



March 3, 2021

RE: Feedback from Center for American Progress on Climate Risk Disclosure

Dear Sirs/Madams:

We are writing in response to the Climate Risk Disclosure Workstream request for feedback to guide its recommendations to the Climate and Resiliency Executive Task Force of the National Association of Insurance Commissioners (NAIC).

Climate change poses major risks to U.S. companies, and particularly insurers. Insurance companies' investments and liabilities face transition risks and physical risks, exposing them to acute climate-related risks on both sides of their balance sheets. It is critical for the NAIC to take a leading role on this issue to help facilitate uniformity across states when it comes to mitigating climate-related risks to the sector. We strongly support efforts to enhance climate risk disclosures by insurers and strongly encourage the NAIC to consider establishing standard climate risk disclosures, beginning with greenhouse gas emissions, including standardized, publicly available data and methodologies for insurers to use in meeting those disclosures.

CAP recently published several reports that speak to the questions posed by the workstream to help it determine NAIC's objectives on climate risk disclosure. While the CAP reports focus on federal government policies, many of the recommendations and much of the analysis is directly responsive to the questions posed and highly relevant to NAIC's objectives to align with the TCFD and promote uniformity in reporting requirements.

Our climate risk disclosure report ("[The SEC's Time to Act](#)") discusses the importance of climate risk disclosures in protecting investors, but also in facilitating efficient and orderly markets as the U.S. and the rest of the world transition to a low-carbon economy. The report also addresses both the benefits and limitations of the TCFD, as well as the proliferation of climate disclosure frameworks and the lack of standardization not just of metrics but also of underlying data and methodologies that enable comparison across companies.

A follow-up report ("[The Role of Accounting and Auditing in Addressing Climate Change](#)") takes a deeper dive into existing rules that all companies, including insurers, should be aware of as regulators move forward to provide more transparency around the impacts of climate change on companies' financials. These point to the importance of insurance regulators getting started now on this critical area of regulation, even though a comprehensive standardized framework is not yet available.

Finally, our report on investment fiduciaries ("[Modernizing the Social Contract With Investment Fiduciaries](#)") may also provide insights into the need for insurance fiduciaries to provide transparency on the processes they use to integrate climate-related risk in their decisions.

Beyond disclosure, CAP also encourages the NAIC to work to integrate climate-related risks into the rest of its supervisory and regulatory framework for insurers.

I hope this information is useful to NAIC's efforts to address this critical issue. Please don't hesitate to contact me or my colleagues if we can be of further assistance.

Kind regards,

Andres Vinelli
Vice President, Economic Policy
Center for American Progress