



Climate Change and Global Warming (EX) Task Force

Draft: May 28, 2008

Climate Risk Disclosure Proposal

*This is the second draft of a Climate Risk Disclosure Proposal. There have been significant changes since the original Climate Risk Disclosure Proposal was exposed for public comment. Written comments are sought from all interested parties. Please submit your comments by **close of business on June 30, 2008** to Pam Simpson (psimpson@naic.org). It is important to note that there are many constituencies with a wide range of opinions regarding the impact of climate change on insurer operations. Thus, while interested parties generally agree that climate change is occurring, there are a variety of opinions on what that means for insurers and how much time and energy insurers need to expend on evaluation and reporting of their climate change activities.*

As noted in the White Paper there is good availability of reporting formats and measures in the climate risk arena. At the same time regulators may do well to be wary of generating multiple reporting requirements. Thus this proposal seeks to adopt a mainstream approach with only minimal deviations where necessary to reflect the particular nature of the insurance industry. This proposal is a starting point for the discussion regarding new sources of information. It may need to be revised in light of comments received. The objective is to facilitate initial disclosure in 2009 with refinement in future years as needed.

Question	Where Disclosed ¹
1. Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations? 2. Does the company have a climate change statement of policy with respect to risk management and investment management? If yes, please provide. If no, how do you account for climate change in your risk management?	GRI 1.1, 4.8, Environmental DMA CDP Question 1
3. Has the company considered the impact of climate change and global warming on its investment portfolio? Has it altered its investment strategy, from a risk and opportunity perspective?	GRI 1.1, 1.2, EC2 CDP Questions 2, 10 SEC 10-K Item 7 (Rule S-K Item 303)
4. What steps has the company taken to encourage policyholders to reduce the losses caused by climate change-influenced events, including for example, price incentives, new products, financial assistance for policyholder loss mitigation and loss mitigation public policy initiatives?	GRI 1.1, 1.2, EC2, Environmental DMA CDP Question 3 SEC 10-K Item 1A (Key Risks), Item 7 (Rule S-K Item 303)

¹ CDP is in the process of issuing an updated form, so references will need to be updated when the new CDP form is available.

Question	Where Disclosed ²
<p>5. Describe the company's utilization of computer modeling to assess the impacts of climate change impacts.</p> <p>6. Are there any known trends, events, demands, commitments, and uncertainties stemming from climate change that have had, or are reasonably likely to have, a material effect on the company's financial condition or operating performance? What are these events and what are the material effects?</p> <p>7. Are there geographic locations where the company has increased rates or limited sales, or expects to increase rates or limit sales, because of climate change effects? Are there specific perils or coverages the company has limited or eliminated, or for which the company expects to limit or eliminate coverage?</p>	<p>GRI 1.1, 1.2, 4.11-13 EC2 Environmental DMA; EN3-7, EN18, EN26-28</p> <p>CDP Questions 1, 4, 8, 9</p>
<p>8. What analysis has the company conducted regarding the impact of climate change on its future liquidity and capital needs, including impacts on reserves and access to reinsurance?</p>	
<p>9. Describe any steps the company has taken to engage key constituencies on the topic of climate change, for instance by supporting improved research and/or risk analysis on the impacts of climate change; by informing public policy making; or by supporting climate awareness among its customers.</p>	

Application

These disclosures are to be submitted as a mandated supplement with the Annual Statement as follows;

Year of Business	Mandatory Disclosure	Voluntary Disclosure
2009	Premium over \$100M	All others
2010 and thereafter	Premium over \$1M	All others

The Task Force seeks comments on the appropriate venue for collection of this important regulatory information. Comments regarding whether a particular question should be public or confidential to regulators only are also welcome.

Insurance consumers are best protected by a functioning competitive insurance market that delivers products that are affordable and adequately cover risk that consumers face. While regulators are charged with consumer protection it is vital that functioning competitive insurance markets are not compromised in the process. Thus interaction with both consumer groups and industry groups will be required for a successful outcome.

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