

June 16, 2022

Via E-mail Comment Portal – [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Ms. Vanessa Countryman  
U.S. Securities and Exchange Commission  
100 F St. NE  
Washington, DC 20549

RE: RAA Comments on March 21, 2022 Climate-Related Disclosures Proposed Rule  
(Release Nos. 33-11042; 34-94478; File No. S7-10-22)

Dear Ms. Countryman:

This letter is submitted by the Reinsurance Association of America (RAA) on behalf of our members in response to the SEC's March 21, 2022, Notice of Proposed Rulemaking (NPR) on the Enhancement and Standardization of Climate-Related Disclosures for Investors.

The Reinsurance Association of America is the leading trade association of property and casualty reinsurers doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross-border basis. The RAA also has life reinsurance affiliates and insurance-linked securities (ILS) fund managers and market participants that are engaged in the assumption of property/casualty risks. The RAA represents its members before state, federal and international bodies.

On behalf of the RAA and its members, we appreciate the opportunity to comment on the NPR and support the improvement of climate-related (C-R) disclosures for the benefit of investors and the public. We agree that investor demand for, and company disclosure of information about climate change risks, impacts, and opportunities has grown dramatically. The RAA supports C-R disclosures that adequately inform investors about known material risks and uncertainties, and support disclosures that would provide greater consistency across industries and around the world.

In 2008, the RAA established a policy on climate change and we remain committed to working with policymakers, regulators, and the scientific, academic and business communities to assist in promoting awareness and understanding of the risks associated with climate change.<sup>1</sup> RAA's climate policy promotes scientific research, stakeholder awareness, appropriate risk disclosures, development of financial products to mitigate climate risk and the mitigation of greenhouse gases. Addressing these risks urgently is particularly important as the frequency, severity, devastation, and costs of natural disasters continues to increase due to climate change.

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<sup>1</sup> [https://www.reinsurance.org/Advocacy/RAA\\_Policy\\_Statements/](https://www.reinsurance.org/Advocacy/RAA_Policy_Statements/)

In June 2021, the RAA submitted a letter to Chair Gensler and Commissioner Lee in response to the Request for Public Comment on Climate Change Disclosures. In that letter the RAA commented that new C-R disclosures should:

- Adequately inform investors about known material risks and uncertainties, and provide greater consistency across industries and around the world
- Be material and relevant from the perspective of the management of the reporting entity, reflect the reporting entity's business model and risk profile and should be limited to the information needs of traditional financial statement users (i.e., current or prospective investors and lenders)
- Not overemphasize consistency and comparability, nor require quantitative reporting of information and estimates that are highly subjective and uncertain
- Draw from existing requirements and allow flexibility in reporting by accepting formats already in use under other frameworks
- Not be too prescriptive or require specified quantitative stress tests or scenario analyses that are not supported by current climate and financial forecasting models
- Not be subject to external audit nor internal controls over financial reporting
- Be phased in over time and include adequate safe harbors to protect reporting entities from potential liability
- Eventually be part of a broader ESG reporting framework

Despite RAA's longstanding support and leadership for providing enhanced climate risk disclosures, our members remain concerned about the proliferation of the many and varied climate risk disclosure requirements being promulgated around the world. In response to ongoing development of climate risk disclosure requirements by U.S. and international insurance supervisors, the RAA issued the attached Guiding Principles to Address Climate Change in March 2021. In this document the RAA recommends that regulatory bodies utilize, assimilate and recognize existing disclosure requirements rather than developing additional disclosure tools.

We continue to believe that new SEC C-R disclosure requirements should borrow from existing requirements and allow flexibility in reporting by accepting formats already in use under other frameworks such as the TCFD, SASB, GRI, CDP, ISSB, the NAIC or the New York Department of Financial Services, among others. We remain concerned that the proposed comprehensive SEC C-R disclosures will create reporting inconsistencies and will add unnecessary complexity if they are too prescriptive or are inconsistent with other climate reporting frameworks or regulatory requirements.

### **Summary Comments on the NPR**

We applaud the SEC for developing a significant and very comprehensive NPR, which in many ways does support the stated goal of providing investors with enhanced and standardized information about the effects of C-R risk on a company's operations, business strategy and financial plans to better inform their investment decisions. There are several elements of the NPR that we support, including:

- The SEC’s reliance on TCFD and GHG protocol as the underlying basis for much of the proposed disclosures. As we commented in 2021, RAA members are currently reporting under other regulatory requirements and reporting models that also rely on these frameworks
- The SEC’s recognition that disclosures of C-R information should be material according to Supreme Court precedent and are intended to be similar to that required when preparing the MD&A section of an annual report
- The SEC’s recognition that C-R financial disclosures will need a phase-in period and that Scope 3 emissions reporting should be subject to a delayed compliance date
- The SEC’s recognition that reporting entities will need safe harbor protections for certain emissions disclosures and its recognition of the existing safe harbors for forward looking statements
- The SEC’s recognition that while disclosure of C-R risks is required, disclosure of C-R opportunities is optional to protect potentially sensitive competitive information
- The SEC’s close adherence to TCFD guidance for governance, strategy and risk management disclosures, and
- The SEC’s thorough discussion of costs and benefits of the NPR

Unfortunately, there are several elements of the NPR that we believe are inconsistent with the RAA’s climate change policy and attached guiding principles. Many of the elements of the NPR described above that we support are substantially, if not completely, offset or contradicted elsewhere in the NPR because the SEC adds overly prescriptive, universal requirements in practically every area of this lengthy document. We believe that in sum, the NPR will not meet the SEC’s objectives of providing material, decision useful information to current or prospective investors to evaluate the effects of climate related risks for investment decisions. Following is a summary of the most significant concerns the RAA and its members have with the NPR:

**Materiality Threshold.** The one per cent materiality threshold for disclosing and disaggregating financial metrics information is unreasonably low and is inconsistent with other SEC guidance on materiality

**Absolute Values for Materiality.** The requirement to use absolute values rather than netting when considering materiality distorts economic reality for the (re)insurance industry and will not provide decision useful information.

**Materiality of Scope 3 Emissions.** The requirement to report “material” Scope 3 emissions data should be revised because it is unclear how to measure materiality of this non-financial data in financial reporting.

**Weather versus Climate Risk.** The definition of C-R risks should be clarified to differentiate between weather and climate risk.

**Climate-Risk Disclosures in Financial Statement Notes.** Disclosure in the notes to the financial statements cause this information to be subject to independent audit and the registrant’s Internal

Controls over Financial Reporting (ICFR). This approach will add significant cost, compliance burden and involve substantial additional human resources to meet filing deadlines. We recommend these disclosures be required in the MD&A.

**Data Availability and Timing.** The scope of the NPR is so broad and the amount of new required disclosures so great that it will be nearly impossible to collect the data necessary to comply within the 10-K filing deadline.

**Attestation for Scope 1 and 2 Disclosures.** Scope 1 and Scope 2 GHG emissions data should not be subject to the reasonable assurance attestation standard. Instead, we believe that the limited assurance standard should be the permanent solution.

**Equity Method Investments.** Scope 1 and Scope 2 GHG emissions data should not be required for all equity method investees. Instead, the requirement to report Scope 1 and Scope 2 GHG emissions data should be limited to those equity method investees where the registrant exercises significant influence.

**Scope 3 Emission Disclosures.** Disclosing Scope 3 emissions will present significant difficulties for the (re)insurance industry because currently there is no established framework for capturing and estimating insurance underwriting activities. The RAA recommends that disclosure of Scope 3 GHG emissions data be voluntary for the (re)insurance industry, at least until such time as reliable frameworks for accumulating, estimating and reporting this information have been developed.

**Allow International Reporting Frameworks.** The SEC should allow reporting under other international reporting frameworks such as the International Sustainability Standards Board.

**Zip Code Level Disclosure.** Reporting entities should not be required to disclose physical C-R risks at the zip code level. Instead, reporting by broad geographic region should be sufficient for investors.

**Implementation Timeline/Comparative Data.** Reporting entities should be given more time to prepare for reporting of C-R disclosures and the implementation of the proposed rule should be prospective only, with a phase-in of comparative financial information.

### **Detailed Comments on the NPR**

#### **Materiality Threshold**

The one per cent materiality threshold for disclosing and disaggregating financial metrics information is unreasonably low and is inconsistent with other SEC guidance on materiality, with Supreme Court precedent and with U.S. GAAP guidance. The NPR will necessarily result in the disclosure of so much information that truly material information will likely be obscured from investors.

The NPR begins its discussion of materiality by referencing Supreme Court precedent and stating that “*a matter is material if there is a substantial likelihood that a reasonable investor would*

*consider it important when determining whether to buy or sell securities or how to vote.”* The NPR also references MD&A guidance and states *“The Commission’s rules require a registrant to disclose material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be necessarily indicative of future operating results or of future financial condition.”* This is an excellent starting point as it reflects the longstanding view of materiality used in virtually all financial reporting models and is focused on how management should view and make judgments about materiality through the lens of what would be material to traditional users of the financial statements (i.e., investors and lenders).

This established view of materiality is also consistent with global financial reporting standards, including the recent consultation from the International Sustainability Standards Board (ISSB) on *Disclosure of Sustainability-related Financial Information*. In this draft standard issued in March 2022, the ISSB defines materiality as follows:

*“Sustainability-related financial information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general-purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity.”*

The ISSB draft standard does not specify any thresholds for materiality or predetermine what would be material in a particular situation. This guidance is consistent with other International Financial Reporting Standards (IFRS) standards that are widely used outside of the U.S.

Unfortunately, the NPR then further defines materiality for financial impact metric disclosures using an inappropriate bright line threshold of one percent for any single financial statement line item. The rationale for this decision is to reduce the risk of underreporting C-R information, but we view this as a significant error as it will have several negative effects. First, the one percent threshold will radically increase the volume of disclosures, particularly for (re)insurers that will have to report the impact of common and recurring weather events, which cannot be directly linked to climate change. Second, this will significantly increase the cost of compliance for the (re)insurance industry, and in our opinion, will far exceed the benefits to investors. Third, because financial statement metrics are proposed to be included in the financial statements, these voluminous and individually insignificant impacts will be subject to audit, adding substantial additional costs and requiring accounting resources that (re)insurers simply do not have to meet 10-K filing deadlines. Finally, and most importantly, disclosures at this granular level of detail will not benefit investors. Rather, they will be inundated with immaterial details that will obscure the essential information they need to make investment decisions.

The RAA recommends the Commission eliminate the one-percent materiality threshold in the final Rule and leave the materiality decision to management’s judgment about which disclosures are necessary and useful for investors’ decision making.

### **Absolute Values for Materiality**

The requirement to use absolute values rather than netting when considering materiality is too prescriptive and particularly problematic for the (re)insurance industry. We do not believe the approach would accurately reflect the economics of the (re)insurance industry. Underwriting

weather risk from customers is the core business of the (re)insurance industry. These risks are managed and limited through reinsurance or retrocession of these risks.

As an example, consider an insurer that underwrites weather risks associated with homeowners policies in Florida. The insurer writes \$10 million in insurance premiums, but also enters a 50% quota share reinsurance contract to manage this risk. The ceding company would transfer ~ \$5 million in premiums to a reinsurer (net of acquisition costs) to transfer this risk. While the insurer's net exposure (net premiums) is only \$5 million, under the NPR materiality would be measured based on \$15 million. While this simple example addresses only premiums, the problems associated with this approach would be magnified throughout the financial statements since many account balances and line items are affected (e.g., premiums earned, losses incurred, commissions and acquisition costs, loss reserves, reinsurance recoverable, premiums collected, losses paid commissions received or paid, etc.).

Following is a tabular example of how reporting using absolute values would unreasonably increase the level of reporting for (re)insurers that likely will have several weather-related events each year. In the example, which illustrates several events affecting the incurred losses financial statement line item, none would be individually material on a net basis using the Commission's proposed 1% threshold. However, all events except one would have to be separately disclosed under the guidance of the NPR.

Weather Events Assuming 50% Quota Share Reinsurance - Dollars in Millions

F/S line-item	F/S balance	Impact of Events	Re-insurance Recovered	Net Loss Incurred	Absolute Value of Impact	% of Impact	Separate Reporting
Losses Incurred (net)	200,000			200,000			
Hurricane 1		3,000	(1,500)	1,500	4,500	2.25%	Y
Hurricane 2		2,000	(1,000)	1,000	3,000	1.50%	Y
Convective Storm 1		1,000	(500)	500	1,500	0.75%	N
Convective Storm 2		1,500	(750)	750	2,250	1.13%	Y
Wildfire 1		2,500	(1,250)	1,250	3,750	1.88%	Y
Wildfire 2		3,900	(1,950)	1,950	5,850	2.93%	Y
All Other				<u>193,050</u>			
Totals	<u>200,000</u>			<u>200,000</u>			

Basing the materiality measure on absolute values will result in a proliferation of the individual disaggregated amounts disclosed. Not only will this be an enormous compliance burden, it will in most instances harm financial statement users by overwhelming them in detail that are not decision useful.

The RAA recommends the Commission eliminate the requirement to measure materiality using absolute values and to leave the materiality decision to management's judgment about which disclosures are necessary and useful for investors' decision making.

### **Materiality of Scope 3 Emissions**

The requirement to report "material" Scope 3 emissions data is problematic because it is unclear how to measure the materiality of this non-financial data. Materiality from the perspective of the financial statements is well established in Supreme Court precedent, U.S. GAAP and IFRS, but the NPR and other climate frameworks do not provide guidance on how to judge the materiality of GHG emissions, which are non-financial information. It will be exceedingly difficult for management of a registrant to judge when an element of GHG emissions data rises to the level of disaggregated disclosure and the result will be inconsistent reporting that will not provide comparable or decision useful information to investors.

Moreover, because (re)insurers are not carbon emitters and because the NPR requires reporting the GHG emissions that occur up and down the value chain, Scope 3 emissions disclosures will be substantially greater than Scope 1 and 2 disclosures. As a result, every property casualty (re)insurer's Scope 3 emissions will be considered material, and each will have to report Scope 3 emissions data.

The RAA believes further guidance is needed to define the materiality threshold more objectively for reporting Scope 3 GHG emissions. This guidance should address both the aggregate threshold for requiring Scope 3 disclosure and the threshold for disclosure of disaggregated Scope 3 data.

### **Weather versus Climate Risk**

The definition of physical C-R risks in the NPR includes weather-related risks such as wildfires, hurricanes, floods, convective storms, etc., that are a normal and recurring aspect of (re)insurers' business model. Where a non-insurance entity such as a manufacturer or real estate company may be impacted by these events only once every decade or more, (re)insurers typically incur losses from several weather events every single year. Separately, (re)insurers are arguably unaffected by chronic risks because their gradual impact do not affect (re)insurance contracts that are typically underwritten on an annual basis.

The definition of C-R risks combines weather and climate risks, which are different. For many years, the (re)insurance industry and climate scientists have been researching the impact of climate changes on weather events and the fact is that the science and climate models have not advanced to a level where it is possible to attribute an event or portion of an event to climate change. In industry studies, (re)insurers have not been able to ascribe weather events to climate change, in part because of the many other factors involved. Since the early 1990's there has been a measurable increase in global temperatures, but existing climate models have been unable to prove that the frequency and severity of landfalling hurricanes are caused by the increase in global temperatures. In analyzing historical hurricane losses, other factors such as rapid commercial and real estate development, increased population and business activity, more expensive buildings materials and changes in building codes in disaster prone areas outweigh any measurable

differences due to climate factors. Similar results have been found in studies of increased wildfire related losses.

The NPR's C-R definition, combined with the extremely low materiality threshold will make compliance both extremely costly and highly subjective for (re)insurers and as a result, will not provide decision useful information to financial statement users.

The RAA recommends the Commission exclude specific weather events from the definition of physical C-R risks for (re)insurers. Alternatively, the Commission could increase the materiality threshold for weather events, so they are disclosed only when a specific event is material to the reporting entity.

### **Climate-Risk Disclosures in Financial Statement Notes**

The NPR proposes that C-R financial impact metrics, expenditure impacts and related financial estimates and assumptions be disclosed in the notes to the consolidated financial statements. These elements must be disaggregated and reported for both physical risks (including weather events) and transition risks by financial statement line item. Placing these disclosures in the financial statement notes subjects them to independent audit and the registrant's Internal Controls over Financial Reporting (ICFR).

Since RAA members are predominantly large accelerated filers, all of this information would have to be collected, tested, reported and audited within 60-days of year-end. This would be extremely burdensome for the (re)insurance industry and especially for professional reinsurers, which have relatively small accounting staffs, since they engage in relatively low volume, large dollar amount transactions.

The RAA recommends that these disclosures be removed from the notes to the financial statements and require similar disclosures in the MD&A, where they are only subject to limited assurance.

### **Data Availability and Timing**

The RAA believes that the scope of the NPR is so broad that it will be nearly impossible to collect the data necessary to comply within the 10-K filing deadline. The reinsurance industry currently relies heavily on financial data provided by cedents and from many other direct and third-party sources to prepare its financial statements. This will be even more true under the proposed Rule since (re)insurers will be required to obtain and evaluate information from climate modelling providers, GHG emissions data from business partners up and down the value chain, data from investment management firms and even more information from other climate consulting firms in order to comply with the proposal. Climate modelling and GHG data collection processes are currently insufficient and are not likely to be adequate by the proposed effective date of the proposed Rule.

### **Attestation for Scope 1 and 2 Disclosures**

The NPR proposes that Scope 1 and Scope 2 GHG emissions data be subject to attestation at the limited assurance level in year two of disclosure and subject to reasonable assurance in year four.



According to AICPA attestation standards, limited assurance is analogous to a review engagement where the CPA reviews sufficient information about whether any material modification should be made for it to be in accordance with the criteria. Reasonable assurance on the other hand is analogous to a full audit where the CPA opines about whether the subject matter, or an assertion about the subject matter, is free from material misstatement, whether due to fraud or error. This is a very high level of assurance and involves significantly more examination, including the evaluation and testing of ICFR.

Many RAA members currently disclose Scope 1 and Scope 2 emissions data in their external reporting, but current methods for estimating GHG emissions remain imprecise and require the engagement of specialized consultants. Because these data are currently not captured within accounting and financial reporting systems, they are not subject to ICFR. As a result, subjecting this information to a reasonable assurance attestation standard would involve significant initial and ongoing costs.

The RAA recommends Scope 1 and Scope 2 GHG emissions data not be subject to the reasonable assurance attestation standard. Instead, we believe that the limited assurance standard should be the permanent solution. In addition, and for the reasons stated above, Scope 1 and Scope 2 emissions data should not be subject to strict liability.

### **Equity Method Investments**

Scope 1 and Scope 2 GHG emissions data should not be required for all equity method investees. This requirement is overly burdensome given the SEC requires registrants to apply the equity method to investments with ownership interests greater than 3-5% unless the investor has virtually no influence over the financial policies of the investee. Insurers have significant portfolios of partnership, joint ventures and limited liability company investments accounted for under the equity method. As a result, reporting this data would be significantly burdensome, be based on proxy data and not represent emissions within the reporting entity's control.

The RAA recommends the requirement to report Scope 1 and Scope 2 GHG emissions data should be limited to those equity method investees where the registrant exercises significant influence.

### **Scope 3 Emission Disclosures**

Scope 3 GHG emissions disclosures are required if material or if the registrant has set an emissions target or goal that includes Scope 3 emissions. As defined by the NPR, Scope 3 will likely be considered material for all insurance companies since insurers have relatively little Scope 1 and Scope 2 emissions and Scope 3 will make up a significant portion of total GHG emissions.

Disclosing Scope 3 emissions will present significant difficulties for the (re)insurance industry because there is currently no established framework for capturing and estimating insurance underwriting activities. Existing guidance was written primarily for application by the energy, utility, transportation and manufacturing sectors, and similar guidance does not exist for insurance underwriting activities. Efforts to quantify carbon emissions for the insurance sector are underway, but they have revealed significant challenges including the lack of available data from insureds, the need for significant assumptions and workarounds which can distort results and the

unique challenge for (re)insurers to avoid double-counting of carbon intensity of underwriting premiums and where those premiums are invested.

Requiring disclosure of this information will not provide consistent, comparable quantitative information that is decision useful to financial statement users and will involve significant costs.

The RAA recommends disclosure of Scope 3 GHG emissions data be voluntary for the (re)insurance industry, at least until such time as reliable frameworks for accumulating, estimating and reporting this information have been developed.

### **Allow International Reporting Frameworks**

The NPR seeks comment on whether the SEC should allow all issuers or foreign private issuers (FPI) to make C-R disclosures pursuant to the ISSB's *Climate-related Disclosures* Exposure Draft issued in March 2022. Allowing ISSB sustainability and C-R disclosure standards to satisfy SEC C-R disclosure requirements would improve global comparability for investors and be similar to the Commission's practice of allowing FPIs to report using IFRS accounting standards without reconciliation to U.S. GAAP.

The RAA recommends that to avoid redundant reporting requirements and improve global comparability, the SEC should allow reporting under other international reporting frameworks such as the International Sustainability Standards Board.

### **Zip Code Level Disclosure**

The NPR requires reporting entities to disclose location of physical C-R risks at the zip code level. The NPR also questions whether GHG emissions data should also be disclosed by zip code. For property casualty insurers that insure against physical (weather) risks, compliance with this requirement would be both exceedingly burdensome and if reported, would invariably involve competitively sensitive and proprietary information. Moreover, reinsurers may not have access to this level of granular data, certainly not for all these risks, and for certain coverage such as excess of loss reinsurance, this information cannot be known until after an insured loss occurs. In addition, many (re)insurance issuers underwrite international risks, where zip codes are not used.

The RAA recommends reporting entities not be required to disclose physical C-R risks and GHG emissions at the zip code level. If the Commission determines that location data is critical for financial statement users, we recommend that it adopt a much broader geographical unit, such as the regions and divisions adopted by the U.S. Census (e.g., West, Midwest, Northeast, Mid-Atlantic, new England, etc.).

### **Implementation Timeline/Comparative Data.**

The NPR includes an illustration of the implementation timeline for various aspects of the proposed rule using the assumption that the rule will be finalized later this year. Without restating these details in full, we note large accelerated filers would be required to provide these disclosures in 2024 for fiscal year 2023. This is an extremely aggressive timeline for such a comprehensive proposal.

In addition, the NPR states that if a registrant has not previously reported the metrics in historical periods and the historical information necessary to calculate or estimate such metric is not reasonably available to the registrant without unreasonable effort or expense the registrant may be able to rely on Rule 409 or 12b-21 to exclude a corresponding historical metric. In practice, registrants have rarely used this accommodation due to the potential liability for not reporting this information.

As many RAA members are large accelerated filers, we are particularly concerned with the short implementation timeline and the need to provide comparative information in the first year of reporting. We have discussed in previous sections of this letter that much of the requested disclosures are new and that virtually none of this information has previously been reported in the notes to the financial statements. As a result, our members need significant lead time to develop processes, IT systems and ICFR to prepare to disclose this information in the 10-K. Moreover, if registrants are required to provide historical data as early as 2024, they will not have had the necessary processes, systems and controls in place to be able to disclose 2022 and 2021 metrics and data.

The RAA recommends reporting entities should be given more time, at least one more year than contemplated in the NPR, to prepare for reporting of C-R disclosures. In addition, we believe the implementation of the proposed rule should be prospective only, with a phase-in of comparative financial disclosures and metrics.

### **Other Comments**

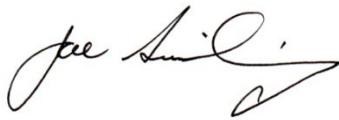
Cost versus Benefit – The NPR devotes 45 pages discussing the benefits to investors and other stakeholder of this proposed rule, but devotes only 16 pages to a discussion of costs. While we do not disagree with the expected benefits to investors of some elements of the proposed rule, RAA members and others with whom we have discussed the NPR are certain the costs have been significantly understated. The RAA believes that implementing the recommendations in our letter will significantly mitigate these potential costs without significantly compromising the decision usefulness of the disclosures to investors.

Liability Protection – The NPR liability safe harbor only applies to the Scope 3 emissions disclosures even though the many other proposed disclosure requirements involve highly subjective judgments and significant estimates. Often, much of the information will be obtained, analyzed and developed by outside consultants or derived from incomplete third-party sources. The RAA believes the liability safe harbor should be extended to all quantitative climate information required in the final rule

Timeline for Comment: - The NPR is over 500 pages, is quite comprehensive and dense, and consequently, responding to the proposal has been quite challenging for the RAA and its members. While we appreciate the Commission providing additional time to submit these comments, we believe that we could have provided additional and more thoughtful comments if we had more time. Given that the NPR represents a significant change to current SEC reporting, it may be appropriate as a next step to issue a second NPR for public comment rather than issuing a final rule.

Thank you for the opportunity to comment on the SEC Climate-Related Disclosures Proposed Rule. We support the SEC's actions to improve climate disclosures for the benefit of investors but believe the final rule would be significantly improved with the adoption of our comments. The RAA looks forward to participating in future discussions of these matters. You may contact Joseph Sieverling ( [REDACTED] ) if you have questions about these comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joe Sieverling".

Joseph B. Sieverling  
Senior Vice President and  
Director of Financial Services

## RAA Guiding Principles to Address Climate Change

The Reinsurance Association of America (RAA) is urging policy makers to adopt guiding principles as they seek to address the issue of climate change and its interrelationship with insurance and regulation. Long a leader in addressing climate change challenges on behalf of its members, the RAA has released a series of guiding principles with respect to climate change regulation and urged policy makers to adopt them.

- Regulation should not supplant management decision making (underwriting, investment and risk management). Each insurance entity is unique in its business model and the execution of it in the marketplace. Regulatory supervision should recognize that.
- Regulatory action should not be prescriptive. Regulators should focus on ensuring that insurers are evaluating future conditions as part of their risk management processes, rather than on fixed metrics. For example, regulator involvement in the investment arena should focus on the ability of risk management processes to identify significant potential future investment impacts and be in no way granular.
- Rather than develop additional disclosure tools, regulators should utilize, assimilate and recognize existing disclosure requirements and other climate tools—National Association of Insurance Commissioners (NAIC) survey, Securities and Exchange Commission (SEC), Own Risk and Solvency Assessment (ORSA), Task Force on Climate-related Financial Disclosure (TCFD), CDP (formerly the Carbon Disclosure Project), Climatewise—and not layer additional disclosures and requirements onto those already in use. Thoughtful, robust climate disclosures require significant insurer time and resource commitments. The ability to cross-reference or provide climate risk disclosure responses made in other contexts is important to avoid repetition and reduce unnecessary administrative burdens.
- Companies should be able to provide a single set of disclosures to all regulators or limit disclosures to a single regulator. Consistency is key.
- To the extent that a company is part of a corporate group, disclosures at the group level should be permitted for legal entities in the group. Coordination with international supervisors and other U.S. regulatory bodies is encouraged.
- Stress tests and scenario analyses, if needed, should be conducted and evaluated at the group level, not the individual insurer, legal entity level.
- Due to the inherent problems involved with down-scaling climate models and in predicting the timing and impact of future climate scenarios, particularly on a regional, state or local geographic basis consistent with (a) insurer business operations and (b) state insurance regulation, model output becomes more speculative. Accordingly, stress tests and scenario analyses should be conducted as a risk management exercise to identify climate issues, not as a solvency tool. It is important to recognize that climate scenario analyses are tools to help understand the long-term effects of climate-related risks on insurance and other financial markets and institutions. They are not the same as traditional stress tests, which have a short-term solvency focus.