

NAIC CLIMATE RISK DISCLOSURE SURVEY

How does this new survey impact insurance companies?

The National Association of Insurance Commissioners (NAIC) announced on April 8, 2022 that 15 states adopted a new standard for insurance companies to report their climate-related risks. This new standard is in alignment with the international Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD standard is the international benchmark for climate risk disclosure. It will help insurance departments and the public understand how insurers assess and manage risks related to climate change.

What states are involved, what insurance carriers are impacted, and what does this new survey require?

WHAT STATES ARE INVOLVED?

The states adopting the new Climate Risk Disclosure Survey are: California, Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, Minnesota, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, Vermont and Washington.

Last year, New York was the first state to develop and finalize a comprehensive climate change risk regulatory framework for domestic insurers in their state to follow.

Connecticut followed New York's lead and on April 22, 2022 published a proposed Bulletin on Guidance for Managing the Financial Risk of Climate Change for Domestic Companies. Public input was requested by May 23, 2022.

WHAT IS THE CLIMATE RISK DISCLOSURE SURVEY?

The Climate Risk Disclosure Survey is a tool that state insurance regulators can choose to use to request that insurers annually disclose the assessment and management of their climate related risks.

The purpose of the survey is to better understand how insurers are considering and addressing climate change and climate risk in their business operations, underwriting and reserves.

The survey consists of eight questions regarding a carrier's response to climate change covering the following topics:

- Investment
- Mitigation
- Financial Solvency (risk management)
- Emissions/carbon footprint, and
- Engaging consumers.

Insurers are being directed to:

- Integrate climate risks into its governance structure at the group or insurer entity level,
- Into applicable ORSA documents, and
- Incorporate climate risks into its existing financial risk management.

WHO DOES THIS NEW SURVEY APPLY TO?

- If a carrier reports over \$100M premium on its Annual Schedule T filing with the NAIC for the prior financial reporting year, and it is licensed in one of the 15 states, it must complete the survey. A domestic insurer in New York or Connecticut, must follow other specific requirements.
- If a carrier reports less than \$100M premium, it is not required to complete and file the survey, but it can voluntarily do so.
- This survey applies to all lines of insurance business.
- The NAIC indicates that answering closed-ended questions on the survey is voluntary for 2022, and states may opt out of requesting responses to closed-ended questions.
- Generally, it is anticipated **the survey request will be sent to carriers in July with responses due by the end of November 2022**. The survey request will be sent to the Schedule T contact person at the carrier.
- The information recorded on the Survey will be public information.
- If the carrier has submitted the survey in the past, additional questions have been added to align with the international TCFD disclosure framework.
- The NAIC believes that most carriers who will be required to complete the new TCFD aligned Survey have already completed the original survey over the years. The original Survey was created in 2010. According to the NAIC, 28 insurance companies provided TCFD-compliant reports in 2021 and this list will grow to nearly 400 insurance companies as a result of the adoption of the new TCFD aligned Survey by the 15 states.