frequency and severity, state insurance regulators have pursued a number of initiatives more recently to promote market stability and more access to insurance.

State insurance regulators, through the NAIC, have had a climate-risk working group for more than a decade, which in 2020 evolved into our Climate and Resiliency Task Force. The Task Force serves as the coordinating NAIC body for discussion and engagement on climate-related risk and resiliency issues. This Task Force builds on existing efforts to address the economic consequences of natural disasters, including efforts to mitigate their toll. While the role of the climate in influencing the frequency and severity of natural disasters has received more specific attention over the last decade, our work is built on decades of expertise and experience in managing the economic fallout of these disasters.[2]

Climate risk and the impact of extreme weather will remain an evolving risk, forcing us to adapt – something state regulation has and will continue to do – but we have laid the proper foundation to address it throughout our state-based regulatory system focusing on: (1) climate financial risk analysis; (2) the availability and affordability of insurance; and (3) stakeholder risk awareness and engagement. We also continue to advocate for resiliency and mitigation efforts that can reduce the risk of property loss, keeping people in their homes and businesses open.

Building on that foundation, the Climate Risk and Resiliency Task Force has taken several important steps that we would draw your attention to.[3]

First, a bipartisan and growing group of state insurance regulators adopted a new standard for insurance companies to report their climate-related risks, in alignment with the international Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD standard is the international benchmark for climate risk disclosure and will help insurance regulators and the public to better understand the climate-related risks to the U.S. insurance market, which is the largest in the world. As of 2022, 15 states and territories utilize the survey, which represents nearly 80% of direct written premium nationwide and this year we expect 26 states to participate in the survey.

Second, state insurance regulators have updated the NAIC's Risk Based Capital (RBC) formula to include specific charges for hurricane, earthquake, and most recently wildfire risks. State insurance regulators use the RBC formula to monitor the capital adequacy of insurers to ensure their ability to pay claims following catastrophic events. The NAIC is currently considering adding severe convective storms as a modeled loss for insurers to report as a separate peril. We are also considering updates to the NAIC's financial examination materials and guidance manuals to reflect climate related risk within financial solvency tools as well as exploring how insurers are using scenario analysis to assess climate related risk internally.

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[2] *See* NAIC November 11, 2021, Comment Letter https://content.naic.org/sites/default/files/testimony-letter-response-fio-rfi-climate-financial-risk-211111.pdf

[3] *See* Executive Committee Task Force on Climate and Resiliency National Association of Insurance Commissioners June 2023 Progress Report, https://content.naic.org/sites/default/files/draft-annual-progress-report-summary-2022.pdf

Third, state regulators and the NAIC, in coordination with FEMA, continue to build consumer awareness and support risk reduction measures to create more resilient and sustainable communities. The NAIC has also partnered with the Institute for Business and Home Safety (IBHS), which publishes experimental research, identifying and describing home hardening actions that reduce losses. Building on the IBHS' work, several states, including Alabama, Florida, Louisiana, North Carolina, South Carolina, Oregon, and California, have successfully implemented state-level mitigation programs to provide financial assistance to homeowners for reducing risks to their home or business. To help facilitate access and establishment of such mitigation programs, the NAIC has established a dashboard of risk mitigation programs.[4]

Fourth

certainty for policyholders in their efforts to prepare for flood disaster. A continuation of temporary extensions will only impair consumers' ability to plan, particularly when considering that most flood insurance policies do not take effect until 30 days after purchase.

We would also encourage Congress to utilize NFIP reauthorization as an opportunity to facilitate greater growth in the private flood insurance market to help provide consumers with additional choices for flood insurance products. Over time, this additional competition and shift of risk from a federal program to the private market could help lessen the exposure of U.S. taxpayers to the types of catastrophic flood losses that now reside as unpaid debt on the NFIP's books. It is critical to ensure that private flood insurance meets the continuous coverage requirement, so policyholders have a choice to return to the NFIP without penalty, including not losing any subsidy they previously had with the NFIP.

It is also imperative that reauthorization legislation include measures to encourage investment in prevention and preparedness to help minimize the impact of flood damage and economic loss. It is estimated that for every dollar we invest in mitigating future natural hazards like flooding we

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