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June 30, 2008

Commissioner Sean Dilweg, Chair
Climate Change and Global Warming (EX) Task Force
Attention: Pam Simpson
National Association of Insurance Commissioners
2301 McGee Street, Suite 800
Kansas City, MO 64108-2662

Re: NAIC Climate Change and Global Warming (EX) Task Force
Draft Climate Risk Disclosure Proposal

Commissioner Dilweg and members of the NAIC Climate Change and Global Warming (EX) Task Force:

On behalf of the members of the Reinsurance Association of America (“RAA”), we are pleased to offer comments on the NAIC Climate Change and Global Warming (EX) Task Force (“Task Force”) draft Climate Risk Disclosure Proposal (“Proposal”), dated May 28, 2008. We appreciate Commissioner Dilweg’s leadership on this issue and his efforts to have a meaningful dialogue with the various interested parties. We look forward to working with the Task Force and other interested parties on this Proposal.

The RAA is a national trade association representing property and casualty organizations that specialize in reinsurance. The RAA membership is diverse, including large and small, broker and direct, U.S. companies and subsidiaries of foreign companies.

The RAA offers the following comments on this draft Proposal.

Lack of Availability of Meaningful Information on Climate Change Impacts

The world’s climate is changing and there is overwhelming recognition in the scientific community that human activity is having a significant impact upon the world’s climate. It is the RAA’s understanding, however, that the scientific community cannot distinguish between weather events caused by natural weather variability and those caused by climate change. While climate change is real, the specific impacts from climate change on insured risks globally, regionally, and in the various states are still uncertain. For example, it is unclear how climate change will affect storm frequency and the number of land falling storms, what are or will be local versus global changes, and whether any individual event is related to climate change.

In its white paper, the Task Force recognized that everyone is “operating under conditions of uncertainty with regard to the extent of climate change risk and the models

used to study those risks” and that “companies will not have complete information and therefore not be able to report with certainty.” The RAA agrees that “the framing of questions and evaluation of responses must take the inherent uncertainty into account.”

Timing of Disclosures

The RAA encourages the Task Force to have discussions with climate scientists and modelers about the state of the science, what models can currently accomplish, and the practical realities faced by insurers in trying to identify climate change impacts on future natural catastrophe events. The RAA would be happy to identify scientists and/or university professors in the state of each Task Force member to discuss what science can tell us about the local or regional implications of climate change, and can assist the Task Force with putting together panels on this topic.

The RAA believes that efforts to draft specific disclosures should only take place after the NAIC hears from the climate scientists and modelers so that the disclosure questions can be tailored to obtain meaningful information. Although we appreciate the need for disclosure and the regulators’ obligations to protect policyholders, implementing appropriate disclosure in early 2009 may not be realistic or advisable. Rather, interested parties and regulators should spend the next several months refining these questions to ensure that they can be answered by insurers and will elicit meaningful information.

Location of Disclosures

The RAA strongly opposes disclosures on climate change in the financial statement. Given that it is not possible to determine whether any single weather event is caused or affected by climate change, disclosures that ask companies to make assumptions about such information would put the company’s officers in a precarious position. It is impossible to quantify an unquantifiable risk and then swear to it. The Proposal states that the disclosures would be “submitted as a mandatory supplement to the Annual Statement”. It is not clear if the Task Force is referring to the Management Discussion and Analysis supplemental filing (“MD&A”), but if there are going to be climate change disclosures, the MD&A is a much better place for them than the financial statement. The MD&A is meant to be more of a discussion by management and not a place to list questions and answers, but it may be possible to rework the questions to better fit into the MD&A format, expand the MD&A or perhaps create a new supplemental or separate filing. It should also be noted that public companies may be concerned about including information in the NAIC MD&A that is not included in the MD&A that is submitted as part of their Securities and Exchange Commission (“SEC”) filings.

Where a company has answered a similar question in response to the Carbon Disclosure Project (“CDP”) questionnaire, the RAA suggests that the NAIC accept that response.

Confidentiality Concerns

As set forth more specifically below, the RAA is concerned about questions in the Proposal that would require companies to disclose confidential and proprietary

information. Presumably, one of the reasons for disclosure is to foster public disclosure and public dialogue. While we support fostering public dialogue about climate change and its potential impact, we oppose the use of confidential and proprietary information to accomplish this. The questions, therefore, should be more narrowly drafted to avoid this contradiction.

Specific Proposed Questions in the Proposal

We understand that the purpose of these disclosures is to protect policyholders as well as insurer solvency and competitiveness. The Proposal states that “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.” The RAA believes that questions 1-4 and 9 could be drafted to address these issues. Question 4 is limited to “policyholders” and does not appear to be applicable to reinsurers.

We object to Questions 5-8 because, based on the current science, they will not provide meaningful answers. They also are problematic for the various reasons discussed below. These questions could be revisited as the science develops.

We also believe that nine questions are too many for this topic. The number of questions being proposed exceeds the total number of interrogatories in the financial statement that are devoted to catastrophes in their entirety. Yet there is not even a proven nexus at this time between climate change and negative material impacts on insurable interests.

The RAA could support disclosures reflecting the concepts in Questions 1-4 and 9, subject to the location of these disclosures and the concerns discussed below.

Question 1. “Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations?”

We question why the insurance industry, which is not a major emitting industry, should have a mandatory financial disclosure on greenhouse gas emissions even though that has nothing to do with the financial impact issues of climate change, particularly when other financial services industries do not have such disclosures. Although we question the appropriateness of this disclosure, we understand the interest in this subject and recognize that such public disclosure would promote better awareness of a company’s carbon footprint without being particularly onerous.

Question 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?”

Disclosures in the area of risk management are appropriate, but we believe that the appropriate question to ask is whether companies consider climate change in the context of their risk management analysis, regardless of whether the company has a published policy statement. Depending on how the question is phrased, there may be confidentiality and proprietary concerns that must be addressed.

With respect to this particular question, it is unclear what is meant by the words “account for climate change” and this should be clarified. Moreover, this question seems to assume that it is possible for a company to “account for climate change” in its risk management, which may not currently be possible. We would object to a meaning that suggests companies can anticipate with any certainty the risks that climate change events will present to their companies.

Also, this question is too broad. It would be difficult to answer this question in a cogent manner because it addresses both risk management and investment management, which are two different, although sometimes related, concepts. Question 3 addresses investment issues, and therefore, for clarity purposes the reference to investment should be removed from this question.

We also note that smaller companies may have fewer resources for developing a comprehensive climate change policy or conducting analyses of climate change with respect to risk management and investment management. If the purpose for this disclosure is to penalize companies that do not have a policy, then the RAA would oppose this disclosure request.

Questions 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?”

It is not clear what is intended by the words “impact of climate change”. As we explained above, although climate change is real, the impacts of climate change are uncertain. Thus, it is unclear what the Task Force means and expects companies to address in response to its question about the “impact of climate change”. The Task Force should clarify this question.

Additionally, the question or the instructions to the disclosure questions should explicitly state that regulators will not interfere with a company’s investment strategy that otherwise meets the existing regulatory requirements, and that a company is not required to choose investments based on social or political goals.

This question also should be redrafted to clarify that confidential and proprietary information about a company’s investment strategy is not required.

Finally, if the Task Force maintains the current disclosure, the second question should be changed as follows: “**If so, has it altered reviewed or revised** its investment strategy from a risk and opportunity perspective.”

Question 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 impact of climate change by informing public policy making; or by supporting climate awareness among its customers.”

This sentence should be changed as follows: “Describe any steps the company has taken to engage key constituencies on the topic of **managing/mitigating the risks of natural disasters, or other consequences that potentially may arise from** climate change, for instance by supporting improved research and/or risk analysis ~~on the impact of climate change~~, by informing public policy making, or by supporting climate awareness among its customers.”

This revision better reflects the reality that many of the efforts focusing on mitigation and education are in the broader natural disaster area, of which climate change is a part.

The RAA is strongly opposed to Questions 5-8.

Question 5. “Describe the company’s utilization of computer modeling to assess the impacts of climate change impacts.”

Many companies assess their exposure to weather related risk through the use of catastrophe models. However, catastrophe modelers are still trying to develop their models to quantify climate change risk. As a result, any answers to this question would not be meaningful at this time. Competitive forces will continue to promote companies’ modeling best practices.

Moreover, many companies have developed commercially sensitive and proprietary models or have developed proprietary information from their analysis of commercially available models.

Question 5 should be removed. If the Task Force decides to include it, the question should make clear that such commercially sensitive and proprietary information does not need to be disclosed in answering the question.

Questions 6-8. Companies would find it extremely difficult to provide reliable answers to Questions 6-8, and such answers would not elicit meaningful information.

These questions ask a company to identify: “known trends” (Question 6); “climate change effects” and “specific perils” (Question 7); and “impact of climate change” (Question 8). However, the only known trend or event relating to climate change at this point is climate change itself. We know that the climate

is changing and global temperatures are on the rise, but it is not currently possible to quantify the local consequences for the insurance industry. One of the largest potential impacts comes from future hurricanes, but there is still much scientific debate about the effect of climate change on their frequency and particularly their severity.

Scientists and catastrophe models have not been able to determine the local consequences of climate change or whether an individual extreme event is caused by climate change. Thus, the impact climate change is having and will have on insurers and their policyholders is largely unknown. For example, if a company raises rates in a location because of increased historic losses (like natural catastrophes), does that mean that it is raising rates because of climate change? If we cannot currently link climate change to a specific event, then how can we link the effects of climate change to an insurance company's financial condition?

Moreover, these questions all require forward-looking information. The SEC requires publicly traded companies to submit certain forward-looking information in the MD&A section of their filings. Because this information is forward-looking and therefore, uncertain, companies receive a statutory "safe harbor" in any private actions for such forward-looking statements in the MD&A that are untrue. The NAIC and individual states must be able to provide similar protections.

With respect to Question 8, this question also is inappropriate because insurers' loss reserves can only be established after an event has occurred. Additionally, it is inappropriate to single out one insurer risk management tool, in this case reinsurance, to the exclusion of all others. Reinsurance is an optional, risk management tool that insurers may use to assist with exposure management. Insurers also may raise capital, borrow, use various capital market alternatives or change underwriting standards in lieu of reinsurance.

Thank you for the opportunity to provide our comments. We share a common goal of continuing a climate change discussion. The RAA looks forward to continuing to work with the Task Force on its analysis of climate change disclosures.

Sincerely,



Franklin W. Nutter
President



Tracey W. Laws
Senior Vice President &
General Counsel