



June 8, 2021

Dear Licensed Insurers of the States of California and Washington,

We are writing regarding the **NAIC Climate Risk Disclosure Survey for 2021**, and to encourage you to join peer insurance companies that have submitted a report aligned with the Task Force on Climate-related Financial Disclosures (TCFD) [recommendations](#) in lieu of submitting a Survey response.

As you know, your company is among those that we require to report annually on the financial implications of climate change to your business. The NAIC Survey, beginning in 2009, is sent annually to insurance companies that generate \$100 million or more in annual premium income and are licensed in the participating states of California, Washington, Connecticut, Minnesota, New Mexico, and New York. Participating insurers encompass over 70% of the U.S. insurance market.

We very much appreciate your on-going reporting, which has been reviewed this year by the NAIC Center for Insurance Policy and Research as well as the American Academy of Actuaries, who published reports on their findings. As you may know, your company's responses to the eight-question survey, along with the responses of the other companies that are required to report, can be [found](#) on the California Department of Insurance's [website](#).

However, we wish to point out that TCFD is rapidly emerging as the leading international standard for climate reporting for all industries -- not just insurance -- and some regulators are reportedly requiring TCFD reporting, most notably the United Kingdom as well as others such as France, New Zealand, and Switzerland. Here in the United States, the Securities and Exchange Commission (SEC) Chair last month issued a request for comment on climate reporting and the TCFD figures heavily in the SEC announcement. In general, the new federal administration has signaled strong interest in more robust private sector climate disclosure. In addition, many countries and states continue to experience record-breaking wildfires, heat waves, and extreme weather.

For the last two years, we have given insurers the option to submit a TCFD report in lieu of submitting answers to the eight-question Survey. Last fall, we [publicly highlighted](#) significant progress in this direction, noting that the TCFD recommendations help insurers better understand the concentrations of carbon-related assets in their investments and recognize climate risks and opportunities in their investing strategy.

We believe that for companies that already provide thoughtful answers to the Survey, transitioning to a report that follows the TCFD guidelines should not consume much time or resources. The eight Survey questions already align very closely with the four elements of the TCFD guidelines: governance, strategy, risk management, and metrics and targets. Companies that make the transition to TCFD reporting are, we believe, positioning themselves well by getting ahead of the regulatory curve, and are able to disclose to their other stakeholders the information that stakeholders are most interested in.

For your background, the TCFD guidelines were approved by the G-20 Finance Ministers and are endorsed by both environmental groups and more than [1,800 businesses](#) from around the world. The TCFD Guidelines are also endorsed by the International Association of Insurance Supervisors, as well as by the Sustainable Insurance Forum, which we -- the NAIC, the U.S. Department of the Treasury, and over thirty international insurance regulators -- are members of.

In the U.S., we work with state insurance commissioners across the nation that are concerned about climate change. Roughly 30 states are represented on the NAIC Climate and Resiliency (EX) [Task Force](#). The task force is, among other climate issues, considering further climate risk disclosure and TCFD is receiving closer consideration.

To help insurance companies that want to move to the TCFD, we wish to inform you that Ceres, the non-profit organization committed to sustainable capital markets, is organizing a webinar to provide more background for insurance companies about the TCFD process. This webinar will be held on in the next few weeks, with details forthcoming. Speakers will include insurance regulators, an insurance company, and a TCFD representative, among others. If you have questions about this webinar, please reach out to Jim Coburn at Ceres at coburn@ceres.org.

Thank you very much for your consideration of this invitation. We look forward to the opportunity to work together with your company to improve insurers' and regulators' responses to the growing impacts and risks of climate change to your business and to our communities.

Sincerely,



RICARDO LARA

Insurance Commissioner, State of California



MIKE KREIDLER

Insurance Commissioner, State of Washington