NAIC members have dedicated significant attention and resources to climate risk and resilience as well as the current property insurance market challenges, supporting efforts both to expand coverage and lower the risk, making coverage more attainable for consumers and markets more stable. Our Climate and Resiliency Task Force has looked holistically at the issue, with commissioner-led work on pre-disaster mitigation and home hardening, insurer solvency, climate risk disclosure, and the role of innovation and technology. Evaluating and understanding the impact of climate risk and severe weather on insurers and insurance markets is embedded throughout our regulatory system, from data, to analysis, to solvency, to disclosure.

The strength of the U.S. state-based insurance regulation system to protect consumers and ensure solvent markets lies in both the flexibility of individual states to employ diverse strategies that respond directly to unique risks and market developments and the commitment of regulators to take collaborative action, gather and share data, promote best practices, and respond to national issues through the NAIC.

We understand and witness the challenges some consumers are facing in finding and affording property insurance first-hand – these are our fellow residents, and in some cases our friends and neighbors. When it comes to property and casualty losses and expenses, state insurance regulators have a front-line perspective on what consumers are experiencing and the challenges that insurance companies are facing as the mix of inflationary pressures and natural perils persists across our nation. When disaster strikes, long after national attention turns elsewhere, state insurance regulators remain in the community helping policyholders understand their insurance coverage and ensuring claims are paid properly so they can rebuild their homes, reopen businesses, and ultimately strengthen the economic and physical recovery of local communities in the wake of climate-related losses. Members of Congress can refer their constituents directly to their state insurance department when severe weather impacts their district, and the NAIC is investing in consumer education and awareness to educate policyholders on what to do before they have a loss, with tools like our Post Disaster Claims Guide

In addition to climate-related risks, there are other important dynamics impacting the insurance market that have little to do with the climate. For example, your letter cites rising insurance costs as a contributing inflationary factor, but it is important to remember that property insurance costs reflect the underlying cost of claims, which include construction materials, underlying home values, the cost and availability of labor, the impact of litigation, and other factors. Put another way, insurance claims reveal the impact of inflation on the things we insure, which in turn is reflected in the price.

As a sector, property insurers have experienced several challenging years of underwriting performance with a combined ratio over 100% (i.e., the ratio of claims and expenses to earned premium), which means that on average, they have been losing money on underwriting for several years. While investment returns have helped offset that underwriting loss, insurers have had to respond by raising prices significantly in some markets more prone to catastrophic losses and adjusting how much business they can safely offer in these areas. The mix of elevated risks

Survey. As a global sector, we have aligned the survey with guidance from the international Task Force on Climate-Related Financial Disclosures (TCFD) to promote consistency across jurisdictions, and it requires insurers to publicly disclose their governance, strategy, risk management practices, and how they measure and monitor climate-related risks.[7] The annual survey, currently issued by 29 states, provides robust insights from a broad range of insurance companies covering nearly 85% of the U.S. insurance market.

Insurers are no longer relying solely on historical loss data to predict future losses, and many now leverage sophisticated catastrophe models that factor in severe weather, the density and construction quality of housing, and economic variables to assist insurers in pricing and underwriting coverage. To keep pace, regulators have created the Catastrophe Modeling Center of Excellence (COE) within the NAIC's Center for Insurance Policy and Research (CIPR) to evaluate catastrophe model usage and provide

31, 2024. In addition, a new CAT (catastrophe) reinsurance disclosure has been added to the RBC CAT section for December 31, 2024, which will require insurers to disclose information about changes in their CAT reinsurance coverage to regulators, which is important given the current hard3 (a)ots2 Tw 0 -1.23/Pag2 (ill)10 (r)2 (e)3 8-torjEP /MC1D 0 BD-8-torjEP /MC2D 0 BDC2 0 -5.

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Conclusion

There is more work to be done. Through the NAIC, state insurance regulators are coming together to execute on a national strategy for climate risk and resilience with clear, actionable goals and objectives to assist regulators, consumers, and insurers in managing the risks of climate-related disasters. While much attention is focused on our Climate and Resilience Task Force, climate risk issues cut across multiple areas of focus, from solvency and financial reporting, to technology and innovation, to market conduct reporting. Our Catastrophe Modeling Center of Excellence has inspired regulators across the globe in other catastrophe prone regions of Europe and Asia, and we are a leading voice in climate risk discussions among global financial regulators as perhaps the first financial regulators in the U.S. to have climate risk disclosures in place for the majority of our market since almost a decade ago.

Building on the solid foundation of the work of state regulators described above, the NAIC and state regulators are creating a long-term framework to better understand property insurance markets and address protection gaps, as we know the current market conditions are straining already stretched pocketbooks for many citizens. We also know that for many Americans, their home is their most valuable asset, and this stored wealth is directly threatened by the increasing frequency and severity of natural disasters exacerbated by climate risk. Insurance pricing and availability exists at the intersection of these escalating forces, and state regulators work every day to ensure that, despite these forces, consumers are treated fairly, and U.S. insurers remain strong, solvent, and competitive.

States are best positioned to do this work, and more importantly, they have the statutory and regulatory power to act quickly. However, insurance alone is not going to address our national response to the increasing frequency and severity of weather events that impact all aspects of our economy. Other financial regulators and policymakers must take appropriate steps to manage and mitigate this risk, but to the extent that insurance has a role to play, so too will state insurance commissioners and the NAIC.

Members of Congress can help by supporting any of the myriad mitigation and risk reduction bills pending before them.[10] Additionally, we urge Congress to pass the Disaster Mitigation and Tax Parity Act of 2023 (S. 1953 and H.R. 4070), which excludes from gross income, for income tax purposes, any qualified catastrophe mitigation payment made under a state-based catastrophe loss mitigation program. Essentially, Congress can fix it so the federal government stops taxing citizens for state-provided disaster mitigation grants, just as federal grants are tax free. ,10.004 o4 ( )1hsmba5-0 2 (Tw 2.46(C) -1.2r8 st)-1 (s)-259 (f)-2 m0 (sa)1 (f)-23 (61S)5 on grd d bam.22

Sincerely,

Andrew N. Mais *(He/Him/His)*
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