January 7, 2022

Dean L Cameron
President
National Association of Insurance Commissioners

Michael Consedine CEO National Association of Insurance Commissioners

Jennifer Gardner

Manager

National Association of Insurance Commissioners

Dear Director Cameron, Mr. Consedine, and Ms. Gardner:

We are writing to express our support for the <u>Proposed Redesigned NAIC Climate Risk</u>

<u>Disclosure Survey</u> which would update the Survey to reflect the recommended disclosures of

-Related Financial Disclosures (TCFD). Based on our experience in insurance regulation and policy research and expert outreach at the intersection of insurance, financial risk, and dimate change, we believe that the TCFD disclosure

framework is an essential standard for insurers to meet in their dimate risk-related reporting.

Our team at the Center for Law, Energy & the Environment

and regulators. Based on legal analysis and outreach with California state elected officials, regulators, legal experts, and financial leaders, we developed and vetted 40 recommendations for public and private actors to better prepare Califo - and climate-related risks.

Among our top recommendations was that insurers disclose dimate risks in accordance with the TOFD framework and that the Insurance Commissioner (or state legislature) require them to do so. This recommendation was grounded in an acknowledgment that while the existing NAIC Survey was groundbreaking when adopted by the NAIC over a decade ago, there has been a substantial evolution in the understanding of climate-related financial risks and the types of disclosures necessary to enable regulators and industry to evaluate and address those risks. The TOFD Framework draws on the latest industry and other expertise with regard to climate risks and has been adopted by financial regulators across the globe as well as by insurers and other financial institutions. The TOFD framework will allow insurers and regulators to better assess climate-related risks facing insurers and the industry.

management, dimaterelated business strategy, and risk assessment metrics and targets represent a significant

rapid acceptance across multiple industries and jurisdictions will allow insurers and regulators to assess company disclosure and performance against a wider range of insurance and financial institutions, helping all of those involved in the sector to better understand the significance of the risks and opportunities disclosed in each report, the quality of the reporting itself, and the broader health of the industry.

Moreover, adopting the TCFD framework would bring state insurance regulators into alignment with insurance and other financial regulators across the globe as well as with insurance industry leaders who have increasingly recognized the TCFD Framework as the best practice for dimate risk disclosure.

catastrophe modeling, scenario analysis, and more demonstrate the applicability of the TCFD framework to the insurance sector and the clear benefits that responses to such questions would provide. At the same time, the extent to which these questions expand on the existing Survey—rather than presenting a wholly new set of inquiries—demonstrates how straightforward TCFD-aligned disclosure can be for insurers. As you are well aware, a number of insurers have already begun to prepare TCFD-aligned reports and submit them in response to the Survey call

As a result, we believe that the proposed redesign would represent a significant, but related risks and opportunities, sharing information, and promoting best practices.

Please do not hesitate to contact us if you have any questions.

Snœrely,

Dave Jones

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Ted Lamm

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Director, Climate Program