Virtual NAIC Summer National Meeting

Climate Risk and Resilience (C) Working Group

Friday, July 31, 2020
CLIMATE RISK AND RESILIENCE (C) WORKING GROUP
Friday, July 31, 2020
2:00 – 3:30 p.m. ET / 1:00 – 2:30 p.m. CT / 12:00 – 1:30 p.m. MT / 11:00 a.m. – 12:30 p.m. PT

ROLL CALL

Mike Kreidler, Chair
Washington
Derek Oestreicher
Montana

Ricardo Lara, Vice Chair
California
Tom Green
Nebraska

Austin Childs/Alex Romero
Alaska
Barbara D. Richardson
Nebraska

Peg Brown
Colorado
Anna Krylova
New Mexico

Andrew N. Mais/George Bradner
Connecticut
Marshal Bozzo/Nina Chen
New York

Colin M. Hayashida
Hawaii
Tracy Snow/Tom Botsko
Ohio

Judy Mottar
Illinois
Andrew R. Stolfi
Oregon

Travis Grassel
Iowa
David Buono
Pennsylvania

Robert Baron
Maryland
Rafael Cestero-Lopategui
Puerto Rico

Peter Brickwedde
Minnesota
Michael S. Pieciak
Vermont

NAIC Support Staff: Anne Obersteadt

AGENDA

1. Call to Order/Roll Call—Commissioner Mike Kreidler (WA)

2. Adopt its June 18 Minutes—Commissioner Mike Kreidler (WA) Attachment A

3. Hear an Update on the NAIC Climate Risk Disclosure Survey Analysis—Steven Jackson, Ph.D. (American Academy of Actuaries—AAA) and Lisa Groshong, Ph.D. (NAIC) Attachment B

4. Hear an Update on California’s Climate Smart Insurance Product Database—Mike Peterson (CA) Attachments C-D

5. Hear a Presentation on Swiss Re’s Approach to Climate Change and Sustainable Insurance Products—Matthew Horvath-Wulf, Samantha Dunn and Yommy Chiu (Swiss Re) Attachment E

6. Hear a Presentation on Allianz’s Approach to Climate Change and Sustainable Insurance Products—Nico Ahn and Thomas Liesch (Allianz) Attachment F

7. Hear an Update from the American Property Casualty Insurance Association (APCIA) on its Domestic and International Climate Risk Related Activities—David F. Snyder (APCIA) Attachments G-I

8. Discuss Any Other Matters Brought Before the Working Group—Commissioner Mike Kreidler (WA)

9. Adjournment

W:\National Meetings\2020\Summer\Agenda\ClimateWG.docx
Attachment A

Adopt June 18 Conference Call Minutes

—Commissioner Mike Kreidler (WA)
The Climate Risk and Resilience Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met via conference call June 18, 2020. The following Working Group members participated: Mike Kreidler, Chair, and Jay Bruns; Ricardo Lara, Vice Chair, represented by Michael Peterson (CA); Austin Childs and Alex Romero (AK); Peg Brown (CO); George Bradner (CT); Colin M. Hayashida (HI); Judy Mottar (IL); Travis Grassel (IA); Robert Baron (MD); Peter Brickwedde (MN); Nina Chen (NY); and Tom Botsko (OH).

1. Received an Update on the Drafting of the Insurance Regulatory Discussion Points on Catastrophic Events Document

Mr. Peterson stated the Working Group decided on its Oct. 2, 2019, conference call to develop a product that can assist insurance departments in fielding frequently asked questions (FAQ) related to resilience and catastrophe events. The product was referred to as the Insurance Regulatory Frequently Asked Questions at the time. It was in part inspired by California’s Wildfire Resilience Summit in April after the ferocious fires of the last couple of years in California. The document was designed to be a compilation of questions state insurance regulators find they are frequently being asked. Each insurance department could then voluntarily answer the questions as they relate to its specific state. The original intent was for the responses to be available for dissemination by each insurance department to inform the public and provide guidance to state and local efforts related to resilience and insurance. The Working Group also supported the compilation of each state’s responses for sharing purposes, so states can learn from each other’s efforts. It was decided questions should apply to all states, with the option to develop a more peril-specific version in the future. This makes sense considering the differences one can visualize almost immediately between states such as California and Connecticut.

Further development of the product occurred during informal drafting calls on March 11 and May 22. Summaries of those conference calls were provided in the materials (Attachment 1 and Attachment 2). The March 11 conference call expanded the questions in many of the existing sections and added new sections for adjuster licensure, department-stakeholder interactions and post-catastrophe regulatory response. During the May conference call, the product was converted from public to regulator-only and renamed Insurance Regulatory Discussion Points on Catastrophic Events (CAT Discussion Points). The change was to allow for more robust sharing among states, which is deemed to be the document’s strongest value. However, states can still choose to leverage their response information for public use as they deem appropriate. The Purpose section was revised to specify the questions are meant to be a list of potential discussion points for states to consider in crafting their unique response. States are not expected to answer every question. The May 22 conference call also added sections for technology and the idea of overlapping or sequential crises that occur in the same time period.

The informal drafting group has progressed substantially in its drafting. The next conference call will focus on reviewing the draft to ensure it is not peril-specific and adding questions to the Overlapping Crises section. The informal drafting group will also review catastrophe-related material shared by Minnesota to see if anything additional should be added to the draft.

Jeff Klein (McIntyre & Lemon) stated the CAT Discussion Points document is interesting and recommended it should include the need for states with natural disaster statutes to revisit these to ensure they take pandemic issues into account. He stated his company encountered a similar issue in North Carolina, which has a natural disaster statute affecting premium finance companies. Even with a three- or four-day hurricane occurring with the onset of a pandemic, such as the current one, the time period is a lot more elongated, especially when states had to extend their orders and moratorium. He expressed his willingness to discuss the implications of a prolonged disaster (such as on cancellation nonrenewal moratoriums) further during an informal drafting call.

Commissioner Kreidler agreed with Mr. Klein’s point. He stated the compounding implications of an event such as a pandemic does not necessarily fit the same mold of what state insurance regulators have historically dealt with and will irrevocably change our role as regulators. He also stated it is important to learn from our current circumstances so we can be better prepared for a second virus wave or future pandemic. The additional complications climate change brings to a pandemic are debated by some, but it is not unreasonable to assume climate change is bringing population mobility and thereby increasing transmission of the virus.
Dave Snyder (American Property Casualty Insurance Association—APCIA) asked if there would be an opportunity for interested parties to weigh in on the CAT Discussion Points. Commissioner Kreidler stated there would be an opportunity for anyone to provide comments on the document when it is exposed after the informal drafting group completes the draft.

2. Heard an Update on California’s Development of a Sustainable Insurance Roadmap

Mr. Peterson stated the California Department of Insurance (DOI) announced in July 2019 that it had partnered with the United Nations Environment Program (UNEP) to develop a Sustainable Insurance Roadmap. The goal is to provide a comprehensive and cohesive set of policies related to climate change and insurance that can serve as a guide. The Roadmap will enable California to use risk reduction measures, insurance solutions and insurer investments to reduce the magnitude of future events and insurance losses, stabilize rates and increase insurance availability. For example, new insurance products could be developed to promote cooler streets and renewable energy. There could also be insurance solutions designed to protect California’s natural infrastructure—such as wetlands and forests—to reduce climate and disaster risk. Mr. Peterson stated that as recommended by the Ceres report on the agenda today, California is currently developing a database and search tool to allow users to identify insurers offering insurance products that offer climate risk solutions.


Steven Rothstein (Ceres) commended the six states that are administering the NAIC Climate Risk Disclosure Survey (Climate Survey) for supporting the option for insurers to submit a Task Force for Climate-Risk Financial Disclosure (TCFD) report in lieu of the Climate Survey. He stated Ceres recommends taking additional disclosure initiatives in its Addressing Climate as a Systemic Risk: A Call to Action for U.S. Financial Regulators report. The report outlines why and how key U.S. financial regulators can and should take action to protect the financial system and economy from potentially devastating climate-related shocks. The report makes a series of recommendations that build on the existing mandates of the relevant regulatory agencies. It also identifies similar actions being taken by global regulators that could serve as important models for U.S. agencies to consider.

The report’s key recommendations for state and federal insurance regulators include:

- Acknowledging and coordinating action to address the material risks of climate change.
- Assessing the adequacy of current insurer actions for addressing climate risks.
- Joining the Sustainable Insurance Forum.
- Requiring insurers to conduct climate-risk stress tests and scenario analyses.
- Requiring insurers to integrate climate change into their Enterprise Risk Management (ERM) and Own Risk and Solvency Assessments (ORSA) processes.
- State regulators requiring insurers to assess and manage their climate-risk exposure through their investments, and examining how climate trends affect company holdings and long-term solvency.
- State regulators encouraging insurers to develop products for the new technologies, practices and business models that will emerge in response to climate-risk that are responsive to both risks and opportunities.
- State regulators mandating insurer climate-risk disclosure using the TCFD recommendations.
- Assessing the sector’s vulnerabilities to climate change and reporting findings to the Financial Stability Oversight Council (FSOC).

4. Discussed its Work Plan for 2020

Mr. Bruns stated the proposed work plan for 2020 included finishing the drafting of the CAT Discussion Points document with adoption hopefully by the Spring National Meeting. It also included a proposal to review the Financial Condition Examiners Handbook for potential climate risk and resilience related revisions. Proposed revisions would then be referred to the Financial Examiners Handbook (E) Technical Group for consideration. The Working Group proposed similar revisions to the Technical Group in 2012 that were adopted into the 2013 Exam Handbook. The changes provided guidance, if needed, to examiners to ask questions about the impact of climate risk on solvency. There is also a proposal that came out of conversations with New York to gain a better understanding of how to effectively communicate climate-risk and the role of insurance, resilience and mitigation to elicit behavior change in consumers through presentations. This includes hearing from experts such as the Yale Program on Climate Change Communication, which performs research on how to identify and understand different audiences to more effectively educate and communicate on issues related to climate change. Presentations from insurers, modelers and climate research organizations on the use of products, incentives and technologies that support resilience in the insurance
industry is also proposed. Hearing from the American Academy of Actuaries (Academy) and Center for Insurance and Policy Research (CIPR) on research being done on the NAIC Climate Risk Disclosure Survey responses is also proposed. The final proposal is to better understand through presentations and dialogues how Moody’s and others, including other jurisdictions and the NAIC, incorporate climate risk into analysis and governance practices.

Commissioner Kreidler asked Mr. Rothstein to share his thoughts on the draft work plan. Mr. Rothstein stated he thinks the draft work plan is thoughtful and comprehensive and focuses on gathering information from lots of people. He stated he supports the Working Group gaining more insight on transparency and welcomes the opportunity to support the Working Group going forward.

Commissioner Kreidler stated he thinks webinars on rating agency actions will be important. He stated he has concerns on the reticence of rating agencies to become more engaged on the vulnerabilities associated with climate change.

Mr. Brickwedde noted the NAIC member call on June 25 included discussing the NAIC Climate Risk and Resilience Key Initiative and asked how that may affect the work plan.

Anne Obersteadt (NAIC) stated she was not sure what the agenda item pertained to, but that it was her understanding it would not include Property and Casualty Insurance (C) Committee activities.

Mr. Peterson stated he thinks the draft work plan included good components but considered climate change communication to be particularly important. The connection insurance regulators have with consumers does not often get mentioned, making the proposal to better communicate climate risk to the client very important. Insurance regulators tend to view risk as specific to perils, such as risk by fire zone or flood zone. It makes sense that the Working Group should investigate the potential of communicating broader shifting risks beyond this binary perspective. Commissioner Kreidler agreed on the importance of communicating climate change risk to consumers.

Mr. Snyder asked if there was a way to focus on climate resilience in post-pandemic rebuilding. Mr. Bradner stated the Working Group has discussed the need to work with industry and states on more aggressively adopting building codes and standards. It would be beneficial to get more states to recognize the advantages of the Insurance Institute for Business & Home Safety (IBHS) FORTIFIED program that helps homeowners protect their properties against weather events. The FORTIFIED program is more developed towards hurricane-prone jurisdictions, such as those in the Southeast, but there are still standards in the program that would benefit other regions of the country. State insurance regulators need to become more involved in their sister agencies’ meetings and advocate for industry to join these meetings as well. There is also a need to find data that illustrates the loss prevention savings of building-resilience measures, such as roof taping. This would be helpful in responding to pushback from builders on the additional costs they incur from such practices.

Commissioner Kreidler agreed building resilience should be added to the Working Group work plan. Mr. Bruns instructed NAIC staff to add “supporting insurance regulators resiliency efforts by holding dialogues with industry and other stakeholders on the importance of incorporating IBHS standards and adopting building codes” to the work plan.

Commissioner Kreidler stated Director Ramge recently discussed Nebraska’s activities in this area with him. Several bills have been introduced related to flooding or climate mitigation in response to Nebraska’s flood losses last year. Additionally, cities such as Lincoln, NE, are establishing Climate Resiliency Task Forces focused on mitigating flood and drought impact on agriculture and exploring renewable energy sources. There is also a bipartisan coalition of governors committed to upholding the provisions of the Paris Climate Agreement.

Commissioner Kreidler asked if any member had a concern on the draft work plan. Hearing none, he deemed a consensus on the work plan.

Having no further business, the Climate Risk and Resilience (C) Working Group adjourned.
Attachment B

Hear an Update on the *NAIC Climate Risk Disclosure Survey Analysis*

—*Steven Jackson, Ph.D. (American Academy of Actuaries—AAA) and Lisa Groshong, Ph.D. (NAIC)*
Climate Risk Disclosure Survey Analysis

Complementary Projects from
the American Academy of Actuaries (Academy)
and
NAIC Center for Insurance Policy and Research (CIPR)

Presentation to
Climate Risk and Resilience (C) Working Group
July 31, 2020

Lisa Groshong, Ph.D.
Communications Research Scientist
Center for Insurance Policy and Research

Steve Jackson, Ph.D.
Assistant Director for Research
American Academy of Actuaries
NAIC Climate Risk Disclosure Survey

- Adopted by NAIC in 2010
- Administered by California DOI
- NAIC no longer “owns”
- Six states currently participate (CA, NY, WA, CT, MN, NM)
- Threshold: write $100 million in premiums (others participate too)
- 1,000+ companies participate
- Represents ~70% of U.S. insurance market (direct premiums written)
NAIC Climate Risk Disclosure Survey

Survey questions
1. Plan to assess emissions
2. Policy re: risk management
3. Process for identifying risks
4. Risks posed by climate change
5. Investment strategy
6. Policyholders—reduce loss
7. Engage constituencies
8. Action to manage risks
Challenges

2018 survey responses = nearly 500,000 words.
Challenges

- NAIC’s Climate Risk Disclosure Survey, adopted in 2010, has asked nine Yes/No questions and required eight narrative responses each year.

- What exactly has been disclosed?
  - Yes/No questions are easily analyzed but difficult to interpret
  - Narrative responses contain much information but are long and time-consuming to process
  - Lots of duplication among company/legal entities
Challenges

- Process underway to align climate reporting with FSB’s Task Force on Climate-Related Financial Disclosures (TCFD)
- It would be helpful to know exactly what information is already being provided
- Future surveys should be revised to incorporate findings from previous surveys
Two Projects: Independent but Complementary

Project One: NAIC’s CIPR
Begun in late 2019
Aim to report in September 2020 on quantitative and qualitative responses for 2018
Produced by NAIC’s Center for Insurance Policy & Research
Focus: Quantitative relationships and qualitative understanding of responses to individual questions, especially Question 6 ("steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.")

Project Two: Academy
Begun in March 2020
Aim to report in December 2020 on current survey (2018, 2015, 2012); in 2021 on TCFD and other alternatives
Produced by ERM/ORSA Committee, work group chaired by Michelle Young
Focus: Quantitative relationships and qualitative understanding of company responses, with the possible addition of Question 5 ("impact of climate change on its investment portfolio? ... altered its investment strategy in response to these considerations.")
More Specific Questions: Academy

- How do companies prepare their responses, and do they devote significant time to the task—quantitative and qualitative?
- How much attention do companies give to climate risk as reported—quantitative and qualitative?
- Which are the most commonly and least commonly referenced risks and responses—qualitative?
- At least with respect to Investment Strategy (#5), what specific sub-questions are companies answering—qualitative?
- And how do these answers differ by year, line of business, and size of company?
Analysis Method: CIPR

Research questions
- How do insurers across all lines of business assess & manage risks related to climate change?
- How have these responses changed over the past 10 years?

Quantitative analysis
- Descriptive statistics of yes/no responses to survey questions

Qualitative analysis
- Thematic analysis of open-ended responses to the survey questions to identify patterns of meaning across dataset
  - CIPR research team read survey responses for questions 4-8 and generated themes
  - Themes coded using NVivo software
  - Currently compiling results
Preliminary Quantitative Results: Academy

- Over time, we expect more attention to climate risk; responses switching from No to Yes are expected;
- Explanations for companies switching responses from Yes to No over time are less straightforward;
- Answers to Yes/No questions raise further questions.

<table>
<thead>
<tr>
<th>% of Responses Switching from No to Yes</th>
<th>2012 to 2015</th>
<th>2015 to 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.54%</td>
<td>8.50%</td>
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</table>

<table>
<thead>
<tr>
<th>% of Responses Switching from Yes to No</th>
<th>2012 to 2015</th>
<th>2015 to 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.44%</td>
<td>3.82%</td>
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</table>
Preliminary Quantitative Results: CIPR

More than just Yes or No: How to visualize responses to balance number of companies versus premium dollars
Common to Both Projects

- Examine distinct responses, rather than all legal entities;
- Not expecting to provide “grades” for companies;
- Expecting to provide “building blocks” for assessments;
- Expecting to provide multiple-choice questions that might easily be included, capturing responses already being provided in a more easily accessible manner.
We look forward to sharing results this fall and in the future.

Thank you.
QUESTIONS?

If you have any questions, please contact us:

Lisa Groshong  
NAIC Center for Insurance Policy and Research  
lgroshong@naic.org

Steve Jackson  
American Academy of Actuaries  
sjackson@actuary.org
Attachments C-D

Hear an Update on California’s Climate Smart Insurance Product Database

—Mike Peterson (CA)
California Climate Smart Insurance Products Database

Consumer-focused database of internationally available products that reduce emissions or increase resiliency

insurance.ca.gov/climate-smart-database
Climate Smart Insurance Products Search

With hundreds of climate-related insurance products already available to consumers and businesses, the Department of Insurance has developed this database to help the public access these products and encourage further innovation. As an international database, not all products are available in California.

Company Name: 

Provider Type:  
- Insurer  
- Reinsurer  
- Broker  
- Other

Product Coverage Type:  
- Homeowners  
- Commercial  
- Vehicle  
- Other

Product Type:  
- Fortified Homes  
- Green Buildings & Equipment  
- Nature-Based Solutions
- Mileage-Based Insurance  
- Low-Emissions Vehicles  
- Microinsurance
- Renewables  
- Carbon Offsets  
- Super Pollutant Reduction

Additional Information
Commissioner Lara launches first-ever database of green insurance products

Los Angeles, Calif. — Insurance Commissioner Ricardo Lara formally launched the **Climate Smart Insurance Products Database**, the first-ever consumer-oriented list of green insurance policies. With hundreds of climate-related insurance products already available to consumers and businesses, the California Department of Insurance has developed this database to help the public understand and access these products and encourage further insurance policy innovation in commercial, homeowners, and auto lines, among other lines. Recognizing the potential for specific insurance products to address climate risks and contribute to a sustainable future will encourage consumers and insurance companies to explore products that harness new technologies and promote resilience.

"Understanding, preventing, and reducing climate risk is of paramount importance, and we need innovative insurance solutions to accelerate the transition to sustainable and resilient communities and economies," said Commissioner Lara. "When disaster strikes, insurance can help damaged homes, buildings, and vehicles be built back better, stronger, and greener and springboard into the cleanest technologies."

The Climate Smart database lists more than 400 products currently available to consumers and businesses that address climate risks, harness new technologies, and build resilience. They include insurance products and solutions that, among other products:

- Provide green-rebuild coverage, providing a pathway to building back stronger, more energy efficient, and lower-emission buildings and vehicles
- Promote fuel-efficiency by offering lower premiums for low-emission vehicles
- Provide discounts for green energy use and energy efficiency certification
- Provide discounts for businesses who operate hydrogen and hybrid electric buses
- Protect low-income communities and natural ecosystems

A [June 1, 2020 report](https://www.ceres.org/) from the environmental nonprofit group Ceres recommends the development of a database of innovative insurance products that reduce emissions or increase resiliency.

"California Commissioner Lara and his team at the California Insurance Department deserve great credit for creating the Climate Smart Insurance Products Database," said Steven M. Rothstein, Managing Director of the Ceres Accelerator for Sustainable Capital Markets. "This is part of a comprehensive insurance approach to climate risks. This database is a critical building block for a more sustainable future."

plan that is envisioned to pave the way for innovative risk management, insurance, and investment solutions that reduce climate risks and protect natural ecosystems.

“One of the United Nations’ Principles for Sustainable Insurance promotes the aim of insurers working together with governments, regulators and other stakeholders in promoting widespread action on sustainability issues, and Commissioner Lara is showing us what regulators can actively do to make that happen and drive innovation,” said Butch Bacani, who leads UN Environment Programme’s Principles for Sustainable Insurance Initiative (PSI), the largest collaboration between the UN and the insurance industry. “With this pioneering database, Commissioner Lara is demonstrating sustainability leadership, and we hope that other regulators will step up to the plate and lead by example.”

Commissioner Lara previewed the database on July 8, 2020 at an international virtual event convened by the UN PSI and Swiss Re on sustainability leadership in insurance, which attracted more than 700 participants from over 60 countries. In addition to working with the UN, California will be collaborating with Washington State Insurance Commissioner Mike Kreidler to build on this innovative database. California and Washington State have been working together with the UN Environment Programme as members of the PSI as well as the Sustainable Insurance Forum (SIF) for regulators.

“I applaud Commissioner Lara and the California Insurance Department’s thoughtful initiative to make the full range of existing climate-related insurance products available to consumers and businesses,” said Commissioner Kreidler. “Providing this innovative access to these products encourages communication between policyholders and their insurers, and will no doubt lead to new ideas and more refined climate-related insurance products going forward.”

Media Notes:
- The Climate Smart Insurance Products Database can be accessed via: www.insurance.ca.gov/climate-smart-database. It is the first-of-its-kind database of insurance products focused on sustainability that is available to consumers. The database includes insurance products sold in California and around the world.
- The database allows consumers to search products in nine categories:
  - Fortified Homes can provide protection from natural hazards through improved roofing materials or other home hardening efforts. The Insurance Institute for Business & Home Safety (IBHS) identifies best practices to protect against storms and wildfires.
  - Green Buildings and Equipment are energy efficient or otherwise sustainable.
  - Nature-Based Solutions harness the capabilities of natural infrastructure to mitigate against weather disasters.
  - Mileage-Based Insurance recognizes risk reductions from decreased driving.
  - Low-Emissions Vehicles include electric, hybrid and other low-emissions vehicles.
  - Microinsurance allows low-income individuals to receive protection from specific perils.
  - Renewables include solar, wind, geothermal and other sustainable technologies.
  - Carbon Offsets are reductions in greenhouse gas emissions to compensate for emissions occurring elsewhere.
  - Super Pollutant Reduction includes efforts to decrease dangerous air pollutants.
Attachment E

Hear a Presentation on Swiss Re’s Approach to Climate Change and Sustainable Insurance Products

—Matthew Horvath-Wulf, Samantha Dunn and Yommy Chiu (Swiss Re)
NAIC Climate Risk and Resilience Working Group

Matt Wulf
Samantha Dunn
Yommy Chiu
The document contains the following text:

**Macro Resilience Index**
Tracks the ability of economies to withstand shock events

**Insurance Resilience Index**
Measures the contribution to the financial stability of households and organizations

**Insurance promotes macro resilience**
Insurance is important in speed and magnitude of recovery
Faster and efficient reconstruction
Lower macroeconomic volatility
The gap of uninsured and underinsured has been increasing from 2000 – 2018 across the sub-perils.

The sub-peril with the largest growing protection gap is health, despite the high resiliency index driven mostly by the structure of the United States healthcare system.
How comfortable are you?

Modelling dynamic risks like climate change comes with many uncertainties. In the absence of hard data, the approach should be to assess risk in terms of levels of confidence as to expected changes across different weather-related perils.
Biodiversity, Natural Disasters & Tourism Impact

What can we learn?

Mangroves provide flood protection benefits exceeding $65 billion per year.

$36 billion flood protection gap.

40-60% of businesses never reopen after a natural disaster.
Extreme Temperature Fluctuations

Meet Martha

- Grandmother of 3
- Retired and lives alone
- Sees her friends once a week to play Bingo
- Goes to church every Sunday
- Lives on a fixed income
- Struggles with diabetes and hypertension
THE WORLD IS CHANGING

LET’S BUILD MORE RESILIENT COMMUNITIES TOGETHER
Attachment F

Hear a Presentation on Allianz’s Approach to Climate Change and Sustainable Insurance Products

—Nico Ahn and Thomas Liesch (Allianz)
COLLABORATING FOR A SUSTAINABLE FUTURE

Thomas Liesch / Nico Ahn
Group Corporate Responsibility
Allianz SE

NAIC Climate Risk and Resilience Working Group Meeting

31 July 2020
SUSTAINABILITY AT ALLIANZ – RECENT HIGHLIGHTS

Initiated UN-convened net-zero asset owner alliance

• A group of the world’s largest pension funds and insurers
• Reduce carbon emissions of their investment portfolios to net-zero by 2050

Co-chair of Global Investors for Sustainable Development

• Allianz co-chairs UN-convened initiative, Gisd, of 30 business leaders
• Scale up finance and investment in sustainable development

Leading insurer in Dow Jones Sustainability Index

• Top position as sector leader among all rated insurance companies in the SAM rating / DJSI
• #1 for the 3rd time in a row

Developed first ESG guide for global insurance industry

• Allianz co-led Principles for Sustainable Insurance initiative to develop 1st global guidance on ESG in P/C underwriting
• First version of standard was published in Q2 2020
ALLIANZ – THE ESG STRATEGY ...

... is based on the 17 UN Sustainable Development Goals ...

A Sustainable insurer
B Responsible investor
C Attractive employer
D Committed corporate citizen

ESG governance

... impacting our roles as insurer, investor, employer and corporate citizen
A Group-wide Climate Change Strategy is in place since 2005

KEY ELEMENTS
- Strategy governed by Group ESG Board, which regularly reports to Board of Management and Supervisory Board
- Dedicated climate change center as part of Corporate Responsibility department
- Climate change as risk driver managed as part of overarching risk governance architecture, emerging elements are dealt with separately
CLIMATE CHANGE FOCUS AREAS

DECARBONIZATION OF INVESTMENTS

• committed to net-zero emissions in proprietary investments by 2050
• Board of Management remuneration tied to emission targets
• joined forces with 26 asset owners with 5 tn USD AUM in UN-convened Net-Zero Asset Owner Alliance*

CLIMATE ANALYSIS AND DISCLOSURE

• reporting against TCFD* framework since 2017
• Group project to develop enhanced scenario analysis
• working with UNEP FI to improve scenario analysis and disclosure for P&C UW
• encouraging other companies to embark on improved climate disclosures

*Task Force on Climate-related Financial Disclosures
DEEP DIVE
SUPPORTING OUR CUSTOMERS WITH SUSTAINABLE SOLUTIONS
HOW DO WE IDENTIFY OUR SUSTAINABLE SOLUTIONS?

While sustainability is embedded in all our products and services in-principle, we have identified six criteria to identify products with a specific environmental and social added value.

**ENVIRONMENTAL CRITERIA**
1. Supports the development of sustainable technology, e.g. renewables
2. Conserves natural resources, biodiversity or mitigates climate change, e.g. environmental liability
3. Protects from environmental risks and adapting to climate change impacts, e.g. weather related

**SOCIAL CRITERIA**
1. Support people tackling social challenges, e.g. charity worker travel solutions
2. Products for socially disadvantaged groups, e.g. micro-insurance or refugee liability
3. Raises awareness via donations or communications campaigns
Our sustainable solutions fall into three main categories and form part of our action towards the U.N. Sustainable Development Goals:

1. **Sustainable Insurance**
   - Sustainable insurance solutions
   - Insurance solutions with a sustainability component

2. **Emerging Consumers**
   - Selected examples

3. **Sustainable Asset Management**
   - Environmental Liability
   - Sustainable Lifestyle Solutions
   - Renewables and Energy Efficiency Solutions

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1. This includes sustainable insurance solutions and insurance solutions with a sustainability component.
SUSTAINABLE SOLUTIONS PERFORMANCE

Sustainable solutions performance
Revenue from sustainable solutions by category
€ mn

<table>
<thead>
<tr>
<th>Year</th>
<th>Sustainable Insurance Solutions</th>
<th>Insurance Solutions with a sustainability component</th>
<th>Emerging Consumer Solutions</th>
<th>Sustainable Asset Management Solutions</th>
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<td>1,278.6</td>
<td>927.8</td>
<td></td>
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<tr>
<td>2019</td>
<td>874.0</td>
<td>364.3</td>
<td>881.0</td>
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</table>
All our reports and publications can be found online at: www.allianz.com/sustainability
This document includes forward-looking statements, such as prospects or expectations, that are based on management's current views and assumptions and subject to known and unknown risks and uncertainties. Actual results, performance figures, or events may differ significantly from those expressed or implied in such forward-looking statements. Deviations may arise due to changes in factors including, but not limited to, the following: (i) the general economic and competitive situation in the Allianz Group’s core business and core markets, (ii) the performance of financial markets (in particular market volatility, liquidity, and credit events), (iii) the frequency and severity of insured loss events, including those resulting from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates, most notably the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions including and related integration issues and reorganization measures, and (xi) the general competitive conditions that, in each individual case, apply at a local, regional, national, and/or global level. Many of these changes can be exacerbated by terrorist activities.

**No duty to update**
The Allianz Group assumes no obligation to update any information or forward-looking statement contained herein, save for any information we are required to disclose by law.
Attachment G-I

Hear an Update on APCI’s Domestic and International Climate Risk-Related Activities

—Dave Snyder (APCI)
Examples of Recent APCIA Activities Relating to Climate Risk and Insurance

NAIC
July 2020
David F. Snyder
APCIA
Domestic Focused Activities-Advocacy

• APCIA’s July 1, 2020 letter to the chairman and ranking member of the U.S. Senate Committee on Environment is an example of our advocacy activities and includes the following recommendations:
  ➢ Encourage states and communities to adopt land use measures including optimizing natural infrastructure
  ➢ Incorporate climate risk models and resilience standards into all public infrastructure projects
  ➢ Commit additional funds to resilient infrastructure and retrofitting for resilience
  ➢ Support research and incentives for mitigation

• APCIA regularly engages at the state level on improving building codes and supporting other mitigation proposals, including the work of the Insurance Institute for Building and Home Safety
Domestic Focused Activities—Public Information

• APCIA’s website regularly provides information to the public on climate risk mitigation and response, recent examples include:
  ✓ July 24, 2020: preparedness for Tropical Storm Hanna
  ✓ June 26, 2020: readiness reminder for natural catastrophes
  ✓ June 6, 2020: preparedness for Tropical Storm Cristobal
  ✓ May 22, 2020: recovery after dam collapses

• APCIA annually sponsors the National Flood Conference
Domestic Focused Activities—Participation in Multi-Sector Coalitions

• As an example of our work in coalitions, the SmarterSafer policy recommendations include:
  ➢ Encourage efforts and provide funding for mitigation to reduce damage before disasters
  ➢ Require federal standards and a focus on earthquake and wildfire risk
  ➢ Reform the National Flood Insurance Program to improve modeling and mapping, move toward risk-based rates with help for low income communities and individuals, allow private insurance and support mitigation
  ➢ Encourage greater coordination among federal agencies
International Focused Activities—Industry Coordination

• Member of Global Federation of Insurance Associations and active participant in all climate risk related activities

• With Insurance Bureau of Canada, leads the effort to draft positions and key points on climate risk mitigation and adaptation:
  ✓ Notes importance of climate risk mitigation and adaptation
  ✓ Demonstrates key potential role of insurance
  ✓ Encourages and supports on-going dialogue with regulators
  ✓ Encourages rebuilding resilient economies after the pandemic and offers expertise to assist
International Focused Activities—International Agencies

• APCIA provides stakeholder input to international bodies such as the International Association of Insurance Supervisors and Organization for Economic Cooperation and Development

• APCIA was a team member in a UN and Allianz sponsored project that created a guide entitled: “Managing Environmental, Social and Governance Risks in Non-life Insurance Business”:
  - Provides optional guidance on how to address ESG issues
  - Highlights the materiality of ESG risks
  - Articulates an insurance perspective
  - Demonstrates the unique role and value of insurance to sustainable development
Conclusion

• APCIA engages on climate risk in many domestic and international forums
• APCIA provides information to the public on preparedness and recovery
• APCIA informs domestic and international policymakers about the key role insurers can and are playing in relation to climate risk
• APCIA supports climate risk mitigation efforts and offers constructive recommendations to the public and governments on how to reduce losses
July 01, 2020

The Honorable John Barrasso
Chairman
U.S. Senate Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Thomas Carper
Ranking Member
U.S. Senate Committee on Environment and Public Works
456 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Barrasso and Senator Carper:

For the past few months, the nation has been focused on the immediate needs of individuals, businesses, and communities in responding to the COVID-19 pandemic. As the nation moves from response to recovery, many have suggested that investing in the country’s infrastructure will play a critical role in fostering the nation’s economic recovery from the damage caused by the coronavirus pandemic. As the Committee continues to focus on addressing the country’s infrastructure needs, the American Property Casualty Insurance Association (APCIA) urges the Committee to include measures that will enhance the resiliency of the nation’s infrastructure.

APCIA is the primary national trade association for home, auto, and business insurers. APCIA members represent all sizes, structures, and regions – protecting families, communities, and business in the U.S. and across the globe; and are among some of the first people on the ground following a natural catastrophe working with their customers to begin the process of recovery.

June 1st marked the official start of the 2020 Hurricane season, and already three named storms have threatened the United States. The National Oceanographic and Atmospheric Administration (NOAA) is predicting an above average storm season. On June 4, the Colorado State University updated its Extended Range Forecast, and is now predicting 19 named storms in 2020, which is “...well above average activity...”¹ These forecasts follow several years of multiple one billion dollar catastrophes (wildfire, severe weather, tornado, hailstorm, inland flooding, and hurricane). Beginning in 2016, the nation has experienced over a

¹ https://tropical.colostate.edu/Forecast/2020-06.pdf
dozen billion dollar events in each of the last four (4) years; 14 in 2019, 14 in 2018, 16 in 2017, and 15 in 2016.\(^2\)

The nation has always and should continue providing aid to those in need following a catastrophe. However, for too-long the focus has been on post-disaster assistance. The GAO estimates that since 2005 the federal government has spent at least $450 billion on disaster assistance.\(^3\) Considering the current debt and deficit and the trillion dollar response to COVID-19, it is clear that relying solely on post-disaster assistance is not sustainable. Policymakers and stakeholders must shift the focus to pre-disaster mitigation and preparedness. The 2018 enactment of the Disaster Recovery and Reform Act of (DRRA) is a good first step. But more must be done.

As Congress continues to work on legislation to fund infrastructure programs, bold steps can be taken to enhance the nation’s resiliency to natural catastrophes (hurricanes, floods, hailstorms, wildfires, or earthquakes) by funding pre-disaster mitigation programs. Pre-disaster mitigation can reduce future disaster relief spending and can save lives. In their 2019 report the National Institute of Building Sciences (NIBS) found a savings rate of “. . . $6 for every $1 dollar spent through mitigation grants through select federal agencies.”\(^4\) The same report went on to conclude that investment in mitigation could save hundreds of lives and prevent one million non-fatal injuries.\(^5\)

Making America resilient to disasters will take the combined efforts of government, communities, private sector, and individual property owners. Infrastructure plays an important role in any given community’s ability to recover from a natural catastrophe, and a critical component of a comprehensive resiliency strategy.

Investing in pre-disaster hazard mitigation can make communities, individuals, and businesses more resilient to catastrophes by reducing economic losses, limiting taxpayer exposure, protecting people and property. As the legislative process moves forward, APCIA offers the following broad-based suggestions:

1) encourage states, U.S. territories, communities, and tribes to adopt prudent, hazard-specific land use measures including optimizing the natural infrastructure to limit damage,

2) incorporate climate risk models and climate resilience standards into all public infrastructure projects,

3) commit additional government funds for resilient infrastructure and retrofitting existing infrastructure in areas at risk,

4) support research and targeted incentives to promote effective loss mitigation to reduce current and future risk to people, property, and critical infrastructure.

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\(^3\) [https://www.gao.gov/key_issues/disaster_assistance#response_and_recovery](https://www.gao.gov/key_issues/disaster_assistance#response_and_recovery)


APCIA stands ready to assist in crafting specific public policy solutions to improve and enhance the resiliency of the nation’s infrastructure with the goals of protecting lives and property, reducing economic losses, limiting taxpayer expense, and helping communities recover more quickly.

Sincerely,

Nathaniel F. Wienecke

CC: The Honorable Elaine Chao, United States Secretary of Transportation
The Honorable Mitch McConnell, Senate Majority Leader
The Honorable Charles Schumer, Senate Democratic Leader
World’s insurers and UN Environment Programme launch first global insurance industry guide to tackle sustainability risks

Published on June 16, 2020

Butch BacaniFollow
Programme Leader, UN Environment Programme's Principles for Sustainable Insurance Initiative

June 2020—After a multi-year global consultation process, leading insurers from around the world and the UN Environment Programme (UNEP) launched last 3 June the first global insurance industry guide to tackle a wide range of sustainability risks—from climate change, ecosystem degradation, pollution and animal welfare and testing; to child labour, controversial weapons, and bribery and corruption.
Managing environmental, social and governance risks in non-life insurance business

The first ESG guide for the global insurance industry developed by UN Environment Programme’s Principles for Sustainable Insurance Initiative

PSI Project Team Members
Allianz, American, Aegon, AIG, American Property Casualty Insurance Association, AXA, Generali, MAPFRE, Munich Re, CBE, RSA, Santam, Swiss Re, Temple University’s Fox School of Business, UN Environment Programme, University of Technology Sydney, West Chester University, and Zurich
The guide, *Managing environmental, social and governance (ESG) risks in non-life insurance business*, outlines 8 areas comprising possible actions for insurers to manage ESG risks—also known as sustainability risks—in non-life insurance transactions, focusing on risk assessment and insurance underwriting. These areas include developing a company’s ESG approach and risk appetite, integrating ESG issues into the organisation, establishing roles and responsibilities for ESG issues, escalating ESG risks to decision-makers, detecting and analysing ESG risks, and decision-making and reporting on ESG risks.

The guide is one of the flagship projects of UNEP’s Principles for Sustainable Insurance Initiative (PSI), the largest collaboration between the UN and the global insurance industry. Developing the guide was co-led by the global insurer, *Allianz*, and UNEP, and involved other leading insurers, insurance associations, and academic institutions from across the globe.
“Managing environmental, social and governance risks in the insurance business is an indispensable part of good risk management, and is crucial to harnessing insurance to help achieve the UN Sustainable Development Goals,” said Butch Bacani, who leads the PSI at UNEP and who co-led the development of the guide. “Every insurer should have a strategy and framework to systematically manage sustainability risks in its insurance and investment activities. This pioneering PSI guide puts sustainability at the heart of insurers’ core business to manage risk.”

The guide includes two high-level, optional “heat maps” indicating the potential level of ESG risk across economic sectors and lines of insurance business. The heat maps break down ESG issues into specific themes and risk criteria and provide examples of risk mitigation and good practice. Further references to various standards and technical guidelines are included in the guide to support decision-making on a range of ESG issues.
The guide raises awareness of the potential benefits of ESG integration in the insurance business model, including mitigating reputation risk, managing societal expectations, understanding the financial benefits of clients with strong ESG performance, and engaging and supporting clients and employees.

“By underwriting for sustainability, insurers can overwrite unsustainable practices that cause global warming, destroy life-supporting biodiversity and ecosystems, pollute the environment and violate human rights, and be part of the solution to building healthy, resilient and sustainable communities and economies,” added Bacani. “However, adopting sustainable insurance thinking and practices cannot be an effort of a few. The entire insurance industry needs to be part of this effort. This is why this PSI guide is an important, galvanising step to make such an industry-wide effort a reality.”
Co-led by Allianz and UNEP, other members of the PSI project team that developed the guide include American Hellenic Hull, American Property Casualty Insurance Association, AXA, Generali, MAPFRE, Munich Re, QBE, RSA, Santam, Swiss Re, Temple University’s Fox School of Business, University of Technology Sydney, West Chester University, and Zurich.
The guide was launched at the second event of the international virtual event series this year convened by the PSI and Swiss Re to advance sustainability leadership in insurance. The series seeks to catalyse an ambitious, collaborative and actionable global agenda to harness insurance to help achieve the UN Sustainable Development Goals.
The guide was developed through a comprehensive global consultation process that included interviews with insurance experts and key stakeholders, the first global ESG survey on non-life insurance underwriting, discussions at PSI events across all regions, and a public consultation on the draft guide. It is intended to be iterative—seeking feedback from the insurance industry and its key stakeholders—and will be reviewed regularly and updated as necessary.
Any Other Matters