

**MEMORANDUM**

To: Catastrophe Risk (E) Subgroup of the Property and Casualty Risk Based Capital (E) Working Group

From: Solvency Workstream of the Climate and Resiliency (EX) Task Force

DATE: December 4, 2023

RE: Direction to NAIC Staff on RBC Blanks Proposal

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The Solvency Workstream of the Climate and Resiliency (EX) Task Force was tasked with considering the development of climate scenario analysis in connection with one of the key regulatory priorities of the NAIC. In 2022, the Workstream held three public panels learning more about climate scenario analysis and different perspectives from various speakers. Most noteworthy was the panel involving four other insurance supervisors from four other jurisdictions where members of the Workstream heard an array of approaches with respect to this topic.

In 2023, the workstream held three educational sessions where members learned more from NAIC staff and other parties on the use of climate scenario analysis. One of the most significant understandings gained by Workstream members was that most of the commercial CAT modelers have already developed what are referred to as “Climate Conditioned Catalog” versions of their models that reflect adjusted frequency and severity for certain time horizons (e.g., 2040 or 2050). While such conditioned catalogs are generally only available to companies for Hurricane, Wildfire and Flood, the first two of these perils align with the perils included in the NAIC Property Casualty RBC reporting framework. Workstream members believe that if such data was compared side by side with the data already included within the RCAT (PR027) portion of the Property Casualty RBC formula, the regulator would have an estimate of the impact of climate change and could hold conversations with the company’s management to the extent the state believed such information suggested the risk levels could become problematic for the insurer in the future.

To be clear, the Solvency Workstream has no interest in requiring insurers to hold capital up to the levels suggested through the Climate Conditioned Catalog figures, but rather believes the information would be valuable in the previously mentioned conversation with the company management either through the domestic state examination of the company or the domestic state analysis of the company.

It should be noted that the Solvency Workstream does intend to utilize this confidential RBC data for the industry as a whole to issue a public report that would quantify the estimated impact from climate change on the industry similar to what has been produced by other insurance supervisors, however no specific company information would be included in such a report consistent with the NAIC Model Law and states laws on the same.

To that end, the Solvency Workstream of the Climate and Resiliency (EX) Task Force has directed NAIC staff to develop an RBC Blanks proposal to be submitted to your Working Group for exposure by the end of January 2024 in accordance with your required timeline for consideration of a potential change to RBC for year-end 2024.

If you have any questions regarding the basis for our RBC blanks proposal, please contact NAIC staff (Dan Daveline at [ddaveline@naic.org](mailto:ddaveline@naic.org)) for further clarification.