What do insurers need to know about the NY-DFS climate guidance

Domestic insurers have until August 2022 to implement two actions related to the recent New York Department of Financial Services (NY-DFS) guidance on risks from climate change. Below we outline what’s expected of insurers needing to integrate climate risks into board governance and organizational structure.

- The board should stay abreast of evolving climate risks and assess the company’s exposure to those risks. Another responsibility is to develop the skill, expertise, and knowledge required to assess and manage these risks.

- Board members and management should designate at least one member responsible for the oversight of climate-related risks.

- The insurer’s board should oversee progress toward meeting climate commitments and ensure that related strategies are being employed and evaluated for effectiveness.

- Clearly define roles and responsibilities in organizational structure to support accountability in setting climate risk limits and overseeing their implementation.

- Conduct independent, regular internal reviews of climate risk management processes; report findings to the board.

- Integrate climate risk mitigation commitments that meaningfully impact capital spending into risk and controls systems.

- One or more members of senior management should be responsible for the insurer’s management of climate risks.

- Manage climate risks through an existing enterprise risk management function.

- Implement reliable risk management processes across lines of business; consider climate in enterprise risk reports and ORSA summary reports.

- Consider using remuneration policies to align incentives for managing this risk.

For more information and a list of best practices to address the guidance above, visit: https://www.milliman.com/NYclimateguidance