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March 3, 2022

Jennifer Gardner, Manager III - Property & Casualty, Regulatory Services
Commissioner Andrew R. Stolfi (OR) and Superintendent Elizabeth Kelleher Dwyer (RI), Co-Vice Chairs, NAIC Climate Risk Disclosure Workstream
NAIC Climate and Resiliency (EX) Task Force members
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Dear Jennifer, Superintendent Dwyer, Commissioner Stolfi and Climate and Resiliency (EX) Task Force members,

I am writing with feedback on the NAIC Climate Risk Disclosure Survey. Thank you very much for providing the public with an opportunity to submit suggestions regarding the new changes discussed at the task force meeting on Monday, February 28, 2022.

The NAIC Climate Risk Disclosure Workstream members of the Climate and Resiliency (EX) Task Force have carefully considered the comments of a range of stakeholders. We truly appreciate the revisions that further align the survey with the TCFD's disclosure recommendations. The revisions also provide insurance-specific questions adopted from the TCFD recommendations. You all deserve enormous credit for your hard work, your willingness to listen to all interested stakeholders and your thoughtful responses. While we do not agree with every decision we have enormous respect for your work and believe overall you have done a remarkable job in balancing many interests. Your individual and collective work is a tribute to the field and highlights the meaning of "public servants" and the important role you play.

Realizing you are close to a final decision and respecting the balancing act you have, Ceres wanted to address specific changes with this new draft of the survey. We respectfully have the following comments:

> The new background section provides helpful context on Financial Stability Oversight Council's unprecedented recommendations for financial regulators regarding climate change risks, as well as the importance of the TCFD recommendations.
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> The section on materiality is helpful because of its alignment with the TCFD. We are concerned that the determination of materiality rests with the insurer, which may result in not capturing some important metrics and targets information, hindering comparability. In our experience from 2010 to the present with the SEC's *Commission Guidance Regarding Disclosure Related to Climate Change*, having the determination of

materiality rest with corporations has resulted in inconsistent levels of disclosure and information that is often not comparable.

The section on assessing the financial impact of climate risks and opportunities should be very helpful to insurers. We suggest adding language to collect information about changes in coverage areas. The reduction in areas insurers will cover because of climate change has already occurred in several states, and it also represents a medium- and long-term risks to insurers' business models and growth potential, which the NAIC could track through climate survey responses.

Scope 3 GHG emissions (financed emissions) is a growing risk for insurers, as it is for investors and banks, so we would suggest adding a recommendation that insurers assess and disclose Scope 3 emissions. As evidenced from the comments submitted in June 2021 to the SEC in response to their request for public input on climate change disclosures, 65% of investors specifically cited the need for Scope 3 GHG emissions data.

The addition of specific guidance for insurers from the TCFD's 2021 *Implementing the Recommendations* report, as well as references to other TCFD reports that are helpful to insurers, are excellent additions.

Regarding making the closed ended questions voluntary for 2022, we believe the NAIC is missing an opportunity to require certain questions that are not burdensome to answer and would collect helpful baseline information for insurance regulators. We recommend that the task force consider making all or some of the following questions mandatory in 2022:

- Does the insurer have publicly stated goals on climate-related risks and opportunities? (Y/N)
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (Y/N)
- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N)
- Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.
- Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.

- Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)

Again, thank you very much for your consideration of our comments and for your continued leadership. It is truly appreciated.

Sincerely,

Steven M. Rothstein

Steven M. Rothstein
Managing Director
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