, commercial, consumer), insurance type (for example, property, casualty, life), region or another categorisation.

FN-IN-270a.3. Customer retention rate

1 The entity shall disclose its customer retention rate.

2 The rate shall be calculated as: (total number of customers at close of reporting period minus the new customers added during the reporting period), divided by (total number of customers at the close of the previous reporting period minus the total number of customers involuntarily terminated during the reporting period minus the attrition of customers in employer-sponsored plans).

2.1 Involuntarily terminated customers—those whose coverage the entity terminated because of non-payment, fraud or intentional misrepresentation of material facts—shall be excluded from the calculation.

2.2 Attrition of customers in employer-sponsored plans (for example, life insurance plans) because of turnover (voluntary or involuntary) shall be excluded from the calculation.

3 If relevant, the entity additionally may disclose the retention rate by product segment (for example, commercial, consumer), insurance type (for example, property, casualty, life), region or another categorisation.

FN-IN-270a.4. Description of approach to informing customers about products

1 The entity shall describe how it informs customers about its products and services, including the transparency of content, method of communication, frequency of communication and responsibility for communication.

2 The entity shall describe its policies and procedures related to the marketing and communication of information about its insurance products to customers.

2.1 The scope of the disclosure includes prospective as well as current customers.

3 The discussion shall include the communication of information regarding:

3.1 suitability of insurance products (for example, risk profile);

3.2 insurance product cost structure;

3.3 insurance coverage terms (for example, limits);

3.4 insurance coverage scope;

3.5 any unique policy exclusions or exceptions (for example, anti-concurrent causation clauses);

3.6 processes for payment of claims (for example, role of adjuster, disputes or settlements); and

3.7 availability of information throughout a customer's lifecycle (for example, through online access).

4 The entity shall describe its communication processes.

4.1 The discussion shall include:

4.1.1 mechanisms used (for example, direct mailing, online accounts or telephone hotlines); and

4.1.2 responsible staff involved (for example, sales and marketing, or adjusters).

5 The disclosure scope shall include the entity's policies and procedures related to communication at all stages of a customer's lifecycle, such as during the sale of a product or filing of a claim.

6 The entity shall discuss the regulatory environment related to marketing and communication to customers in which it operates.

6.1 The discussion shall include marketing and communication policies and procedures the entity adopted to attain regulatory compliance, as well as policies and procedures the entity adopted voluntarily as industry best practice.

Incorporation of Environmental, Social and Governance Factors in Investment Management

Topic Summary

Insurance entities must invest capital to preserve accumulated premium revenues equivalent to expected policy claim pay-outs and maintain long-term asset-liability parity. Because environmental, social and governance (ESG) factors increasingly have a material impact on the performance of corporations and other assets, insurance entities increasingly must incorporate these factors into their investment management. Failure to address these issues may diminish risk-adjusted portfolio returns and limit an entity's ability to issue claim payments. Entities, therefore, should enhance disclosure on how they incorporate ESG factors, including climate change and natural resource constraints, into the investment of policy premiums and how they affect the portfolio risk.

Metrics

FN-IN-410a.2. Description of approach to incorporation of environmental, social and governance (ESG) factors in investment management processes and strategies

1 The entity shall describe its approach to incorporation of environmental, social and governance (ESG) factors in its investment management processes and strategies.

1.1 The definition of incorporation of ESG factors is aligned with that of the Global Sustainable Investment Alliance (GSIA) and includes the use of ESG information in the investment decision-making processes.

1.2 The *PRI Reporting Framework—Main definitions 2018*, section 'ESG issues', provides examples of ESG factors/issues.

1.3 Incorporation of ESG factors includes the following approaches, consistent with the *PRI Reporting Framework—Main definitions 2018*:

1.3.1 Screening, including a) negative/exclusionary, b) positive/best-in-class and c) norms-based

1.3.2 Sustainability-themed investment, defined as investment in themes or assets specifically related to sustainability (for example, clean energy, green technology or sustainable agriculture)

1.3.3 Integration of ESG, defined as the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions

1.3.4 A combination of the approaches.

2 The entity shall describe regulatory requirements to which it is subject that limit the types of allowable investments the entity may make, as well as the allowable credit and equity risk to which the entity may be exposed.

2.1 The description of the entity's approach to incorporation of ESG factors in its investment management processes and strategies shall be provided in the context of the regulatory environment to which the entity is subject.

3 The entity shall describe policies that determine its approach to incorporation of ESG factors in its investment management processes and strategies.

4 The entity shall describe how it implements ESG incorporation practices.

4.1 The discussion shall include:

4.1.1 Parties responsible for day-to-day incorporation of ESG factors

4.1.2 Roles and responsibilities of employees involved

4.1.3 Approach to conducting ESG-related research

4.1.4 Approach to incorporating ESG factors into investment strategies

5 The entity shall describe its oversight/accountability approach to the incorporation of ESG factors.

5.1 The discussion shall include:

5.1.1 Formal oversight individuals or bodies involved

5.1.2 Roles and responsibilities of employees involved

5.1.3 Criteria used in assessing the quality of ESG incorporation

6 The entity shall discuss whether it conducts scenario analysis or modelling in which the risk profile of future ESG factors at the portfolio level is calculated.

6.1 ESG factors may include climate change, natural resource constraints, human capital risks and opportunities, and cybersecurity risks.

7 The entity shall discuss ESG factors that it considers apply broadly in terms of their impact on sectors and industries, as well as the factors it deems as sector- or industry-specific.

8 The entity shall describe whether it incorporates ESG factors in strategic asset allocation or allocation of assets between sectors or geographical markets.

9 The entity shall describe how it incorporates ESG factors into the assessment of and influence the entity's perspectives on:

9.1 Time horizon of investments

9.2 Risk and return profiles of investments

9.3 Traditional fundamental factors such as economic conditions, central bank policy, industry factors, and geopolitical risks

10 Where relevant, the entity shall discuss how it incorporates ESG factors in selecting external fund managers and fiduciary managers.

10.1 The entity shall describe its oversight/accountability approach to assessing the quality of the incorporation of ESG factors by external fund managers and fiduciary managers, which includes:

10.1.1 Formal oversight individuals or bodies involved

10.1.2 Roles and responsibilities of employees involved

10.1.3 Criteria used in assessing the quality of ESG incorporation

11 Where relevant, the description of the entity's approach to incorporation of ESG factors in its investment management activities shall be disaggregated by asset class or by style employed.

11.1 The discussion shall include, but is not limited to, the differences in the entity's approaches to incorporation of ESG factors in:

11.1.1 Public equity, fixed income, private equity or alternative asset classes

11.1.2 Passive versus active investment strategies

11.1.3 Fundamental, quantitative and technical analyses of investments

Policies Designed to Incentivise Responsible Behaviour

Topic Summary

Advances in technology and the development of new policy products have allowed insurance entities to limit claim payments while encouraging responsible behaviour. The industry is subsequently in a unique position to generate positive social and environmental externalities. Insurance entities can incentivise healthy lifestyles and safe behaviour as well as develop sustainability-related projects and technologies, such as those focused on renewable energy, energy efficiency and carbon capture. As the renewable energy industry continues to grow, insurance entities may seek related growth opportunities by underwriting insurance in this area. Additionally, policy clauses may encourage customers to incorporate environmental, social and governance (ESG) factors to mitigate overall underwriting portfolio risk, which may reduce insurance pay-outs over the long term. Therefore, disclosure on products related to energy efficiency and low carbon technology, as well as discussion of how entities incentivise health, safety or environmentally responsible actions or behaviours, may assist investors in assessing how insurance entities incentivise responsible behaviour.

Metrics

FN-IN-410b.1. Net premiums written related to energy efficiency and low carbon technology

1 The entity shall disclose the net premiums written for policies related to energy efficiency and low carbon technology, including renewable energy insurance, energy savings warranties, and carbon capture and storage insurance.

1.1 The disclosure scope includes policies that can be demonstrated to absorb environmental risks, thereby enabling sustainability-related projects, technologies and activities.

1.2 Renewable energy insurance may range from specialised protection against natural hazards or mechanical breakdowns to insurance against fluctuations in the availability of wind or solar radiation.

1.3 Energy savings warranties insure the energy savings guaranteed by Energy Services Entities (ESCOs) for building retrofitting and other energy efficiency projects.

2 The disclosure scope shall include policies in which the insurer has priced and identified separately such net premiums in its customer billing.

FN-IN-410b.2. Discussion of products or product features that incentivise health, safety or environmentally responsible actions or behaviours

1 The entity shall describe how it incentivises health, safety or environmentally responsible actions or behaviours through incorporation of clauses in the insurance policies sold to clients and through pricing structure of the policies.

1.1 The scope of disclosure includes policies underwritten in the Property & Casualty (P&C) and Life segments and excludes Health Insurance policies.

1.2 The scope of disclosure includes the consumer insurance segment and the commercial insurance segment:

1.2.1 The consumer segment includes homeowners, automotive, supplemental health and accident, and other personal insurance.

1.2.2 The commercial segment includes casualty (for example, liability, workers' compensation), property, specialty (for example, crop, marine, political risk) and financial (for example, errors and omissions, fiduciary liability) insurance.

2 Disclosure shall include a description of the aspects of traditional products that incentivise health, safety or environmentally responsible actions or behaviour. Such aspects may include:

2.1 Premium discounts for green buildings

2.2 Premium discounts for improving resource efficiency of properties

2.3 Actuarially adjusted premiums for the use of low-emission vehicles, fuel-efficient non-hybrid vehicles or alternative-fuel vehicles

2.4 Premium discounts for safer driving and lower use of personal vehicles

2.5 Premium discounts for healthy behaviour (healthy diet, routine exercise, weight loss, giving up smoking/ drinking).

3 The entity may disclose quantitative measures related to performance on underwriting of products with clauses incentivising healthy, safe or environmentally responsible actions or behaviour, such as:

3.1 Number of policies incorporating such clauses

3.2 Amount of premiums generated from the relevant products

3.3 Quantitative measures of the associated social and environmental factors influenced through products (reduction in the amount of car accidents involving policyholders, amount of exercise hours per week, average amount of weight lost by a policyholder).

Financed Emissions

Topic Summary

Entities participating in insurance activities face risks and opportunities related to the greenhouse gas emissions associated with those activities. Counterparties, borrowers or investees with higher emissions might be more susceptible to risks associated with technological changes, shifts in supply and demand and policy change which in turn can impact the prospects of a financial institution that is providing financial services to these entities. These risks and opportunities can arise in the form of credit risk, market risk, reputational risk and other financial and operational risks. For example, credit risk might arise in relation to financing clients affected by increasingly stringent carbon taxes, fuel efficiency regulations or other policies; credit risk might also arise through related technological shifts. Reputational risk might arise from financing fossil-fuel projects. Entities participating in insurance activities are increasingly monitoring and managing such risks by measuring their financed emissions. This measurement serves as an indicator of an entity's exposure to climate-related risks and opportunities and how it might need to adapt its financial activities over time.

Metrics

FN-IN-410c.1. Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3

1 The entity shall disclose its absolute gross financed emissions, disaggregated by Scope 1, Scope 2, and Scope 3 emissions for each industry by asset class.

1.1 In preparing this disclosure, the entity shall apply the requirements for measuring greenhouse gas emissions in accordance with paragraph 29(a) of IFRS S2 *Climate-related Disclosures* (S2) and the corresponding requirements in paragraph B63 for entities with insurance activities.

1.2 In applying paragraph B63 of S2, the entity shall apply the principles of aggregation and disaggregation from paragraphs B29 and B30 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information.*

FN-IN-410c.2. Gross exposure for each industry by asset class

1 The entity shall disclose the gross exposure for each industry by asset class, expressed in the presentation currency of the entity's financial statements.

1.1 In preparing this disclosure, the entity shall apply the requirements in paragraph B63 of IFRS S2 *Climate-related Disclosures* (S2) for entities with insurance activities.

1.2 In applying paragraph B63 of S2, the entity shall apply the principles of aggregation and disaggregation from paragraphs B29 and B30 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information.*

FN-IN-410c.3. Percentage of gross exposure included in the financed emissions calculation

1 The entity shall disclose the percentage of the entity's gross exposure included in the financed emissions calculation.

1.1 In preparing this disclosure, the entity shall apply the requirements in paragraph B63 of IFRS S2 *Climate-related Disclosures* (S2) for entities with insurance activities.

1.2 In applying paragraph B63 of S2, the entity shall apply the principles of aggregation and disaggregation from paragraphs B29 and B30 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

2 If the percentage of the entity's gross exposure included in the financed emissions calculation is less than 100%, the entity shall disclose information that explains the exclusions, including the type of assets excluded.

FN-IN-410c.4. Description of the methodology used to calculate financed emissions

1 The entity shall disclose the methodology the entity used to calculate its financed emissions, including the method of allocation the entity used to attribute its share of emissions in relation to the size of gross exposure.

1.1 In preparing this disclosure, the entity shall apply the requirements for measuring greenhouse gas emissions in accordance with paragraph 29(a) of IFRS S2 *Climate-related Disclosures* (S2) and the corresponding requirements in paragraph B63 for entities with insurance activities.

1.2 In applying paragraph B63 of S2, the entity shall apply the principle of estimation from paragraph 78 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information.*

Physical Risk Exposure

Topic Summary

Catastrophic losses associated with extreme weather events will continue to have a material, adverse effect on the Insurance industry. The extent of this effect may evolve as climate change increases the frequency and severity of both modelled and non-modelled natural catastrophes, including hurricanes, floods and droughts. Failure to appropriately understand environmental risks, and price them into the underwritten insurance products, may result in higher-than-expected claims on policies. Therefore, insurance entities that incorporate climate change considerations into their underwriting process for individual contracts, as well as the management of entity-level risks and capital adequacy, may be better positioned to create value over the long-term. Enhanced disclosure of an entity's approach to incorporating these factors, in addition to quantitative data such as the probable maximum loss and total losses attributable to insurance pay-outs, may provide investors with the information necessary to assess current and future performance on this issue.

Metrics

FN-IN-450a.1. Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes

1 The entity shall disclose the Probable Maximum Loss (PML) of insured products from natural peril catastrophe events.

1.1 PML is defined as the anticipated value of the largest monetary loss affecting the entity's insurance portfolio that could result from weather-related natural catastrophes and is based on catastrophe modelling and exceedance probability (EP).

1.2 The disclosure scope of natural peril catastrophic events includes: hurricanes (typhoons), tornadoes, tsunamis, floods, droughts, extreme heat and winter weather.

2 The entity shall disclose the PML using, at a minimum, three likelihood of exceedance scenarios: (1) 2% (1-in-50); (2) 1% (1-in-100); (3) 0.4% (1-in-250).

2.1 The entity may disclose additional likelihood of exceedance scenarios.

3 The entity shall disaggregate the PML by geographical location.

4 The entity shall report the PML amount on gross and net of catastrophe reinsurance bases.

4.1 The gross PML is the gross probable maximum loss for natural peril catastrophic events (prior to reinsurance) for annual aggregate exposure to all risks, including reinstatement premiums for the year following the relevant year based upon the entity's catastrophe model.

4.2 The net PML is the net probable maximum loss for natural peril catastrophic events (after reinsurance) for annual aggregate exposure to all risks, including reinstatement premiums for the year following the relevant year based upon the entity's catastrophe model.

5 Disclosure shall be provided for relevant geographical regions.

6 The entity may summarise the disaggregation of the PML in the following tables:

Table 3. Gross PML

	1-IN-50	1-IN-100	1-IN-250
Hurricanes (Typhoons)			
Tornadoes			
Tsunamis			
Floods			
Droughts			
Extreme Heat			
Winter Weather			

Table 4. Net PML

	1-IN-50	1-IN-100	1-IN-250
Hurricanes (Typhoons)			
Tornadoes			
Tsunamis			
Floods			
Droughts			
Extreme Heat			
Winter Weather			

Note to **FN-IN-450a.1**

1 The entity shall describe climate-related scenarios used, including the critical input parameters, assumptions and considerations, analytical choices, and time frames, in calculation of the PML, as aligned with the *Task Force on Climate-related Financial Disclosures (TCFD) Supplemental Guidance for Insurance Companies.*

FN-IN-450a.2. Total amount of monetary losses attributable to insurance pay-outs from (1) modelled natural catastrophes and (2) non-modelled natural catastrophes, by type of event and geographical segment (net and gross of reinsurance)

1 The entity shall disclose the amount of policyholder benefits paid and claims incurred during the reporting period resulting from policy losses and benefits expenses related to modelled and non-modelled natural peril catastrophe events.

1.1 The disclosure scope of natural peril catastrophic events includes: hurricanes (typhoons), tornadoes, tsunamis, floods, droughts, extreme heat and winter weather.

2 Benefits and claims incurred shall be disclosed in accordance with IFRS 17 *Insurance Contracts*.

3 The entity shall disaggregate policy losses and benefits expenses for modelled and non-modelled natural peril catastrophe events.

3.1 Modelled natural catastrophes are typically large-scale events, such as hurricanes and earthquakes, that the entity has analysed using a catastrophic risk model.

3.2 Non-modelled events are typically smaller-scale events, such as floods, droughts, snowstorms and tornadoes, that the entity has not analysed using a catastrophic model (CAT model).

3.2.1 CAT models are probabilistic mathematical models that simulate hazardous events and estimate the associated potential damages and insured losses. They may be conducted by the entity or by a third party on behalf of the entity.

4 The entity shall disaggregate policy losses and benefits expenses by geographical segment.

5 The entity shall disaggregate policy losses and benefits expenses by natural peril catastrophic events.

5.1 Where relevant, natural peril catastrophic events include: hurricanes (typhoons), tornadoes, tsunamis, floods, droughts, extreme heat and winter weather.

6 The entity shall report the policy losses and benefits expenses on a gross and net of catastrophe reinsurance base.

6.1 The net amount shall be calculated as the gross amount of policy losses and benefits expenses from natural peril catastrophe events minus the recoverables from ceded reinsurance.

7 The entity shall consider IFRS 17 *Insurance Contracts* a normative reference, thus any future updates made to it shall be considered updates to this guidance.

Note to **FN-IN-450a.2**

1 The entity shall discuss its strategy around enhancing catastrophe modelling.

2 The entity shall discuss how climate change-related impacts and variability of weather-related losses effect the cost of reinsurance and the entity's approach to transferring risk through reinsurance.

FN-IN-450a.3. Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of entity-level risks and capital adequacy

1 The entity shall describe its approach to incorporation of environmental risks into both individual policyholder contracts and entity-wide assessments of risk.

2 The entity shall describe the processes for identifying and assessing climate-related risks on insurance and reinsurance portfolios by geography, business division or product segments.

2.1 Climate-related risks are defined by the Task Force on Climate-related Financial Disclosures (TCFD) as:

2.1.1 Physical risks from changing frequencies and intensities of weather-related perils

2.1.2 Transition risks resulting from a reduction in insurable interest because of a decline in value, changing energy costs or implementation of carbon regulation

2.1.3 Liability risks that could intensify due to a possible increase in litigation

3 The entity shall describe what it considers to be the relevant short-, medium- and long-term horizons in the context of the underwriting process for individual contracts as well as the management of entity-level risks and capital adequacy.

4 The entity shall describe specific climate-related risks for each time horizon (short, medium and long term) that the entity considers in the underwriting process for individual contracts as well as in the management of entity-level risks and capital adequacy.

5 The entity shall describe the process for integration of climate-related risks in probabilistic mathematical models (catastrophic models).

5.1 Discussion shall include:

5.1.1 The use of new and emerging datasets (for example, for dam burst risk)

5.1.2 The use of the critical input parameters, assumptions and considerations, and analytical choices

5.2 Discussion shall be provided in the context of the relevant short-, medium- and long-term horizons.

6 The entity shall describe how outputs of catastrophe models inform its underwriting decisions.

6.1 Discussion shall include:

6.1.1 Development of insurance and reinsurance products which account for climate-related risks

6.1.2 Pricing of insurance and reinsurance policies

6.1.3 Client selection (for example, the type of events the entity chooses to cover or not, or geographical markets in which the entity chooses not to underwrite policies)

6.1.4 Cedent selection (for example, decisions on the amount of risk the entity chooses to transfer through reinsurance).

6.2 Discussion shall be provided in the context of the relevant short-, medium- and long-term horizons.

7 The entity shall describe the process for incorporation of clauses in the insurance policies sold to clients that incentivise reduction of exposure to climate-related risks of insured assets through pricing structure of the policies.

7.1 Discussion shall include incentives such as:

7.1.1 The use of sustainable building materials

7.1.2 Enhancement of the weather resiliency of properties

7.1.3 Coverage of properties in communities with building codes requiring climate-risk adaptations

8 The entity shall discuss the process for integration of environmental risks into entity-wide assessments.

8.1 Discussion shall include:

8.1.1 Consideration of risks by segment (for example, life versus property and casualty)

8.1.2 Capital adequacy

8.1.3 Contingency planning for market failure (from many disaster-related claims)

8.1.4 Use of alternative risk transfer (for example, catastrophe bonds, weather derivatives).

8.2 Discussion shall be provided in the context of the relevant short-, medium- and long-term horizons.

9 The entity may discuss how sustainability risks are integrated into its use of an enterprise risk management (ERM) framework, such as the *Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management–Integrated Framework*.

Systemic Risk Management

Topic Summary

Entities in the Insurance industry have the potential to pose, amplify or transmit a threat to the financial system. The size, interconnectedness and complexity of entities highlight the industry's exposure to systemic risk. Regulators have identified entities that engage in non-traditional or non-insurance-related activities as being more vulnerable to financial market developments and subsequently more likely to contribute to systemic risk. As a result, entities may be designated as Systemically Important Financial Institutions. Central banking systems in various jurisdictions may subject such entities to stricter prudential regulatory standards and oversight. Such entities may face stricter limits on their risk-based capital, leverage, liquidity and credit exposure. In addition, regulators may require entities to maintain a plan for rapid and orderly dissolution in the event of financial distress. Regulatory compliance can be costly, and failure to meet qualitative and quantitative regulatory performance thresholds could lead to substantial penalties. To demonstrate how these risks are being managed, entities should disclose important aspects of their systemic risk management and their ability to meet stricter regulatory requirements.

Metrics

FN-IN-550a.1. Exposure to derivative instruments by category: (1) total exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with a central clearinghouse, and (3) total exposure to centrally cleared derivatives

1 The entity shall disclose its exposure to all derivatives, regardless of maturity date, for these categories: (1) total exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with a central clearinghouse or clearing counterparty and (3) total exposure to centrally cleared derivatives.

1.1 Non-centrally cleared derivatives are defined as derivatives not cleared through a central counterparty or clearing counterparty.

1.2 Centrally cleared derivatives are defined as derivatives cleared through a central counterparty or clearing counterparty.

1.3 Derivatives shall include the same instruments accounted for as derivatives in accordance with jurisdictional regulatory filings or financial reporting. The entity shall state the jurisdictional regulatory filings or financial reporting standards used.

2 Total exposure to non-centrally cleared derivatives shall include exposure to all counterparties regardless of credit quality.

2.1 The amount shall include non-centrally cleared over-the-counter (OTC) derivatives.

2.2 The amount shall exclude centrally cleared derivatives and exchange-traded derivatives.

3 Total fair value of acceptable collateral posted with a central clearinghouse or clearing counterparty shall include the amount posted in relation to all centrally cleared derivatives excluding exchange-traded derivatives.

3.1 The scope of the disclosure shall exclude non-centrally cleared OTC derivatives.

4 The scope of total exposure to centrally cleared derivatives, excluding exchange-traded derivatives, shall exclude non-centrally cleared OTC derivatives.

5 The entity shall calculate its total exposure to derivatives in accordance with applicable jurisdictional regulatory filings or financial reporting. The entity shall state the jurisdictional regulatory filings or financial reporting standards used.

6 In the absence of jurisdictional requirements, the entity may consider the International Association of Insurance Supervisors' (IAIS) *Insurance Core Principles* (ICP) 15, 'Investments'.

FN-IN-550a.2. Total fair value of securities lending collateral assets

1 The entity shall disclose the total fair value of securities lending reinvested collateral assets, both on- and off-balance sheet, regardless of maturity date.

1.1 The scope of the disclosure shall include:

1.1.1 real estate;

1.1.2 mortgage loans;

1.1.3 bonds and equities;

1.1.4 options, caps, floors, collars, swaps, future contracts and forwards; and

1.1.5 cash.

2 The fair value of securities lending collateral assets shall be calculated in accordance with applicable jurisdictional regulatory filings or financial reporting. The entity shall state the jurisdictional regulatory filings or financial reporting standards used.

2.1 The entity may refer to the International Association of Insurance Supervisors' (IAIS) *Insurance Core Principles* (ICP) in measuring fair value of securities lending collateral assets.

FN-IN-550a.3. Description of approach to managing capital- and liquidity-related risks associated with systemic non-insurance activities

1 The entity shall describe how it manages capital- and liquidity-related risks associated with the entity's engagement in systemic non-insurance activities.

1.1 Systemic non-insurance activities are defined as investment and funding or other capital market activities that result in maturity or liquidity transformation, leverage or imperfect transfer of credit risk, such as repurchase agreements and securities lending or the writing of derivatives contracts that are not used to hedge risk or do not closely match the underlying exposure.

2 The scope of the disclosure shall include activities of all parts of the entity's insurance group including non-insurance entities (regulated or unregulated) and partly owned entities.

3 The discussion shall include:

3.1 the entity's risk management policy adopted to attain compliance with regulatory frameworks as well as voluntarily as the industry best practice;

3.2 the entity's stress testing as well as contingency planning for stressed situations;

3.3 the entity's liquidity and responsiveness to sudden market movements;

3.4 responsiveness of the entity's enterprise risk management (ERM) framework and risk management policy to change as a result of both internal and external events;

3.5 liquidity risk arising from:

3.5.1 changes in value and liquidity of collateral received in securities lending activities;

3.5.2 investment of collateral in other (illiquid) assets;

3.5.3 mark to market changes in value of underlying instrument;

3.5.4 collateral calls on derivatives contracts; and

3.6 how the entity manages its potential exposure to centrally cleared and non-centrally cleared derivatives.

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