

NAIC Climate Risk Disclosure Survey / TCFD Comparison

Lisa Groshong, PhD, CIPR communication research scientist, and Tyler Gerson, CIPR intern
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Introduction

The following comparisons of the NAIC climate risk disclosure survey and TCFD guidelines are built upon a framework of the CERES Scoring Framework ([Insurer Climate Risk Disclosure Survey Report & Scorecard: 2016 Findings & Recommendations](#), p. 76). The CERES framework organized each NAIC survey question into an overarching theme. These themes are:

1. Climate governance
2. Enterprise-wide climate risk management
3. Climate change modeling & analytics
4. Stakeholder engagement
5. Internal greenhouse gas management

This comparison document incorporates the TCFD questions and NAIC subquestions into the CERES framework on three levels. In each comparison table, NAIC survey question numbers are listed in the far left column, along with a descriptive keyword assigned by CIPR. The question numbers and text are highlighted in blue. The TCFD question theme names and numbers are listed in the far right column. The question numbers and text are highlighted in yellow.

First, we constructed a high-level comparison that shows the relationship of the main, top-level questions from each survey to the overall CERES themes. Currently, qualifying U.S. insurers are only required to answer the eight main NAIC risk disclosure survey questions.

Second, we took a closer look at the TCFD's clarifying subquestions. For this section, we retained the organization of the main NAIC risk disclosure survey questions and layered in the TCFD subquestions where they matched thematically. Subquestion letter designations (e.g., a, b, c) were added for clarity.

Finally, in the third section, we retained the previous comparison and added in the NAIC risk disclosure survey subquestions, matching them with the most relevant CERES theme and TCFD question or subquestion. Subquestion letter designations (e.g., a, b, c) were added for clarity.

The final section contains the complete list of NAIC climate risk disclosure survey questions and the TCFD questions, including supplementary TCFD questions specific to the insurance industry. The insurance supplementary questions can also be found on the TCFD website. They were not included in the analysis above.

High-level comparison of NAIC disclosures with TCFD guidelines

NAIC Climate Risk Disclosure Survey / TCFD Comparison: High level—main questions only		
Based on CERES Scoring Framework (<i>Insurer Climate Risk Disclosure Survey Report & Scorecard: 2016 Findings & Recommendations</i> , p. 76) with TCFD themes added by CIPR		
NAIC Survey Question #		TCFD Theme
Theme 1: Climate Governance		
2 <i>Risk plan</i>	Does the company have a climate change policy with respect to risk management and investment management?	
	Disclose the organization’s governance around climate-related risks and opportunities.	Governance
Theme 2: Enterprise-Wide Climate Risk Management		
3 <i>Assess</i>	Describe your company’s process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications.	
4 <i>Risks</i>	Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by these risks.	
	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.	Strategy
	Disclose how the organization identifies, assesses, and manages climate-related risks.	Risk management
5 <i>Invest</i>	Has the company considered the impact of climate change on its investment portfolio?	
Theme 3: Climate Change Modeling & Analytics		
8 <i>Manage</i>	Describe actions the company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling.	
Theme 4: Stakeholder Engagement		
6 <i>Mitigate</i>	Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.	
7 <i>Engage</i>	Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.	
Theme 5: Internal Greenhouse Gas Management		
1 <i>Emissions</i>	Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations?	
	Disclose how the organization identifies, assesses, and manages climate-related risks.	Risk management

Comparison of TCFD main & subquestions to NAIC main risk disclosure questions

A comprehensive comparison of TCFD's alignment with several additional disclosure frameworks (as of 2017) is available at <https://www.tcfhub.org/alignment/>

NAIC Climate Risk Disclosure Survey / TCFD Comparison: TCFD main & subquestions compared to NAIC survey		
Based on CERES Scoring Framework (<i>Insurer Climate Risk Disclosure Survey Report & Scorecard: 2016 Findings & Recommendations</i> , p. 76)		
NAIC Survey Question #		TCFD Theme & Subquestion
Theme 1: Climate Governance		
<i>2 Risk plan</i>	Does the company have a climate change policy with respect to risk management and investment management?	
	Disclose the organization's governance around climate-related risks and opportunities.	Governance
	Describe the board's oversight of climate-related risks and opportunities.	Governance (a)
	Describe management's role in assessing and managing climate-related risks and opportunities.	Governance (b)
Theme 2: Enterprise-Wide Climate Risk Management		
<i>3 Assess</i>	Describe your company's process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications.	
	Describe the organization's processes for (a) identifying and assessing and (b) managing climate-related risks.	Risk management (a) and (b)
<i>4 Risks</i>	Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by these risks.	
	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.	Strategy
	Disclose the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Strategy (a)
	Disclose how the organization identifies, assesses, and manages climate-related risks.	Risk management
<i>5 Invest</i>	Has the company considered the impact of climate change on its investment portfolio?	
	Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.	Strategy (b)
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Risk management (c)
Theme 3: Climate Change Modeling & Analytics		

<i>8 Manage</i>	Describe actions the company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling.	
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.	Strategy (c)
	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and targets (a)
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Metrics and targets (c)
Theme 4: Stakeholder Engagement		
<i>6 Mitigate</i>	Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.	
<i>7 Engage</i>	Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.	
Theme 5: Internal Greenhouse Gas Management		
<i>1 Emissions</i>	Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations?	
	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gasses emissions, and the related risks.	Metrics and targets (b)

Comprehensive comparison of NAIC and TCFD questions

A comprehensive comparison of TCFD's alignment with several additional disclosure frameworks (as of 2017) is available at <https://www.tcfhub.org/alignment/>

NAIC Climate Risk Disclosure Survey / TCFD Comparison: TCFD main & subquestions compared to NAIC survey		
Based on CERES Scoring Framework (<i>Insurer Climate Risk Disclosure Survey Report & Scorecard: 2016 Findings & Recommendations</i> , p. 76)		
NAIC Survey Question #		TCFD Theme & Subquestion
Theme 1: Climate Governance		
2 <i>Risk plan</i>	Does the company have a climate change policy with respect to risk management and investment management?	
2a	Where in the structure of the company is climate risk addressed?	
2b	Does the company approach climate change as an Enterprise Risk Management (ERM) issue?	
	Disclose the organization's governance around climate-related risks and opportunities.	Governance
2c	Does the company have a dedicated point-person or team within the company that is responsible for managing its climate change strategy?	
	Describe the board's oversight of climate-related risks and opportunities.	Governance (a)
2d	What is the role of the board of directors in governing climate risk management?	
	Describe management's role in assessing and managing climate-related risks and opportunities.	Governance (b)
Theme 2: Enterprise-Wide Climate Risk Management		
3 <i>Assess</i>	Describe your company's process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications.	
	Describe the organization's processes for (a) identifying and assessing and (b) managing climate-related risks.	Risk management (a) and (b)
3a	How may climate change shift customer demand for products?	
3b	What implications may climate change have on liquidity and capital needs?	
3c	How might climate change affect limits, cost and terms of catastrophe reinsurance, including reinstatement provisions?	
3d	Has the insurer considered creative methods of risk distribution such as contingency plans to reduce financial leverage and resolve any liquidity issues in the event of a sudden loss in surplus and cash outflows as a result of a catastrophic event?	
3e	How are these impacts likely to evolve over time? Does the company have plans to regularly reassess climate change related risks and its responses to those risks?	
4 <i>Risks</i>	Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your	

	business. Include identification of the geographical areas affected by these risks.	
	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.	Strategy
4b	What implications may climate change have on liquidity and capital needs?	
4c	How might climate change affect limits, cost and terms of catastrophe reinsurance, including reinstatement provisions?	
4d	Has the insurer considered creative methods of risk distribution such as contingency plans to reduce financial leverage and resolve any liquidity issues in the event of a sudden loss in surplus and cash outflows as a result of a catastrophic event?	
	Disclose the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Strategy (a)
4e	How are these impacts [climate risks] likely to evolve over time? Does the company have plans to regularly reassess climate change related risks and its responses to those risks?	
2e	Does the company consider potentially correlated risks affecting asset management and underwriting?	
6c	How might climate change affect limits, cost and terms of catastrophe reinsurance, including reinstatement provisions?	
6d	Has the insurer considered creative methods of risk distribution such as contingency plans to reduce financial leverage and resolve any liquidity issues in the event of a sudden loss in surplus and cash outflows as a result of a catastrophic event?	
6e	How are these impacts likely to evolve over time? Does the company have plans to regularly reassess climate change related risks and its responses to those risks?	
	Disclose how the organization identifies, assesses, and manages climate-related risks.	Risk management
4a	How may climate change shift customer demand for products?	
5 Invest	Has the company considered the impact of climate change on its investment portfolio?	
5b	What implications may climate change have on liquidity and capital needs?	
	Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.	Strategy (b)
6b	What implications may climate change have on liquidity and capital needs?	
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Risk management (c)
Theme 3: Climate Change Modeling & Analytics		
8 Manage	Describe actions the company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling.	

	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.	Strategy (c)
5e	How are these impacts likely to evolve over time? Does the company have plans to regularly reassess climate change related risks and its responses to those risks?	
	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and targets (a)
8a	For what perils does the company believe that future trends may deviate substantially from historical trends due to changes in the hazard? Similarly, for what perils, if any, does the company believe that a catastrophe model extrapolating observed trends would be insufficient to plan for maximum possible loss or yearly average loss? What steps has the company taken to model or analyze perils associated with non-stationary hazards?	
8b	Has the company used catastrophe models to conduct hypothetical "stress tests" to determine the implications of a wide range of plausible climate change scenarios? If so, over what timescale, in what geographies and for what perils?	
8c	Has the company conducted, commissioned or participated in scenario modeling for climate trends beyond the 1-5 year timescale? If so, what conclusions did the company reach on the potential implications for insurability under these scenarios?	
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Metrics and targets (c)
Theme 4: Stakeholder Engagement		
6 <i>Mitigate</i>	Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.	
6a	How might climate change shift customer demand for products?	
7 <i>Engage</i>	Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.	
7a	How has the company supported improved research and/or risk analysis on the impacts of climate change?	
7b	What resources has it invested to improve climate awareness among its customers in regulated and unregulated lines?	
7c	What steps has it taken to educate shareholders on potential climate change risks the company faces?	
2f	Has the company issued a public statement on its climate policy?	
Theme 5: Internal Greenhouse Gas Management		
1 <i>Emissions</i>	Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations?	
	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gasses emissions, and the related risks.	Metrics and targets (b)

NAIC survey subquestions that do not fit neatly into the above

5a	How may climate change shift customer demand for products?	
5c	How might climate change affect limits, cost and terms of catastrophe reinsurance, including reinstatement provisions?	
5d	Has the insurer considered creative methods of risk distribution such as contingency plans to reduce financial leverage and resolve any liquidity issues in the event of a sudden loss in surplus and cash outflows as a result of a catastrophic event?	

NAIC Climate Risk Disclosure Survey Questions

[Full question and guidance document](#) available at the California DOI website.

1. Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations? If yes, please summarize.
2. Does the company have a climate change policy with respect to risk management and investment management? If yes, please summarize. If no, how do you account for climate change in your risk management?
 - Where in the structure of the company is climate risk addressed?
 - Does the company approach climate change as an Enterprise Risk Management (ERM) issue?
 - Does the company have a dedicated point-person or team within the company that is responsible for managing its climate change strategy?
 - What is the role of the board of directors in governing climate risk management?
 - Does the company consider potentially correlated risks affecting asset management and underwriting?
 - Has the company issued a public statement on its climate policy ?
3. Describe your company's process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications.
 - How may climate change shift customer demand for products?
 - What implications may climate change have on liquidity and capital needs?
 - How might climate change affect limits, cost and terms of catastrophe reinsurance, including reinstatement provisions?
 - Has the insurer considered creative methods of risk distribution such as contingency plans to reduce financial leverage and resolve any liquidity issues in the event of a sudden loss in surplus and cash outflows as a result of a catastrophic event?
 - How are these impacts likely to evolve over time? Does the company have plans to regularly reassess climate change related risks and its responses to those risks?
4. Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by these risks.
 - How may climate change shift customer demand for products?
 - What implications may climate change have on liquidity and capital needs?
 - How might climate change affect limits, cost and terms of catastrophe reinsurance, including reinstatement provisions?
 - Has the insurer considered creative methods of risk distribution such as contingency plans to reduce financial leverage and resolve any liquidity issues in the event of a sudden loss in surplus and cash outflows as a result of a catastrophic event?
 - How are these impacts likely to evolve over time? Does the company have plans to regularly reassess climate change related risks and its responses to those risks?
5. Part A: Has the company considered the impact of climate change on its investment portfolio? Part B: Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken.
 - How may climate change shift customer demand for products?
 - What implications may climate change have on liquidity and capital needs?
 - How might climate change affect limits, cost and terms of catastrophe reinsurance, including reinstatement provisions?

- Has the insurer considered creative methods of risk distribution such as contingency plans to reduce financial leverage and resolve any liquidity issues in the event of a sudden loss in surplus and cash outflows as a result of a catastrophic event?
 - How are these impacts likely to evolve over time? Does the company have plans to regularly reassess climate change related risks and its responses to those risks?
6. Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.
- How may climate change shift customer demand for products?
 - What implications may climate change have on liquidity and capital needs?
 - How might climate change affect limits, cost and terms of catastrophe reinsurance, including reinstatement provisions?
 - Has the insurer considered creative methods of risk distribution such as contingency plans to reduce financial leverage and resolve any liquidity issues in the event of a sudden loss in surplus and cash outflows as a result of a catastrophic event?
 - How are these impacts likely to evolve over time? Does the company have plans to regularly reassess climate change related risks and its responses to those risks?
7. Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.
- How has the company supported improved research and/or risk analysis on the impacts of climate change?
 - What resources has it invested to improve climate awareness among its customers in regulated and unregulated lines?
 - What steps has it taken to educate shareholders on potential climate change risks the company faces?
8. Describe actions the company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling. *If Yes* - Please summarize what actions the company is taking and in general terms the use if any of computer modeling in response text box.
- For what perils does the company believe that future trends may deviate substantially from historical trends due to changes in the hazard? Similarly, for what perils, if any, does the company believe that a catastrophe model extrapolating observed trends would be insufficient to plan for maximum possible loss or yearly average loss? What steps has the company taken to model or analyze perils associated with non-stationary hazards?
 - Has the company used catastrophe models to conduct hypothetical “stress tests” to determine the implications of a wide range of plausible climate change scenarios? If so, over what timescale, in what geographies and for what perils?
 - Has the company conducted, commissioned or participated in scenario modeling for climate trends beyond the 1-5 year timescale? If so, what conclusions did the company reach on the potential implications for insurability under these scenarios?

TCFD Questions, including Insurance Supplements

Main TCFD Questions

From <https://live-tcfdhub.pantheonsite.io/>

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosures

- a) Describe the board's oversight of climate-related risks and opportunities.
- b) Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy

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.

Recommended Disclosures

- a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
- b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.
- c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosures

- a) Describe the organization's processes for identifying and assessing 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.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosures

- a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- 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.

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Supplemental TCFD Guidance for Insurance Companies

Strategy ([link to source document](#)):

Supplement for Strategy (B) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Insurance companies should describe the potential impacts of climate-related risks and opportunities, as well as provide supporting quantitative information where available, on their core businesses, products, and services, including:

- information at the business division, sector, or geography levels;
- how the potential impacts influence client, cedent, or broker selection; and
- whether specific climate-related products or competencies are under development, such as insurance of green infrastructure, specialty climate-related risk advisory services, and climate-related client engagement.

Supplement for Strategy (C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Insurance companies that perform climate-related scenario analysis on their underwriting activities should provide the following information:

- description of the climate-related scenarios used, including the critical input parameters, assumptions and considerations, and analytical choices. In addition to a 2°C scenario, insurance companies with substantial exposure to weather-related perils should consider using a greater than 2°C scenario to account for physical effects of climate change and
- time frames used for the climate-related scenarios, including short-, medium-, and long-term milestones.

Risk Management ([link to source document](#)):

Supplement for Strategy (A) Describe the organization's processes for identifying and assessing climate-related risks.

Insurance companies should describe the processes for identifying and assessing climate-related risks on re-/insurance portfolios by geography, business division, or product segments, including the following risks:

- physical risks from changing frequencies and intensities of weather-related perils,
- transition risks resulting from a reduction in insurable interest due to a decline in value, changing energy costs, or implementation of carbon regulation, and
- liability risks that could intensify due to a possible increase in litigation.

Supplement for Strategy (B) Describe the organization's processes for managing climate-related risks.

Insurance companies should describe key tools or instruments, such as risk models, used to manage climate-related risks in relation to product development and pricing.

Insurance companies should also describe the range of climate-related events considered and how the risks generated by the rising propensity and severity of Insurance companies should also describe the range of

climate-related events considered and how the risks generated by the rising propensity and severity of such events are managed such events are managed.

Metrics and Targets ([link to source document](#)):

Supplement for Strategy (A) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Insurance companies should provide aggregated risk exposure to weather-related catastrophes of their property business (i.e., annual aggregated expected losses from weather-related catastrophes) by relevant jurisdiction.