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June 17, 2022

Vanessa A. Countryman, Secretary, SEC

Subject: Triple-I Response to Proposed SEC Rule Changes: The Enhancement and Standardization of Climate-Related Disclosures for Investors (File No. S7-10-22)

Property & casualty insurers are no strangers to climate and extreme-weather risk. We may not always have talked about the issue in those terms, but our industry has long had a financial stake in the issue. Consider the fact that insured losses caused by natural disasters have grown by nearly 700 percent since the 1980s and that four of the five costliest natural disasters in U.S. history occurred over the past decade.

The industry is committed to disclosure of climate-related exposures, as such information will be integral to insurers' ability to accurately and reliably underwrite such risks and make better-informed investment decisions.

For a more detailed discussion of the insurance industry's long-term involvement and interest in addressing climate-related risks, see Triple-I's Nov. 15, 2021, response to the Aug. 21, 2021, request for information by the Federal Insurance Office (FIO).

Having said this, proposed SEC rules on corporate disclosure raise some concerns – specifically:

- Much of what the rules would require does not consider fundamental differences between insurers and other industries;
- State-by-state regulation of insurance already involves considerable documentation and disclosure – adding yet another layer at the federal level would increase insurer operations costs and, ultimately, policyholder premiums;
- The SEC's effort overlaps significantly with those of other entities – e.g., the National Association of Insurance Commissioners (NAIC) and the states that regulate insurance, as well as the Treasury Department's Federal Insurance Office (FIO);
- Assessing Scope 3 emissions would be particularly onerous for insurers due to the fact that they cover diverse personal and commercial assets and activities, over which they have no control – further, there is currently no accepted methodology for insurers to measure their underwriting-related Scope 3 emissions, which makes the SEC's proposed requirement premature for our industry;
- This lack of control would spill over into proposed requirements regarding forward-looking statements.

U.S. insurers already focused on climate governance

The U.S. insurance industry is regulated in more than 50 jurisdictions. Arguably, it receives more governance and regulatory oversight than any other type of financial service.

More than 80 percent of insurers' investments are in fixed-income, mostly municipal, securities. The heavy weighting of investment in these instruments provides strong confidence that insurers will be able to keep their promises to policyholders. In addition, investment in municipal securities provides financial support for state and local efforts to invest in their own net-zero and resilient-infrastructure efforts.

Specific to climate and solvency, the NAIC's NAIC's Risk Management and Own Risk and Solvency Assessment Model Act (ORSA) – adopted in the wake of the financial crisis that began in 2008 – provides a strong regulatory framework for state regulators to supervise climate-risk and financial solvency. The act requires large and medium insurers and

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insurance groups to regularly perform an assessment and file a summary report with the regulator of each insurance company upon request and with the lead state regulator for each insurance group, whether or not any request is made.

A responsible, balanced approach to climate risk

Insurers are taking a responsible approach toward a lower-carbon environment and economy. Their work includes a balanced approach to both long- and short-term issues. As important as it is to strive toward a lower-carbon environment and economy, there is an immediate need to focus on helping people and communities adapt and change behaviors from a physical infrastructure perspective. Toward this end, insurers have advocated for stronger mitigation, resilience efforts, and building codes.

In partnership with organizations like Triple-I and the Insurance Institute for Business and Home Safety (IBHS), insurers are informing and educating the world on how to adapt physically to changing conditions. Just a few examples of this include:

- Triple-I's Resilience Accelerator, which provides news and analysis on weather- and climate-related resilience, data-rich displays of flood-insurance take-up rates, and community resilience ratings to help policymakers make better-informed decisions;
- The IBHS Research Center, which provides insights into building codes and standards, as well as data to improve existing modeling methods and outputs and reduce fraud; and
- Academic resources like the Wharton Risk Center's interactive flood insurance market e-platform, San Jose State University's Wildfire Interdisciplinary Research Center, and the University of Alabama's Alabama Center for Insurance Information Research, all of which receive substantial support from insurers.

Withholding insurance can do more harm than good

While some large insurers have decided to restrict their underwriting of certain carbon-intensive energy operations, the impact on workers and on economic growth and stability needs to be considered as we transition to a lower-carbon economy. One only has to look at the global economic disruption caused by the Russia/Ukraine conflict to appreciate the consequences of abruptly shutting the fossil fuel spigot. Efforts to advance a transition to a less carbon-dependent world should be taken responsibly and with consideration for existing economic realities.

Insurers have a critical role to play in this transition. Our data and analytical capabilities provide historical insight on climate-related perils, and we can help drive behavioral change through pricing, by encouraging customers to become more resilient, and by partnering with businesses and governments to reduce their carbon footprints.

In addition, insurance is key to obtaining financing for alternative energy projects, many of which are being developed by entities historically and currently involved in carbon-intensive energy exploration, extraction, and delivery. It would not be prudent to risk these positive efforts by removing an essential risk-management tool vital to the transition to a lower-carbon economy.

Recommendations

The U.S. property & casualty industry supports and can play a constructive role in advancing transparency around weather- and climate-related risks. Indeed, as financial first responders, insurers have a strong ethical and financial interest in facilitating the transition to a lower-carbon economy and in promoting resilience during that transition.

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However, adding a new layer of federal oversight to the existing regulatory structure would complicate insurer operations while providing little to no benefit toward reducing greenhouse gas emissions and adapting to near-term conditions and perils. Duplicative reporting and supervision would drive cost increases that the industry – to maintain adequate policyholder surplus for claim payments – would have no choice but to pass along to policyholders in the form of higher premiums.

Recognizing this, Triple-I recommends that the NAIC climate disclosure survey serve as the primary reporting regime for all insurers. This would enforce consistency across ownership structures (public, private, and mutual) while avoiding unnecessary complexity and expenses. It also would enable the industry to continue playing its essential role while the global economy responsibly reduces its reliance on carbon.

Triple-I appreciates the opportunity to respond on behalf of its member companies and would welcome any follow-up discussions with the SEC.

Regards,

Sean Kevelighan

CEO
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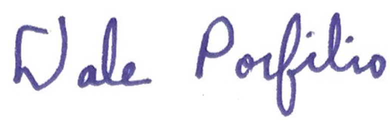

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