January 10, 2022

Andrew R. Stolfi, Director
Oregon Department of Consumer and Business Services
350 Winter St. NE, Room 410
Salem, OR 97309

Jennifer Gardner, Data Coordination and Statistical Analysis Manager
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO

Re: Draft Proposed Climate Risk Disclosure Survey
Request for Public Comment

Dear Ms. Gardner & Director Stolfi:

The American Council of ierln2urec0 G[( )] TJETQ EMC /P <</MCID 19>>BDC q0.00000912 0 612 792 reW*n22612 /

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robust expansion of the survey's scope, the inclusion of closed ended-questions as well as the types of information that are to be publicly disclosed.

We urge the NAIC to take a more measured, deliberate and proportional approach to implementation of any proposed revisions. This would include the NAIC explicitly affirming that companies' process for analyzing climate risks for its business will evolve over time and the survey implementation will similarly evolve. For example, the NAIC should acknowledge that companies can continue qualitative climate-related assessments in the near term, and such assessments can become more quantitative over time, as climate-related methodologies and data evolve and insurer practices mature. In addition, given the risk of global fragmentation, ACLI members encourage the NAIC to continue to seek disclosure changes that are consistent with other climate risk reporting requirements being developed, including but not limited to the Securities and Exchange Commission (SEC). These steps will keep the NAIC well-positioned as a leader in this area.

Our members recommend the following:

1. Reporting under any revised survey should not begin until 2023 and be implemented in phases, starting with the Governance topic.[3]

time needed to advance companies' capabilities to provide decision useful, qualitative and quantitative information the proposed questions will require. We expect that reporting will improve over time and therefore a phased implementation process will likely lead to better results from the perspective of the ultimate end users of the survey.

2. Participation in the survey should offer flexibility to the companies that participate.

   Given the evolving nature of climate-risk related reporting across the financial services sector, it will take insurance companies time before they are able to provide substantive answers to the proposed questions. A flexible approach will allow for continuous improvement in responses over time, and recognize that not all companies will be able to answer all questions in the first years the survey is administered.

3. Certain questions should be deleted as they go beyond concepts included in the TCFD, involve disclosure of highly sensitive information currently reported in, or are otherwise more appropriate for a company Own Risk and Solvency Assessment (ORSA).

   If, however, the questions are retained in the survey, we urge that the answers receive the same confidential protections as provided under the ORSA reports.

   Specifically, as examples, we refer the NAIC to:
   Question Q 2 a)
   The language in Qs 2 b) of the Strategy Section referencing the need for companies to describe the impact of climate-related risks on their financial planning.
   Q 3) second bullet of the Risk Management Section asking for a description of any steps

playing field between larger insurers and those with global operations, who are subject to ESG reporting requirements currently, and smaller companies.

5. Refrain from making disclosures of responses to the revised survey publicly available for the first two years following implementation.

   Given the significant changes being proposed by the NAIC, confidential filings will allow the NAIC and its members to treat the first two years as a field test. This will permit companies time to develop reporting processes and allow regulators the opportunity to review the responses to identify areas of improvement.

6. Qualify the questions that presume the current existence of metrics that may not yet exist and / or are currently under development.

   These questions may be initially addressed through qualitative analysis and, over time, move to quantitative analyses when appropriate.

   Specifically, please refer to pages 2 (bullet 1.A. at top and 2.A at bottom), 3 (item C) and 4-5 (the “Metrics and Targets” items) of the attached mark-up of the survey.

Timeline for Submission

We appreciate the NAIC’s interest in moving the proposed changes forward expeditiously and we understand the NAIC is publication will allow the NAIC to use these questions for the intended comparison purposes and to engage in data analytics without requiring companies to respond to nuanced and evolving questions that do not always lend themselves to a simple yes or no response.

Potential Engagement by Domestic Regulator

As noted above, ACLI suggests the NAIC build a process and timeline to allow companies the option to work with their domestic regulator. For states that have adopted the revised survey, the NAIC should accept submissions that meet that company's domestic regulator's requirements This would enable time for insurance companies who choose to have discussions with their domestic regulators, as necessary, to ensure results are properly interpreted, to consider the decision usefulness of the questions and determine if further changes to the survey are warranted in light of initial experiences of insurance companies and state regulators.[4]

Materiality

While the revised survey asks companies to disclose their definition of materiality, the survey questions themselves appear to provide little to no allowance for firms to rely on materiality considerations when deciding upon what climate risk-related information is responsive to the survey. Such an inflexible approach risks serious unintended consequences including conflicts with existing public disclosure requirements where materiality considerations have a central consideration.

The concern about being able to apply materiality consideration in considering answers to the survey is amplified with the introduction of certain closed-ended questions. As this letter notes, above, the data and methodology necessary to answer those questions is still new and often relies on third parties. Therefore, a company needs to be able to consider questions through the lens of materiality.

Feedback on Questions

Several questions in the survey seek answers that are not well-developed enough for the questions to be included in the survey at this stage

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> It is premature for companies to include Scope 3 emissions. Such calculations are complex and are currently limited by the lack of access to consistent and reliable data.

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