Guernsey Financial Services Commission

GREEN INSURANCE IN GUERNSEY

Feedback Statement

September 2019

Introduction

The Commission released a Discussion Paper in October 2018. It considered how the Bailiwick might become a supportive jurisdiction for green insurance. The Commission has since received several responses to its paper. These are set out here together with the Commission's next steps for green insurance.

Responses

The consensus was generally supportive of the Commission's main proposal to develop green insurance.

Guernsey Green Finance, with input from the Guernsey International Insurance Association, issued a short public statement: https://www.weareguernsey.com/media/6409/green-insurance-in-guernsey.pdf. Principally, this statement expressed caution around reducing weighting requirements for green assets but support for solvency incentives where long-term green liabilities and assets could be aligned. There was support for a common taxonomy, a green logo and heightening the branding of ILS as green.

Another respondent said that the global insurance industry could play a part in the mitigation of carbon emissions, not least as life insurers are predominantly long-term debt investors. However, the legislative and market infrastructure for green investment, whilst improving, was still not robust enough for meaningful investment.

One respondent noted that effective capital stewardship was an important part of protecting the environment, and was more widely pursuing the UN Sustainable Development Goals. A green insurance initiative would help diversify and strengthen Guernsey's financial services sector.

One respondent commented that its own focus for green insurance was Solvency II (which does not apply in Guernsey); and another implied this.

Conclusion

The Commission's green initiative, of which the Discussion Paper is one part, occurs as an increasing number of central banks and global regulators reflect on their contribution to climate change mitigation, with several initiatives already in place. Societal and technological responses to the threats by climate change are developing rapidly. The issues raised in the Discussion Paper will only increase in importance over time.

The Commission therefore remains committed to developing a green insurance agenda. In particular, whilst acknowledging the risks to insurers resulting from climate change, the Commission is keen to support the further development of a regulatory policy towards insurance that limits and mitigates climate change. The Commission remains open to discuss innovative proposals in this respect.

Next Steps

The Commission continues to observe how other supervisors address green insurance. EIOPA recently published a Consultation Paper. This noted that within Solvency II insurers are generally not considering climate risk within the Pillar 1 as it operates on a one-year horizon. EIOPA proposes that that climate risk should be considered within risk management, governance and ORSA as part of Pillar 2. The Commission's view is that this approach may not give sufficient weight to climate risks. The USA is currently considering climate change risk within its solvency model, and there may be benefits from aligning with that should it address climate risk more comprehensively.

The Commission will continue to work with third parties, including Guernsey Green Finance, to help develop the Guernsey Green Finance Strategy in the context of green insurance. The Commission will also continue to participate in the IAIS/UN Sustainable Insurance Forum, in order to collaborate with other regulators around the world on green and sustainable finance.

The Commission has begun to assess the risk of climate change to financial services businesses in the Bailiwick of Guernsey and for this purpose has shaped a series of sector-specific questions – including for Guernsey insurers - for front-line supervisors to discuss with licensees.

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