June 12, 2022

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Dear Chair Gensler:

The SmarterSafer Coalition (SmarterSafer) is a diverse coalition of conservation and environmental groups, insurance and reinsurance interests, taxpayer-centric organizations, and housing advocates all united behind sound policy that simultaneously promotes pre-disaster mitigation and sustainability, environmental protection, and better stewardship of taxpayer dollars. SmarterSafer appreciates the opportunity to respond to the Securities and Exchange Commission's (SEC's) request for comment on its proposed rule to enhance and standardize climate-related disclosures for investors. SmarterSafer commends the SEC for recognizing the importance of climate change and the ways in which related risks may impact the financial system.

Climate Change

Climate change is a serious threat that has already impacted aspects of our lives. It must be reexamined and understood as a response to human activity over the last century. According to the National Oceanic and Atmospheric Administration's (NOAA) National Centers for Environmental Information, from 2017-2021, the U.S. experienced 89 natural catastrophes that each had losses exceeding $1 billion. Those storms resulted in total damage of $764.9 billion and claimed 4,557 lives. In 2021 alone, there were 20 separate billion-dollar events, well above the NOAA average of 7.7 per year.[1] Relying on scientific data, our collective decisions moving forward should propel the nation towards a greener, more sustainable future rather than continue down the path of irreversible damage and costly post-disaster investments.

Climate change has already made itself known through increased frequency and severity of natural disasters, extreme heat patterns, and rising sea levels. Recent natural disasters, including Hurricane Ida, the 2021 winter storm season, and 2021 wildfire season cost the U.S. $109.6 billion.[2] Given that impact events are spreading quickly across the country and the globe, proper collective action is necessary to mitigate the worsening effects of climate change.

SEC Proposed Rule

SmarterSafer appreciates the SEC's actions to try to better understand the financial impacts of climate change. The variability in climate-related financial risk exposure is a function of physical risk and the tangible dangers that result from climate change. The proposed rule would require companies to produce data regarding their own vulnerabilities to climate risk, and in turn,

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[1] https://www.ncei.noaa.gov/access/billions/
[2] https://www.climate.gov/news-features/blogs/beyond-data/2021-us-billion-dollar-weather-and-climate-disasters-historical

increase the amount of data available to investors and scientists alike. This new information will push our understanding of climate risk forward, allowing for better research and decisions. Studies have found that there are a series of formal and informal mechanisms that help the U.S. financial system, specifically banks, weather natural disasters.[3] However, these mechanisms are volatile and sometimes unreliable. SmarterSafer agrees with the SEC in their recognition that physical risks, specifically with respect to floods and wildfires, can have implications for the financial system. We believe that this proposal would provide more clarity on the financial risks at stake.

At the same time, SmarterSafer believes it is of the utmost importance that the SEC create a standardized regime that includes clear guidelines for disclosure and compliance. We remain concerned that anything short of a consistent paradigm will dilute the efficacy of this exercise. We also believe it important that the Commission bear in mind that zip-code specific data, as suggested as a metric in the proposal, will vary around the United States and will make it difficult to compare findings from different areas. Further, there remains no scientific or legal method to determine what constitutes a loss in terms of attributing said loss to extreme weather or climate change; in the case of insurers, each carrier determines that differently. Furthermore, the designation of losses stemming from "weather-related events", "acute weather events", or "climate-related events", as outlined in the proposal, are subjective, giving rise to the possibility of confusion as to how to appropriately determine whether a certain type of event is attributable to a specific loss. Additionally, there is no consistent method to delineate the specific causes of an event, be it population density, building codes or other factors that can lead to losses. Increasing comparability across disclosures will greatly simplify the identification and categorization of events. Finally, SmarterSafer believes it important to bear in mind that climate risk is constantly evolving. Wildfire risk, as an example, has only recently emerged as a material financial risk. Flexibility for respondents to adjust disclosures based on new and emerging threats and account for mitigation efforts is key to ensuring effective reporting and risk management. A rule that institutes comparable and consistent disclosures and allows for flexibility for a dynamic climate will be of the greatest benefit investors.

Flood Risk

Flooding has consistently proven itself to be the most expensive natural disaster in the United States. Scholars forecast that by the end of 2022, floods will cost businesses $26.8 billion in direct lost output and $23 billion in lost output.[4] NOAA estimates that by the end of this century global mean sea levels are likely to rise at least one foot above levels seen in the year 2000.[5] This increase has the potential to cause devastating flooding and resulting damage across the U.S. in both coastal and inland communities.[6] Furthermore, the journal, *Environmental Research Letters,* found that nearly 41 million Americans are exposed to flood risks.[7] These statistics highlight the urgency of flood risk, particularly as extreme weather patterns caused by climate change increase flooding events and the associated financial consequences. SmarterSafer encourages the SEC to

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[3] https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr990.pdf
[4] https://www.forbes.com/sites/zacharysmith/2021/12/16/floods-will-cost-us-businesses-49-billion-next-year-study-says/?sh=1e473ba333ad
[5] https://www.climate.gov/news-features/understanding-climate/climate-change-global-sea-level
[6] *Id.*
[7] https://iopscience.iop.org/article/10.1088/1748-9326/aaac65/pdf

work with the Federal Emergency Management Agency (FEMA) to create clear and consistent definitions of "flood hazard areas" and other flood-related terms. Additionally, we believe that it is best practice for the SEC, FEMA, and other state and federal agencies to engage in robust inter-agency data sharing on the breadth of flood risk facing homeowners, communities, and businesses across the country both directly and financially.

Wildfire Risk

Climate change has also directly increased the frequency and severity of wildfires. According to the *Insurance Information Institute*, the top 3 costliest wildfires in U.S. history occurred within the past 5 years and totaled up to approximately $24 billion.[8] Currently, New Mexico is experiencing the largest wildfire in the state's history[9]; more than 4,000 homes in the four counties affected by the fire are under mandatory evacuation orders.[10] The exponential increase to financial risks associated with these natural disasters has left many businesses, homeowners, and communities unprepared. Wildfires cause widespread physical damage and pose public health and environmental risks. Additionally, climate change has contributed to the rise of "megadroughts," or droughts that last for decades. These megadroughts have become especially common in the Southwest region of the U.S., where normal weather conditions already include high temperatures and low precipitation. Megadroughts create the perfect conditions for wildfires to form. According to the *First Street Foundation*, around 56% of homes in the contiguous 48 states face at least some wildfire risk in the next few decades.[11] Moreover, the *Washington Post* reported that 1 in 6 Americans live in areas with "significant wildfire risk".[12] High wildfire risk increases mortgage default risks, depresses the value of homes, and causes insurance companies to refuse providing coverage to homes and businesses in an area.[13] These depressed economic activities have long term financial impacts.[14] Thus, SmarterSafer urges the SEC to continue to consider wildfire risk analysis in their discussions on climate risk disclosure.

Conclusion

The irreversible nature of climate change means that society needs to act quickly to prevent more lasting damage. SmarterSafer greatly appreciates the SEC's efforts and consideration of these suggestions. We stand ready to be a resource to you and your colleagues as you continue to explore the effects of climate change when calculating financial risk and formulating financial regulation.

Respectfully,

SmarterSafer Coalition

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[8] https://www.bankrate.com/insurance/homeowners-insurance/wildfire-statistics/
[9] https://www.usatoday.com/story/news/nation/2022/05/29/us-forest-service-new-mexico-wildfire-planned-burn/9990084002/
[10] https://www.npr.org/2022/05/13/1098547723/fire-crews-new-mexico-wildfire-relentless-wind
[11] https://firststreet.org/research-lab/published-research/article-highlights-from-fueling-the-flames/
[12] https://www.washingtonpost.com/climate-environment/interactive/2022/wildfire-risk-map-us/
[13] https://www.reuters.com/article/us-climate-change-market-fire/how-californias-wildfires-could-spark-a-financial-crisis-idUSKBN2611TK
[14] *Id.*

MEMBERS

Environmental Organizations

American Rivers
Center for Climate and Energy Solutions (C2ES)
ConservAmerica
Defenders of Wildlife
National Wildlife Federation
Natural Resources Defense Council (NRDC)
Surfrider Foundation

Consumer and Taxpayer Advocates

Coalition to Reduce Spending
National Taxpayers Union
R Street Institute
Taxpayers for Common Sense
Taxpayers Protection Alliance

Insurer and Reinsurer Interests

Association of Bermuda Insurers and Reinsurers (ABIR)
The Chubb Corporation
Liberty Mutual Group
National Association of Mutual Insurance Companies (NAMIC)
National Flood Association
Reinsurance Association of America
Swiss Re
USAA

Mitigation Interests

Natural Hazard Mitigation Association

Housing

Habitat for Humanity
National Housing Conference
National Leased Housing Association

ALLIED ORGANIZATIONS

Allianz of America
American Conservation Coalition
American Consumer Institute
American Property Casualty Insurance Association (APCIA)
Center for Clean Air Policy
Friends of the Earth
Institute for Liberty
Zurich Insurance