

- A. Insurers have generally been increasing their Yes answers, indicating greater awareness of and responsiveness to climate risks;
- B. There exists substantial variability in the narrative responses both by type of insurance product and by size of the company;
- C. It is difficult to extract information from the narrative responses with which to create benchmarks or otherwise compare the performance of any individual company to others; and
- D. A relatively small proportion of insurers— less than 30% of companies— are responding robustly to the current survey.

Our subsequent research on climate risk disclosures, not previously reported to the NAIC, focuses on what might be gained and what might be lost by moving to the TCFD disclosures. Comparing the TCFD filings of the eight companies that submitted them for 2019, which is the set of data with which the Aecf go {ø initial investigations began, vj yj qug eqo r cplguør tkqt NAIC uwtxg{ tgr qpugu, qwt tguwmu ecp be summarized as follows:³

1. TCFD reports generally provide more information than the NAIC disclosure surveys;
2. The increase in information provided by the TCFD reports is accompanied by an increase in the variability of responses;
3. Certain topics— governance, metrics and model results, and opportunities provided by climate change— are significantly better covered than in the NAIC surveys;
4. Certain topics— operational risk, underwriting risk, and engagement with policyholders and key stakeholders— are less completely covered than in the NAIC surveys;
5. Only companies that are relatively large have been voluntarily submitting it;
6. The TCFD responses, as is true of the NAIC surveys, are difficult to benchmark and
7. The absence of systematic questions— whether Yes/No, multiple-choice, or quantitative— makes the creation of benchmarks difficult and, thus, makes it difficult to assess individual companies against those benchmarks.

Based on this research, the Climate and Resiliency Task Force might wish to pay attention to three issues:

- a. While the addition of Yes/No questions from the NAIC Disclosure Survey is an excellent start to making benchmarks feasible, there exist at least two surveys which might offer more and better questions to include. Both the Carbon Disclosure Project (CDP) survey and the Cambridge Institute for Uwæckpcdkrk\ Lgcf gtuj k ø ClimateWise survey are used by many companies voluntarily, and both are designed to satisfy the requirements of the TCFD reporting guidance. As a result, while the current proposal may be the best possible option for adding systematic questions quickly, it might be worth considering studying these two surveys (and others which meet the same criteria of widely used, systematic, and meeting TCFD requirements) more closely to determine how best to draw from them to improve vj g NAICø f kœmquwt g tgs vkt go gpvu. The Academy would be happy to examine options for multiple choice questions to assist the (EX) Task Force;
- b. There might be an appeal to extrapolate from the experience of the 24 companies that filed TCFD reports in 2020 to the reports which would be filed by all companies if the NAIC required TCFD (with or without öPlusö) disclosures. However, when we observe that the companies which filed TCFD are atypical of the large group of companies which filed NAIC disclosure surveys, it would argue for caution in any extrapolation. According to vj g Aecf go {ø prior research, 70% - 80% of companies were filing narrow, not robust, narrative responses to the NAIC survey. The TCFD

³ See the attached report, *Task Force on Climate-*

responses to date have come largely from the 20% - 30% that were already submitting relatively

process for managing climate-related risks could get more comparable responses if there are prompts to separately identify the process related to investing assets, underwriting new business, and monitoring valuation assumptions. While there are closed-ended questions on those topics, further descriptions could be appropriate. The closed-ended questions on managing climate-related risk may have limited meaning without a follow up in the narrative or additional more specific, closed-ended questions. For example, a further prompt may be needed related to the time horizon on which the management of climate risk is occurring.

Metrics and Targets: Some of the prompts on the metrics and targets might on the surface appear to be comparable, but likely abstracting the metrics from the narrative in order to compare companies could be difficult in this first phase. After receiving responses, additional closed-ended questions may be developed to make the resulting disclosures more comparable. In addition, having these questions on metrics would add an area that has been addressed in TCFD disclosures but rarely presented in the NAIC disclosures. The questions on metrics and targets are a good first step in increasing the comparability of the responses.

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