



January 10, 2022

Jennifer Gardner
Data Coordination and Statistical Analysis Manager
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO
via email to jgardner@naic.org

Re: Proposed Redesigned NAIC Climate Risk Disclosure Survey

Dear Ms. Gardner:

Transamerica appreciates the opportunity to respond to the proposed redesigned NAIC climate risk disclosure survey. Transamerica is a wholly owned subsidiary of Aegon, a Netherlands-based diversified financial services group with a prominent focus on life insurance, annuities, and pensions.

Transamerica and Aegon believe that climate change represents one of the biggest risks for society, for the economy, and for financial institutions, and that mitigating climate change is a major global challenge. Global challenges are best addressed by global tools. Transamerica and Aegon support the disclosure framework of the Task Force on Climate-related Financial Disclosures (TCFD), which has rapidly become a recognized and accepted framework across the globe.

Accordingly, we have been pleased to see the rapidly increasing acceptance of the TCFD framework by U.S. state insurance regulators. We welcome the fact that certain states are now accepting or even encouraging submission of TCFD-based disclosures in satisfaction of the current NAIC survey. We further welcome the fact that the NAIC is proposing to use TCFD as the foundation for the redesigned survey. We believe that stakeholders would be best served by a globally consistent disclosure framework.

Given this progress, we question the NAIC's proposal to supplement the TCFD framework with additional questions, some of which are descriptive and others of which are closed-ended (typically yes/no). The descriptive questions, most of which are not insurance-specific, seem to add only modestly to the substance of the TCFD framework. And, while we appreciate the ambition to generate aggregable information, closed-ended questions cannot capture nuance or qualification, potentially leading to inaccurate public perceptions. Since these supplementary questions would be NAIC-specific, they would have the potential to significantly increase incremental compliance costs for global groups such as Aegon/Transamerica. We encourage removal of these questions.

If, despite our concerns, the NAIC survey continues to supplement the TCFD framework with either or both the additional descriptive and closed-ended questions, we suggest the following improvements:

Governance

1. The first bullet addresses publicly stated climate risk goals, and the second bullet addresses climate risk disclosure. “Climate risk goals” should be changed to “climate goals,” and “climate risk disclosure” should be changed to “climate-related disclosure.” Climate risk is not measured and managed like typical insurance risks. Typical industry practice is to assume that climate is embedded within existing internal risk categories, and risk targets for existing categories are rarely if ever disclosed publicly (they are reported in confidential ORSA filings). In contrast, various insurers have publicly stated climate-related targets, which could be included in survey responses.

Strategy

2. We encourage removal of the first bullet point about materiality. Developing a precise definition of materiality is notoriously challenging, and the problems are exacerbated when the subject is non-financial (e.g., strategy). The TCFD framework presumes that climate effects are material. Efforts to add granularity to the concept are unlikely to be helpful.
3. The second bullet point, about steps the company has taken to engage key constituencies, is probably better categorized under risk management. Absent further clarification, we assume this is referring, for example, to steps that investing insurers have taken to engage with investees. Such activities are a risk management consideration, not a strategy consideration.
4. It may be useful to break the second closed-ended question, about supporting the low carbon transition or helping customers adapt to climate risk, into two parts: (1) products or services, and (2) investments.

Risk management


5. The second bullet-point, about encouraging policyholders to manage climate-related risks, seems relevant only to certain lines of insurance. We would encourage clarification, narrowing, or elimination of this point.
6. The four bullet points under C (how processes for identifying, assessing, and managing climate-related risks are integrated into risk management) should be streamlined. The second bullet, about the frequency of the process of identifying risks, seems relevant only if a separate process is used to identify climate-related risks, so it can be combined with the first bullet. The final two bullets also appear to be extraneous and could be removed: “impacts” of climate related risks would appear to be covered under Strategy (question B), and “managing the exposure” of climate related risks would appear to be covered by the first two bullets, which we recommend combining.
7. The first two closed-ended questions have detail for each of “identifying” and “assessing” climate-related risks, but the narrative questions have detail only for “assessment.” These should be reconciled.

Metrics and targets

8. The second bullet addresses catastrophe models and references life & health, in addition to property & casualty. Catastrophe models should not be presumed to exist in the life & health space. We suggest eliminating life/health and/or adding “if any” at the end of the bullet.
9. The third and fourth bullets, relating to climate scenarios, appear to be related to process (i.e., risk management), not metrics and targets. We suggest that they be moved to the risk management section.
10. For the closed-end multiple-choice questions, in order to avoid unintended prescription, an “other” option should exist.

We appreciate the opportunity to comment and look forward to additional engagement as the project continues.

Sincerely,

A handwritten signature in black ink, reading "William J. Schwegler". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

William J. Schwegler
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