Currently, 15 state insurance commissioners require insurers with $100 million or more in premiums to respond to the Survey.[4] The increase of nine additional states and the District of Columbia this year, compared to the six states that have administered the survey for years, is an important and welcome development. This will lead to about 80% of U.S. insurers to respond to the survey, up from about 70% previously.[5]

The six states that have participated for several years and shown great leadership are California, Connecticut, Minnesota, New Mexico, New York, and Washington. In 2021, nine additional insurance commissioners adopted the survey: Delaware, District of Columbia, Maine, Massachusetts, Maryland, Oregon, Pennsylvania, Rhode Island, and Vermont.[6]

We appreciate the work of those state insurance commissioners to join the survey. Because climate change impacts all 50 states, and the severity of extreme weather events and other effects from climate change have been increasing and will continue to do so, <u>we recommend that all U.S. state insurance commissioners join these commissioners in requiring the Survey.</u> In addition, <u>we recommend increasing the coverage of the Survey to companies writing $50 million in premiums or more instead of the current $100 million</u>.

The NY State DFS’ provides a clear statement about the systemic risks posed by climate change: “As one of the most critical risk-management issues of our generation, climate change poses wide- ranging and material risks to the financial system.” All U.S. ~ ‘ Ğ ͻ ḥ o t c

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change has had greater impacts on communities of color, and related disparities like poor air quality, extreme heat in urban areas, and a lower likelihood of receiving financial assistance after natural disasters or investments for climate resiliency or climate solutions.[13]

We endorse the Center for Economic Justice's (CEJ) March 2021 recommendations to the NAIC, which are focused on improving the Survey to assess the risk of insurers changing the markets they serve, affecting disadvantaged communities. <u>We recommend adding the following six CEJ questions to the Survey:</u>

> What models or type of modeling do you utilize for assessing the impact of climate change on the products you are willing to offer and business strategy?
>
> What are the key assumptions regarding the magnitude of climate change you utilize in your climate modeling?
>
> Over the past five years, what changes affecting the availability and affordability of your products and coverage in the markets you serve – in terms of geography, types of insurance, perils insured and rate change – have you made as a result of climate change impacts?
>
> Based on your current assessment of climate risk, what impacts do you currently anticipate on the availability and affordability of products and coverage in the markets you serve – in terms of geography, types of insurance, perils insured and rate change – as a result of climate change?
>
> If (provide metric for climate impact, e.g. 2 degree temperature rise), what impacts do you anticipate on the availability and affordability or products and coverage in the market you serve – in terms of geography, types of insurance, perils insured and rate change?
>
> Based on your current assessment of climate risk, what actions are you taking to be able continue serving the markets you currently serve for the next 10 years?[14]

The TCFD's revised recommendations,[15] the CDP climate change questionnaire, the IFRS International Sustainability Standards Board (ISSB) climate disclosure prototype and the New York State Department of Financial Services' (NY DFS) ("NY DFS Guidance") are leading sources of good practice expectations for climate risk assessment and disclosure by insurers. The NY DFS Guidance is focused solely on insurers, and the TCFD, CDP and the ISSB prototype all have insurance-specific questions.

The NY DFS Guidance could serve as a model for the Survey, in terms of its clarity about the risks posed by climate change and the detailed guidance it provides to insurers on assessing risks and opportunities. The Guidance accurately discusses the challenges that climate change poses to the financial system, and the risks and opportunities fo

As one of the most critical risk-management issues of our generation, climate change poses wide- ranging and material risks to the financial system. This is especially true for the insurance industry, where the physical and transition risks resulting from climate change affect both sides of insurers' balance sheets—assets and liabilities—as well as their business models. Climate change also presents tremendous oppo

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The TCFD discusses the importance of disclosure of aggregated risks: "Insurance companies should provide aggregated risk exposure to weather-related catastrophes of their property business (i.e., annual aggregated expected losses from weather-related catastrophes) by relevant jurisdiction."[20]

We recommend that the Survey include these additional questions from the TCFD's recommendations.

CDP's climate change questionnaire has been refined over two decades to collect decision-useful information for investors and policymakers. Since 2017, the questionnaire has integrated the TCFD's recommendations, in many cases creating closed ended questions derived from the TCFD that improves data analysis. The questionnaire provides detailed questions and helpful models for efficient data collection that the task force could evaluate to improve the NAIC Survey. We recommend that the Survey include more closed ended questions like those in the CDP questionnaire, which would be helpful for comparability and ease of analysis.

Regarding insurers' engagements with policymakers, CDP asks the following questions: "(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Direct engagement with policy makers
Trade associations
Funding research organizations
Other"

If a company does engage on climate-related public policy, then CDP collects more specific information about the engagements. It asks about the company's position, if any, and the details of its engagements, for each of the following types of legislation:

Mandatory carbon reporting
Cap and trade
Carbon tax
Energy efficiency
Clean energy generation
Adaptation or resilience
Climate finance, and
Regulation of methane emissions.

In addition, Ceres has provided recommendations for responsible policy engagement by companies.[21] We note that companies that establish robust governance systems to address climate change as a systemic risk and align their direct and indirect lobbying efforts to support science-based climate policies will drive the creation of a regulatory environment that best positions them for resilient growth. Ceres specifically recommends that companies conduct an internal audit of direct and indirect lobbying

[20] TCFD Annex at 35.
[21] Ceres Accelerator for Sustainable Capital Markets, Blueprint for Responsible Policy Engagement on Climate Change ("Ceres Blueprint") (July 2020).

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positions on climate change and considers these questions:

- Does the company regularly conduct internal audits of how its direct and indirect lobbying efforts align with climate science?
- Does the company disclose the results of these audits, including any planned actions where there is misalignment?[22]

We recommend that the task force consider including these questions from CDP and Ceres in the

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We sincerely appreciate the NAIC's efforts to analyze responses to the survey and update the public on state insurance regulators and the NAIC's work on climate change.[25] We especially appreciate the recommendations of the 2020 NAIC report, Assessment of and Insights from NAIC Climate Risk Disclosure Data: incorporating key information from the narrative responses in a quantitative format, retaining existing questions to allow for year-to-year comparison, and adding questions to align with the TCFD's recommendations.[26] The report also recommends adding multiple choice questions like CDP, tailoring questions to different lines of business, and providing a platform to share information on best practices.[27] We appreciate that you have incorporated the first three recommendations into the revised Survey.

Going forward, we recommend that the NAIC conduct annual evaluations of completed climate risk surveys. Highlighting good and best practices and providing raw data from closed ended questions would add to the public discussions on these issues and improve insurers' actions to address climate risk. We hope the NAIC considers doing this work or engaging with one of your partners.

Some state insurance commissioners have been extremely proactive in engaging their constituencies locally, nationally and internationally; educating the public about the risks of climate change; engaging with insurers; providing data to the public and taking other steps to

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i) Increase stakeholder outreach regarding the effects of climate change on
i) ; andpolicyholders, including to members of vulnerable communities; ande ts

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