**PROPOSED REDESIGNED NAIC CLIMATE RISK DISCLOSURE SURVEY**

**PURPOSE STATEMENT**

The purpose of the *Climate Risk Disclosure Survey* is to:

• Enhance transparency about how insurers manage climate risks and opportunities as well as identify good practices and vulnerabilities.

• Provide a baseline supervisory tool to assess how climate-related risks may affect the insurance industry.

• Promote insurer strategic management and encourage shared learning for continual improvement.

• Enable better-informed collaboration and engagement on climate-related issues among regulators and interested parties.

• Align with international climate risk disclosure frameworks to reduce redundancy in reporting requirements.

Link to NAIC Survey:

[http://www.insurance.ca.gov/0250-insurers/0300-insurers/0100- applications/ClimateSurvey/upload/QUESTIONS-AND-GUIDELINES- CLIMATE-RISK-SURVEY-REPORTING-YEAR-2020.pdf](http://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications/ClimateSurvey/upload/QUESTIONS-AND-GUIDELINES-CLIMATE-RISK-SURVEY-REPORTING-YEAR-2020.pdf)

Link to Financial Stability Board’s Task Force for Climate-related Financial Disclosure (TCFD) Recommendations (see pdf pg. 22/doc pg. 14): <https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf>

**Narrative and closed ended questions follow, grouped into the Financial Stability Board’s**

**Task Force for Climate-related Financial Disclosure (TCFD) four topics.**

**Can be presented as (1) two separate parts of the same survey, narrative and closed ended, with option to attach narrative answers as file if it exists already (e.g., like current TCFD reports) so that only closed ended need to be completed, or (2) closed ended questions directly incorporated into narrative questions, with possible option to attach a report and only answer closed ended questions.**

**Other, voluntary questions follow that could be included at discretion of each participating state.**

***Italics* indicate that the question is copied from TCFD.**

**Governance – narrative questions**

*1. Disclose the Company's governance around climate-related risks and opportunities.*

• Identify and include any publicly stated climate goals

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• Describe where climate-related disclosure is handled within the organization’s structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.

*A. Describe the board's oversight of climate-related risks and opportunities.*

• Describe the board and / or committees responsible for the oversight of managing the climate-related financial risks.

*B. Describe management's role in assessing and managing climate-related risks and opportunities.*

**Governance – closed ended questions answered in addition to the narrative**

1. Is Climate Risk Governance done at a group level, entity level, or a combination? (Multiple-choice answers)

a. Based on answer/if group level: Are any activities currently or planned to be undertaken at the Company

Level? (Y/N)

2. Does the Company have, or is it developing, publicly stated climate risk goals? (Y/N)

3. Does the Company’s board currently, or plan to, have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (Y/N)

4. Does management currently, or plan to, have a role in assessing and managing climate-related risks and opportunities (Y/N)

**Strategy – narrative questions**

*2. 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.*

• Describe how the Company defines materiality.

• Describe the steps the Company has taken to engage key constituencies[[1]](#footnote-1) on the climate risk and resiliency.

• Describe the companies plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.

*A. Describe the climate-related risks the organization has identified over the short, medium, and long term by completing the chart below[[2]](#footnote-2).*

• Define short, medium, and long-term, if different than 1-5y as short term,

5-10y as medium term, and 10-30y as long term.

|  |  |  |
| --- | --- | --- |
| **Time Horizon** | **Risks** | **Opportunities** |
| Short-term |  |  |
| Medium-term |  |  |
| Long-term |  |  |

*B. Describe the impact of climate-related risks on the organization's businesses, and strategy.*

• Discuss how the company provides products or services, or makes investments, to support the low carbon transition or help customers adapt to climate risk? (This can include underwriting and/or investments.)

*C. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.*

**Strategy - closed ended questions answered in addition to the narrative**

1. Has the Company taken, or plan to take, steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N)

2. Does the Company currently, or plan to provide products or services, or make investments, to support the low carbon transition or help customers adapt to climate risk? (This can include underwriting and/or investments.) (Y/N)[[3]](#footnote-3)

3. Does the Company currently have, or is the Company in the in the process of creating a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N)

**Risk Management[[4]](#footnote-4) – narrative questions**

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

• Describe how the company considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk.

• .[[5]](#footnote-5)

• Describe how the company has considered the impact of climate related risks on its investment portfolio, including what investment classes have been considered.

*A. Describe the organization’s processes for identifying and assessing climate- related risks.*

• Discuss whether the process includes an assessment of financial implications.

• Discuss how frequently the company go through the process to assess 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.*

• Discuss whether climate-related risks are addressed through the company’s general enterprise-risk management process or a separate process

• Discuss how frequently the company goes through the process to identify climate-related risks

• Describe the potential impact of climate related risks on the company’s underwriting portfolio and how the company is managing its exposure with respect to physical, transition and liability risk.[[6]](#footnote-6)

• Describe how the company considers the impact of climate-related risks on its investment portfolio.

**Risk Management – closed ended questions answered in addition to the narrative**

1. Does the Company currently have, or plan to develop, a process for identifying climate-related risks? (Y/N)

A. If yes, the company currently has a plan, are climate-related risks addressed through the company’s general enterprise-risk management process? (Y/N)

B. If yes, the company currently has a plan, how frequently does the company go through the process to identify climate-related risks? (Multiple choice, e.g., annually, etc.)

2. Does the Company currently have, or plan to develop, a process for assessing climate-related risks? (Y/N)

A. If yes, the company currently has a process, does the process include an assessment of financial implications? (yes/no)

B. If yes, the company currently has a process, how frequently does the company go through the process to assess

climate-related risks? (Multiple choice)

3. Does the company have a process for managing climate-related risks? (Y/N)

4. Has the company considered the impact of climate-related risks on its underwriting portfolio? (Y/N)

5. Has the company taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)

6. Has the company considered the impact of climate-related risks on its investment portfolio? (Y/N)

**Metrics and Targets[[7]](#footnote-7) – narrative questions**

*4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.*

• Describe how your organization uses catastrophe modeling to manage the climate-related risks to your business.

• Specify for which climate-risks the company uses catastrophe models to assess, if any. (Property, Casualty, Life, Health)

• Discuss the climate scenarios[[8]](#footnote-8) utilized by the company to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.

• Discuss the climate scenarios utilized by the company to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.

1. *Disclose the metrics[[9]](#footnote-9) used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.*

• In describing the metrics used by the company to assess and monitor

climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions)

*B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3[[10]](#footnote-10) 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.*

**Metrics and Targets[[11]](#footnote-11) – closed ended questions answered in addition to the narrative**

1. Does the Company currently, or plan to use catastrophe modeling to manage the Company’s climate- related risks? (Y/N)

A. If yes, for which climate-related risks does the company use or plan to use catastrophe models? [Property, Casualty, Life, Health]

B. If yes, how does the company use catastrophe modeling to manage climate- related risks? [Financial solvency, underwriting, other – please describe]

2. Does the Company currently, or plan to, use metrics to assess and monitor climate-related risks? (Y/N)

3. Does the Company currently have, or does the Company currently working on a plan to identify climate-related targets? (Y/N)

4. Has the company utilized, or is the company evaluating the necessary data and capabilities to use, climate scenarios to analyze their underwriting risk? (Y/N)

A. If yes, which risk factors do the scenarios consider? [Physical, Transition, Liability]

B. If yes, what type of scenarios are used? [Multiple-choice] C. If yes, what timeframes are considered? [Multiple-choice]

D. If no, does the company expect to develop scenario analysis for underwriting in the future?

5. Has the company utilized , or is the company evaluating the necessary data and capabilities to use, climate scenarios to analyze their investment risk? (Y/N)

A. If yes, which risk factors do the scenarios consider? [Physical, Transition, Liability]

B. If yes, what type of scenarios are used? [Multiple-choice] C. If yes, what timeframes are considered? [Multiple-choice]

D. If no, does the company expect to develop scenario analysis for investment management in the future?

1. How are “key constituencies” defined? And how does that translate into the closed ended question? [↑](#footnote-ref-1)
2. Any answers to these questions should be kept confidential. Opportunities could include competitively sensitive or other non-public information. [↑](#footnote-ref-2)
3. This question should be broken into two; products and services; and investments. [↑](#footnote-ref-3)
4. To the extent the information requested overlaps with information currently reported in the ORSA, it should be deleted from this survey or, at minimum, receive the same confidential treatment. [↑](#footnote-ref-4)
5. This is an example of a question that is generally inapplicable to the life insurance sector. Further, Risk Management is to be viewed through the lens of the insurance company and not its clients. [↑](#footnote-ref-5)
6. As noted in our comment letter, this question may be premature to be asked of the life insurance sector. [↑](#footnote-ref-6)
7. To the extent the information requested overlaps with information currently reported in the ORSA, it should be deleted from this survey or, at minimum, receive the same confidential treatment. [↑](#footnote-ref-7)
8. As noted in our comment letter, questions about scenario analysis may be premature. [↑](#footnote-ref-8)
9. These questions should be qualified to consider that these metrics may not yet exist and / or are currently under development. [↑](#footnote-ref-9)
10. As noted in our comment letter, questions about Scope 3 emissions may be premature at this time. [↑](#footnote-ref-10)
11. These questions should be qualified to consider that these metrics may not yet exist and / or are currently under development. [↑](#footnote-ref-11)