

PROPOSED REDESIGNED NAIC CLIMATE RISK DISLCOSURE SURVEY

PURPOSE STATEMENT

The purpose of the *Climate Risk Disclosure Survey* is to:

- Enhance transparency about how insurers manage climate risks and opportunities as well as identify good practices and vulnerabilities.
- Provide a baseline supervisory tool to assess how climate-related risks may affect the insurance industry.
- Promote insurer strategic management and encourage shared learning for continual improvement.
- Enable better-informed collaboration and engagement on climate-related issues among regulators and interested parties.
- Align with international climate risk disclosure frameworks to reduce redundancy in reporting requirements.

Link to NAIC Survey: <http://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications/ClimateSurvey/upload/QUESTIONS-AND-GUIDELINES-CLIMATE-RISK-SURVEY-REPORTING-YEAR-2020.pdf>

Link to Financial Stability Board's Task Force for Climate-related Financial Disclosure (TCFD) Recommendations (see pdf pg. 22/doc pg. 14):

<https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf>

Narrative and closed ended questions follow, grouped into the Financial Stability Board's Task Force for Climate-related Financial Disclosure (TCFD) four topics.

Can be presented as (1) two separate parts of the same survey, narrative and closed ended, with option to attach narrative answers as file if it exists already (e.g., like current TCFD reports) so that only closed ended need to be completed, or (2) closed ended questions directly incorporated into narrative questions, with possible option to attach a report and only answer closed ended questions.

Other, voluntary questions follow that could be included at discretion of each participating state.

Italics indicate that the question is copied from TCFD.

Governance – narrative questions

1. *Disclose the organization's governance around climate-related risks and opportunities.*
 - Identify and include any publicly stated climate risk goals

- Describe where climate risk disclosure is handled within the organization’s structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.
- A. *Describe the board's oversight of climate-related risks and opportunities.*
- Describe who on your board or committees is responsible for the oversight of managing the climate-related financial risks.
- B. *Describe management's role in assessing and managing climate-related risks and opportunities.*

Governance – closed ended questions answered in addition to the narrative

1. Is Climate Risk Governance done at a group level, entity level, or a combination? (Multiple-choice answers)
 - a. Based on answer/if group level: Are any activities undertaken at the Company Level? (Y/N)
2. Does the company have publicly stated climate risk goals? (Y/N)
3. Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (Y/N)
4. Does management have a role in assessing and managing climate-related risks and opportunities (Y/N)

Strategy – narrative questions

2. *Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.*
 - Describe how the company defines materiality.
 - Describe the steps the company has taken to engage key constituencies on the climate risk and resiliency.
 - Describe the companies plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.

A. *Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term by completing the chart below.*

 - Define short, medium, and long-term, if different than 1-5y as short term, 5-10y as medium term, and 10-30y as long term.

Time Horizon	Risks	Opportunities
Short-term		
Medium-term		
Long-term		

- B. *Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.*
 - Discuss how the company provides products or services, or makes investments, to support the low carbon transition or help customers adapt to climate risk? (This can include underwriting and/or investments.)
- C. *Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.*

Strategy - closed ended questions answered in addition to the narrative

1. Has the company taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N)
2. Does the company provide products or services, or make investments, to support the low carbon transition or help customers adapt to climate risk? (This can include underwriting and/or investments.) (Y/N)
3. Does the company have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N)

Risk Management – narrative questions

3. *Disclose how the organization identifies, assesses, and manages climate-related risks.*
 - Describe how the company considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk.
 - Describe any steps the company has taken to encourage policyholders to manage their potential climate related risks.
 - Describe how the company has considered the impact of climate related risks on its investment portfolio, including what investment classes have been considered.
 - A. *Describe the organization's processes for identifying and assessing climate-related risks.*
 - Discuss whether the process includes an assessment of financial implications.
 - Discuss how frequently the company go through the process to assess climate-related risks.
 - B. *Describe the organization's processes for managing climate-related risks.*
 - C. *Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.*
 - Discuss whether climate-related risks are addressed through the company's general enterprise-risk management process or a separate process
 - Discuss how frequently the company goes through the process to identify climate-related risks

- Describe the potential impact of climate related risks on the company's underwriting portfolio and how the company is managing its exposure with respect to physical, transition and liability risk.
- Describe how the company considers the impact of climate-related risks on its investment portfolio.

Risk Management – closed ended questions answered in addition to the narrative

1. Does the company have a process for identifying climate-related risks? (Y/N)
 - A. If yes, are climate-related risks addressed through the company's general enterprise-risk management process? (Y/N)
 - B. If yes, how frequently does the company go through the process to identify climate-related risks? (Multiple choice, e.g., annually, etc.)
2. Does the company have a process for assessing climate-related risks? (Y/N)
 - A. If yes, does the process include an assessment of financial implications? (yes/no)
 - B. If yes, how frequently does the company go through the process to assess climate-related risks? (Multiple choice)
3. Does the company have a process for managing climate-related risks? (Y/N)
4. Has the company considered the impact of climate-related risks on its underwriting portfolio? (Y/N)
5. Has the company taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)
6. Has the company considered the impact of climate-related risks on its investment portfolio? (Y/N)

Metrics and Targets – narrative questions

4. *Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.*
 - Describe how your organization uses catastrophe modeling to manage the climate-related risks to your business.
 - Specify for which climate-risks the company uses catastrophe models to assess. (Property, Casualty, Life, Health)
 - Discuss the climate scenarios utilized by the company 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 company to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.
 - A. *Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.*
 - In describing the metrics used by the company to assess and monitor climate risks, consider the amount of exposure to business lines, sectors,

and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions)

- B. *Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.*
- C. *Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.*

Metrics and Targets – closed ended questions answered in addition to the narrative

1. Does your company use catastrophe modeling to manage your company's climate-related risks? (Y/N)
 - A. If yes, for which climate-related risks does the company use catastrophe models? [Property, Casualty, Life, Health]
 - B. If yes, how does the company use catastrophe modeling to manage climate-related risks? [Financial solvency, underwriting, other – please describe]
2. Does the company use metrics to assess and monitor climate-related risks? (Y/N)
3. Does the company have climate-related targets? (Y/N)
4. Has the company utilized climate scenarios to analyze their underwriting risk? (Y/N)
 - A. If yes, which risk factors do the scenarios consider? [Physical, Transition, Liability]
 - B. If yes, what type of scenarios are used? [Multiple-choice]
 - C. If yes, what timeframes are considered? [Multiple-choice]
 - D. If no, does the company expect to develop scenario analysis for underwriting in the future?
5. Has the company utilized climate scenarios to analyze their investment risk? (Y/N)
 - A. If yes, which risk factors do the scenarios consider? [Physical, Transition, Liability]
 - B. If yes, what type of scenarios are used? [Multiple-choice]
 - C. If yes, what timeframes are considered? [Multiple-choice]
 - D. If no, does the company expect to develop scenario analysis for investment management in the future?