

Section 1: Introduction and Summary of Prior Research

In December 2020, the Academy presented to the National Association of Insurance Commissioners (NAIC) Climate and Resiliency (EX) Task Force an overview of results from its analysis of company responses to the NAIC Climate Risk Disclosure Survey (for 2019).¹ The survey, consisting of nine questions requiring Yes or No responses and eight questions requiring narrative responses, has been required of all companies writing more than \$100 million in premiums in six states.² The overarching conclusions presented were: a) that a single company our analysis revealed differences over time, across questions, and across lines of business that raised concerns along with potential disconnects between the Y/N and the narrative responses; and b) that the robustness of the narrative responses varied significantly by size of the company and by line of business.

In January 2021, the Academy presented more detailed analysis of the same NAIC Climate Risk Disclosure Survey responses to the NAIC Climate and Resiliency (EX) Task Force.³ The conclusions from that presentation were: a) that there was some evidence of inattention or confusion in responses to Y/N questions; that certain questions received predominantly Yes responses, others predominantly No responses; b) that systematic, qualitative analysis made clear that most companies in all lines of business provided narrow, narrative responses to each of the eight NAIC questions; and c) that in each line of business, a small percentage of companies provided broad responses.

To generalize these conclusions, we found that there were relatively few robust responses to the NAIC survey; that there was a high degree of variability in response based on line of business, size of company, and commitment of the company to addressing climate change; that some issues were well covered and others were not; and finally, that the survey responses made it difficult to benchmark responses and, thus, difficult to assess the relative responsiveness of individual companies.

In November 2021, the NAIC Climate and Resiliency (EX) Task Force exposed for public comment a proposal which might be considered TCFD Plus, that is, it consists of a set of questions organized by the four themes central to the Task Force on Climate-related Financial Disclosures (TCFD) guidance, to be addressed in a set of narrative responses. In addition, the Task Force has proposed adding a set of Yes/No questions adapted from the current NAIC disclosure survey.

In order to assist the Task Force in its consideration of this exposed draft, we report here on an Work Group and overseen by its Climate Change Joint Task Force to assess the challenges and opportunities which might be created by the NAIC adoption of a TCFD-based disclosure requirement. To do so, we report

¹ [December 4, 2020, presentation to Climate and Resiliency \(EX\) Task Force](#); NAIC Climate Disclosure Survey responses were obtained from [this site](#) maintained by the California Department of Insurance.

² The six states requiring completion of the Climate Disclosure Survey were California, Connecticut, Minnesota, New Mexico, New York, and Washington.

³ [January 27, 2021, presentation to Climate and Resiliency \(EX\) Task Force, Climate Disclosures Workstream, pages 28-51.](#)

below on a qualitative analysis in which we compare the TCFD responses of eight companies⁴ which filed those responses with the NAIC for 2019 (Section 2). We follow that by presenting results of an initial quantitative analysis of the TCFD filings by twenty-four companies in 2020, comparing those responses both to the NAIC survey responses by those same companies in 2018 and comparing those responses to the responses by all groups which responded to the NAIC survey in 2018 (Section 3). Finally, we present lessons and implications derived from these analyses (Section 4). The two primary implications involve further analysis of options for multiple-choice questions and development of training and education options for those responsible for completing the disclosure responses.

Section 2: Qualitative Analysis

For each of the eight companies that filed TCFD reports for 2019, at least two members of our CRFD project group read the TCFD report and also read the NAIC Climate Disclosure Survey response for the same company from the prior year. This close reading of the two reports allowed a qualitative analysis of the eight companies. Once completed, the results from the eight comparisons were examined by the work group as a whole.

Several **themes**

1. The information provided in the TCFD and NAIC responses overlapped substantially;
2. TCFD responses contained much more information on issues of governance;
3. TCFD responses contained much more information on quantitative metrics and model results;
4. TCFD responses contained much more information on opportunities created by climate change;
5. NAIC responses contained much more information on operational risk;
6. NAIC responses contained somewhat more information on underwriting risk; and
7. NAIC responses contained much more information on engagement with policyholders and key stakeholders.

Each of these themes is discussed and illustrated in the following sections.

1. The information provided in the TCFD and NAIC responses overlapped substantially
In every case, much of the material presented in the reports appeared in both reports. An anecdotal observation from a member reviewing one of the companies noted that it appeared paragraphs in each of the TCFD sections (high level summaries of the sections), with some additional language taken from the TCFD s body. Or, the other way around, the TCFD was
These observations suggest the similarity in the information required to respond to the two distinct disclosures. In several instances, companies may have been drawing upon one of the two reports to complete the other. In at least some of those instances, both reports may have been

⁴ The TCFD responses for 2019 were obtained from [this site](#).

drawing material from other reports which companies produced. For example, since 2015,

risk management process involving five steps – horizon scanning and risk identification, risk analysis, risk evaluation, risk treatment, and risk monitoring and review after implementation. This process also does not appear in the TCFD filing.

6. NAIC responses contained somewhat more information on underwriting risk

While neither NAIC nor TCFD responses addressed the likely impact of climate change on liabilities as thoroughly as they discussed impacts on assets, the NAIC responses often included some more detail relevant to the assessment of liabilities and underwriting risk. In disclosure, there is discussion of climate risk impact on major lines of business, which is not mentioned in the TCFD report. In addition, NAIC responses give several examples of weather-driven phenomena that the company is monitoring – e.g.,

Table 1

	NAIC for All Reports, in 2018	NAIC 2018 for Reports of Companies which Filed TCFD in 2020	TCFD Reports Filed in 2020
Mean Words	1,188	4,251	13,048
Median Words	701	3,001	5,212
StdDev	1,733	3,755	25,016
Min	8	64	1,837
Max	16,145	16,086	128,822

Those companies that were responding narrowly to the NAIC survey could be responding narrowly to the TCFD requirement as well. The Climate and Resiliency (EX) Task Force might consider examining the need for and possibilities of improving the response from all companies, and especially those least prepared to respond robustly at the moment, by providing and/or encouraging more education and training aimed at those tasked with completing the disclosures.