

REDESIGNED STATE CLIMATE RISK DISCLOSURE SURVEY

INTENT AND PURPOSE

The Climate Risk Disclosure Survey is a voluntary risk management tool for state insurance regulators to request from insurers on an annual basis a non-confidential disclosure of the insurers' assessment and management of their climate-related risks.

The purpose of the Climate Risk Disclosure Survey is to:

- Enhance transparency about how insurers manage climate-related risks and opportunities.
Identify good practices and vulnerabilities.
- Provide a baseline supervisory tool to assess how climate-related risks may affect the insurance industry.
- Promote insurer strategic management and encourage shared learning for continual improvement.
- Enable better-informed collaboration and engagement on climate-related issues among regulators and interested parties.
- Align with international climate risk disclosure frameworks to reduce redundancy in reporting requirements.

BACKGROUND

The NAIC adopted the original [Climate Risk Disclosure Survey](#) in 2010 and it has since been administered by the California Department of Insurance. In 2021, fifteen states participated in the climate risk disclosure survey initiative, up from six states in prior years. Because any insurer writing business in a participating state is required to submit their survey response annually, adding nine states in 2021, increased the market coverage from approximately 70% in 2020 to nearly 80% of the market in 2021 based on direct premium written.

In 2021, the Financial Stability Oversight Council (FSOC) produced a [series of recommendations](#) for financial regulators to enhance supervision, data analysis, staff resources, and regulatory cooperation related to climate risk. This included a recommendation to consider enhancing public reporting requirements for climate-related risks in a manner that builds on the four core elements of the [Task Force on Climate-Related Financial Disclosure \(TCFD\)](#), to the extent consistent with the U.S. regulatory framework and the needs of U.S. regulators and market participants.

Adopted by the Climate Risk Disclosure Workstream March 11, 2022
Adopted by the Climate and Resiliency (EX) Task Force March 21, 2022
Adopted by the Executive (EX) Committee April 6, 2022

for how insurers operate—

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on an annual basis. As of 2021, the following states/territories participate: California, Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, Minnesota, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, Vermont, Washington.

Confidentiality and best effort basis

While the existing NAIC survey and TCFD contain sufficient overlap in the analysis required to answer, we recognize that many insurers will be moving to a new reporting framework in the required to

the organization's planned responses to manage (i.e., accept, avoid, pursue, reduce, or share/transfer) its risks or seize opportunities; and
the implications of the organization's planned responses on its income statement, cash flow statement, and balance sheet.²

Importantly, an organization should assess its climate-related risks and opportunities within the context of its businesses, operations, and physical locations in order to determine potential financial implications. In making such an assessment, an organization should consider (1) current and anticipated policy constraints and incentives in relevant jurisdictions, technology changes and availability, and market changes and (2) whether an organization's physical locations or suppliers are particularly vulnerable to physical impacts from climate change.³

See pages 10-12 of the TCFD's [Implementation Recommendation Report](#)

Adopted by the

[Guidance on Metrics, Targets, and Transition Plans](#) (2021) describes recent developments around climate-related metrics and users' increasing focus on information describing organizations' plans for transitioning to a low-carbon economy. The guidance also describes a set of cross-industry, climate related metric categories (described in Appendix 2: Cross-Industry, Climate-Related Metric Categories) that the Task Force believes are applicable to all organizations.

The FSB frequently produces content to assist companies in creating TCFD reports, the knowledge hub with related content is accessible at <https://www.tcfhub.org/>.

SURVEY QUESTIONS

To provide clear direction for achieving a robust, insurance-sector specific TCFD report, narrative and closed ended questions follow, grouped into the TCFD's four topics: governance, strategy, risk management and metrics and targets.

The statements listed next to numbers and letters are directly taken from the TCFD Framework and should be fully addressed in the insurer's response. As discussed in detail above, insurers should consider including the bulleted items in their response to the TCFD statement above it. For additional guidance on sector specific content to consider including, refer to the [Implementation Recommendation Report](#).

Closed ended questions directly correspond to the narrative, allowing for explanation and qualification of the yes/no answers.

Closed ended questions are voluntary for reporting year 2022.

Governance narrative

1. Disclose the insurer's governance around climate-related risks and opportunities.

In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following:

Identify and include any publicly stated goals on climate-related risks and opportunities.

Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.

A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks insurers should consider including the following:

Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.

- B. Describe management's role in assessing and managing climate risks and opportunities.**

Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

- C. Describe the resilience of the insurer's strategy, taking into consideration different climaterelated scenarios, including a 2 degree Celsius or lower scenario.**

Strategy - closed ended questions answered in addition to the narrative

Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N) *

Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? (Y/N)

Does the insurer make investments to support the transition to a low carbon economy? (Y/N)

Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N)*

Risk Management narrative

3. Disclose how the insurer identifies, assesses, and manages climate related risks.

In disclosing how the insurer identifies, assesses, and manages climate related risks, insurers should consider including the following:

Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk. *

Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable. *

Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered. *

A. Describe the insurers' processes for identifying and assessing climate related risks.

In describing the insurers' processes for identifying and assessing climate related risks, insurers should consider including the following:

Discuss whether the process includes an assessment of financial implications and how frequently the process is completed. *

B. Describe the insurer's processes for managing climate related risks.

C. Describe how processes for identifying, assessing, and managing climate related risks are integrated into the insurer's overall risk management.

In describing how processes for identifying, assessing, and managing climate related risks are integrated into the insurer's overall risk management, insurers should consider including the following:

Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.

Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.

Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.

Risk Management closed ended questions answered in addition to the narrative

Does the insurer have a process for identifying climate-related risks? (Y/N)

○ If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N)

Does the insurer have a process for assessing climate-related risks? (Y/N)

○ If yes, does the process include an assessment of financial implications? (Y/N)

Does the insurer have a process for managing climate-related risks? (Y/N)

Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)*

Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)*

Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)*

Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N)

Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N)

Metrics and Targets narrative

4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.

In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:

Discuss how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.

A. Disclose the metrics used by the insurer to assess climate-related risks and

In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions)

- B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.**
- C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.**

Metrics and Targets