Andrew Stolfi
Chair of the Disclosure Workstream
Climate and Resilience (EX) Task Force

RE: RAA Comments on Proposed Redesigned NAIC Climate Risk Disclosure Survey

Dear Commissioner Stolfi:

Thank you for the opportunity to provide input as part of the Disclosure Workstream's efforts to redesign and update the NAIC Climate Risk Disclosure Survey. Climate risk awareness is important for insurers and regulators alike. We welcome the opportunity to work with you and other state regulators on this critical issue.

The RAA is a national trade association representing reinsurance companies doing business in the United States. RAA membership includes reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross-border basis. The RAA also has life -34(e)7(r)21(m)28(e)7(d)-62(i)91(a)69(r)830 612 792 5a fe34(e)7(s)]TJE87(l)28(i)-62( )125(i)22

That said, addressing risks arising out of a changing climate on a macro level is an important societal mandate.

Our industry is science based. Blending the actuarial sciences with the natural sciences is critical to providing the public with the financial resources needed to recover from natural catastrophic events. As the scientific community's knowledge of climate change continues to develop, it is important for (re)insurers to incorporate that information into the exposure and risk assessment process and that it be conveyed to stakeholders, policyholders, the public and public officials that can or should address adaptation and mitigation alternatives. Developing an understanding about climate and its impact on various risks – for example, wildfires, droughts, heat waves, the frequency and intensity of tropical hurricanes, thunderstorms, and convective events, rising sea levels and storm surge, more extreme precipitation events and flooding – is critical to our role in translating the interdependencies of weather, climate risk assessment and pricing.

The RAA believes a variety of solutions should be used to improve community resilience to the benefit of all those in the value chain of climate and natural disaster risk exposure. The RAA also believes that it is important to address geographic, natural disaster peril, and socioeconomic diversity. Some traditional solutions, like property insurance protections for homeowners certainly can and should be utilized, but new analytical capabilities that increasingly and intelligently can help reduce risk and direct resources to achieving that goal also should be pursued. We encourage regulators and the NAIC to be open to and supportive of the development of new tools and products that are designed to resolve the protection gaps that are growing due to climate influenced risks and events.

Despite RAA's longstanding support for enhanced climate risk disclosures, our members are concerned about the proliferation of the many and varied climate risk disclosure requirements being promulgated around the world. In response to ongoing development of climate risk disclosure requirements by U.S. and international insurance supervisors, in March the RAA issued the attached Guiding Principles to Address Climate Change. In this document, the RAA recommends that regulatory bodies utilize, assimilate, and recognize existing disclosure requirements rather than developing additional disclosure tools. The biggest climate disclosure challenge for insurers is the plethora of different climate risk disclosure requirements that have been promulgated by regulators, investors, rating agencies and others across many jurisdictions. Reporting entities should be able to provide a single set of disclosures to all regulators or limit disclosures to a single regulator. To the extent that an entity is part of a corporate group, disclosures at the group level should be permitted as a mode of compliance. Having multiple different disclosure frameworks is unlikely to increase the benefits to regulators, consumers or other stakeholders and could add significant additional compliance burden.

In addition, climate change disclosures should be material and relevant from the perspective of the management of the reporting entity and should reflect the reporting entity's business model and risk profile. Disclosures should address both physical risks and transition risks that are measurable given the current limits of climate and financial modelling. Disclosures should not overemphasize consistency and comparability, nor should they require quantitative reporting of information and estimates that are highly subjective and uncertain. Confidentiality should be maintained for certain non-public information, particularly hypothetical future projections that do not reflect actual data.

The RAA would support enhanced disclosure requirements that borrow from existing requirements and that allow flexibility in reporting by accepting formats already in use under other frameworks such as the SEC, TCFD, SASB, GRI, CDP, the NAIC or the New York Department of Financial Services, among others. In particular, the TCFD framework has gained significant traction globally, Deviations from TCFD, Closed Ended Questions, and Administrative Burdens - Generally

As previously discussed in our oral statements at the November workstream meeting, ty

Incomplete Closed Ended Questions

A number of the closed ended questions contain a reference to a multiple-choice response, without providing the potential multiple-choice responses. For example, please see Risk Management question1.G, and Metrics questions 4. B and C and 5. B and C.

Further, some closed ended questions actually require a narrative response. For example, Metrics question 1.B asks, “how does the company use catastrophe modeling to manage climate related risks?” That is not a closed ended question capable of a pithy response. A review of the TCFD or survey response as a whole will provide an understanding of how the insurer or group evaluates climate risks, including its use of models. Repetition in a different format should be avoided, irrespective of whether it is administratively convenient.

Also, Metrics questions 4.A and 5.A ask which types of risk are considered in scenario analysis, specifically mentioning “Physical, Transition, Liability” risks. While closed ended responses are provided, the utility of the response is questionable.

In general, the requirement for

products that are designed to resolve the protection gaps that are growing due to climate influenced risks and events.

We will continue to work collaboratively with regulators and the NAIC in this evolving process.

Sincerely,

[redacted]

Dennis C. Burke
Vice President