

March 4, 2022

Andrew Stolfi, Co-Chair and Elizabeth Dwyer, Co-Chair
Climate and Resiliency (EX) Task Force Disclosure Workstream
National Association of Insurance Commissioners
1100 Walnut St, Suite 1500
Kansas City, MO 64106-2197

Re: Options for NAIC Climate Risk Disclosure Survey Transition Period

Dear Director Stolfi, Superintendent Dwyer, and Disclosure Workstream Members:

The National Association of Mutual Insurance Companies (NAMIC)¹ appreciates the opportunity to provide comments addressing the Disclosure Workstream's proposed redesign of the NAIC Climate Risk Disclosure Survey (Climate Survey) that was exposed for comment on February 28. We appreciate the deliberative process that has taken course thus far and the expectations that have been conveyed through that process. We believe additional regulatory commentary regarding timing expectations should be considered before this Workstream makes its final recommendation to the Climate and Resiliency (EX) Task Force. In that regard, NAMIC members are seeking additional clarity and requesting to include a transition period (for all companies, especially considering those who are not as experienced in climate risk disclosures), providing additional time to implement the proposed changes.

The proposed changes to the NAIC Climate Survey are **substantive** and would impose a cost and compliance burden on small-mid size companies who are not as far along on their journey as the companies who have completed a TCFD, for example. However, the proposed guidance offers no transition period for companies who have only filed the previous NAIC 8-question survey. Furthermore, companies who have never filed the NAIC Climate Survey or the TCFD also may be at a relative disadvantage, perhaps not having put plans and processes in place (or not yet having expanded their descriptions articulating their plans/processes) to complete an expanded "TCFD-Plus" NAIC Survey.

Companies who are still in the process of expanding and developing their climate risk internal structures and review processes, who currently do not have access to the same resources as TCFD-filing companies view these changes as substantive. **Therefore, we suggest the NAIC consider including a transition period.** This approach could be particularly beneficial for companies that have not filed a previous NAIC Climate Survey or for companies that submitted the NAIC Climate Survey for the first time in 2021. This could provide more time for companies to expand their climate-related

¹ The National Association of Mutual Insurance Companies is the largest property/casualty insurance trade group with a diverse membership of more than 1,500 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 66 percent of the homeowner's insurance market and 53 percent of the auto market. Through our advocacy programs NAMIC promotes public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.



efforts – governance, policies, processes, etc. – and for them to better be able to communicate that work while contributing to an overall higher quality initial response for the benefit of regulators, insurers, and the public.

This is not a new idea. Indeed, it's something that the NAIC does regularly in other contexts. A transition period that includes an effective date for a substantive change has precedent for disclosures at the NAIC. It is common for changes to the NAIC Statements of Statutory Accounting Principles² to include additional details relative to a transition period within the SSAP. This often includes the date when the SSAP is effective³. Additionally, the Blanks (E) Working Group provides transition periods for changes to the annual and quarterly financial statements.⁴ **The purpose of this is because regulators have identified that time to implement these disclosure changes is needed**, to allow companies to update their reporting and internal systems and vendors to update their reporting software.

Proposed Effective Date

Kindly consider adding an effective date in the Survey Questions section of the guidance that provides an ample transition period for impacted companies. Ideally, this would move the effective date to 2023 for all companies. In the alternative, the guidance could be expanded to indicate that this survey is effective for years beginning January 1, 2023, for reporting entities that: have not previously completed an NAIC Climate Survey or; submitted the NAIC Climate Survey for the first time in 2021.

Clarity

If the Workstream is not willing to include a transition period (or postponed effective date) in place for all filers, kindly include a written indication of the statement made during last week's meeting that TCFD filers would be able to submit their TCFD filing this year.

As demonstrated by the continuing questions at the Workstream's recent meeting, based on the written material alone, there still appear to be questions about what is mandatory and what is optional (based on the different starting point of the different filers). If not following a transition period or a delayed effective date, kindly add a table or some other way to clearly demonstrate the obligations.

Finally, during the meeting there was reference to possible recognition of this being a journey and to possibly allow flexibility based on engagement with domestic regulators. Some additional written information about this might be helpful.

² The SSAP's are the primary authoritative statutory accounting practices and procedures promulgated by the NAIC and each of them are the result of issue papers that have been exposed for public comment and finalized.

³ For example, recent revisions to Goodwill Disclosures were adopted in July 2020, but regulators identified that reporting entities would need time to establish new reporting and review processes and the changes weren't effective until year-end 2021.

⁴ Blanks (E) Working Group adopted modifications to financial statements and instructions (last updated Nov. 16, 2021):

https://content.naic.org/crmt_e_app_blanks_related_adopted_mods.htm



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Thank you for your consideration of these comments on this matter of importance to insurers and policyholders. NAMIC looks forward to continuing the dialogue on these issues and being helpful to moving these discussions toward a workable solution.

Sincerely,

Jonathan Rodgers
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National Association of Mutual Insurance Companies

Cate Paolino
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