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Hon. Sean Dilweg
State of Wisconsin
Office of the Commission of Insurance
Chair, Climate Change and Global Warming (EX) Task Force
National Association of Insurance Commissioners (NAIC)
2301 McGee Street, Suite 800
Kansas City, MO 64108
ATTN: Ms. Pam Simpson

Re: *Climate Risk Disclosure Proposal (August 15, 2008 draft)*

Dear Commissioner Dilweg:

Thank you for the opportunity to provide comments on the August 15, 2008 draft of the Climate Risk Disclosure Proposal issued by the NAIC Climate Change and Global Warming (EX) Task Force.¹ We would also like to thank you for inviting ACLI to participate in the NAIC Climate Change and Global Warming Task Force meeting held last Thursday (September 11th) at the National Center for Atmospheric Research (NCAR) in Boulder, as well as your ongoing effort to engage industry on this important topic.

From ACLI's assessment, two positive changes have been incorporated into the current version of the Proposal: (1) three proposed disclosures (questions 7, 8 and 9) are now proprietary (though question 8 is significantly expanded from its previous version); and (2) insurers with annual (life) premiums over \$500 million, rather than \$100 million, would now be required to make climate risk disclosures starting in 2009. Since life insurers with premiums over \$500 million account for over 90 percent of the industry (measured by assets), we view this as a modest improvement. Though we find the latest version of the Proposal a step in the right direction, we remain opposed to mandatory disclosures in the contemplated form. Further, we are particularly concerned about the speed with which the proposed disclosures would be implemented and the potentially negative unintended consequences which may result.

As discussed in previous letters and meetings, we have several overriding concerns:

- As we heard in Boulder, there is still uncertainty regarding the implications of climate change on catastrophic weather-related events in specific regions of the world. Similar conclusions have been reached by other climate experts.²

¹ The American Council of Life Insurers (ACLI) is the principal trade association of life insurers, representing three hundred fifty-three (353) member companies operating in the United States, of which three hundred forty-five (345) are legal reserve life insurance companies, and eight (8) are fraternal benefit societies. These 353 member companies account for 93 percent of total assets, 93 percent of the life insurance premiums, and 94 percent of annuity considerations in the United States.

² We would like to draw your attention to a conference held in Reading, UK from May 6th to May 9th of this year entitled "World Modeling Summit for Climate Predictions". The purpose of this conference was to address the limitations of the current

- It is important to note that investors, policyholders and insureds are not currently demanding climate change disclosures. Clearly, if such market pressure existed, insurers would respond promptly.
- Questions 2 (indirectly), 4, and 6 are designed to determine what actions life insurers are taking, or plan to take, which would encourage others to limit their GHG emissions. We feel that it is inappropriate to place life insurers in a position where they are expected to influence third parties in this regard.
- As noted in the NAIC Climate Change White Paper, climate change will have a substantially different impact on life insurers as opposed to property/casualty insurers. Whereas some may argue that questions 4, 7, and 8 may have applicability for property/casualty insurers, these questions have *virtually no applicability* to life insurers. All three questions, when viewed from the perspective of a life insurer, presume that climate change will result in increased mortality. As stated (and illustrated) previously, there is *absolutely no rigorous evidence* which shows that U.S. mortality rates will increase in any meaningful way as a result of climate change. We strongly recommend that life insurers not be required to submit these disclosures.
- Questions 3, 5, 8, and 9, would force insurers to disclose information which companies would not ordinarily share publicly and, if released, could diminish the incentive to innovate. Since questions 8 and 9 would be proprietary they are of somewhat less concern, however question 3 and, particularly, question 5 are highly inappropriate to share with the public and other companies. Additionally, it should be noted that life insurers do not necessarily rely on catastrophe models (question 5).
- We are greatly concerned that the proposed disclosures will increase the likelihood of frivolous litigation and may expose both industry and regulators to increasing political pressure from single-minded groups with little regard for insurers or their policyholders.
- We feel that the protection offered by the NAIC for forward looking statements on the Annual Statement supplement is not enforceable. Additionally, the industry needs assurance that proprietary disclosures will indeed remain proprietary. Currently, we are not certain that this would be the case.

While climate change is an important issue, the pace at which the climate is actually changing and the exponential rate at which knowledge is increasing calls for a cautious approach. Given the many uncertainties regarding climate change, potential legal ramifications of disclosures, unintended consequences, and the regulatory bodies which already require or soon will require climate risk disclosures, it is preferable to take a longer term view. This is especially true given the fact that advances in climate modeling and computer capabilities are increasing at such a rate that our knowledge in several years will be considerably greater than it is now.

In conclusion, ACLI strongly urges the NAIC to abandon climate risk disclosures for life insurers or, at the very least, to make *all* climate risk disclosures proprietary, particularly questions 3 and 5 (in addition to questions 7 and 9) and to not require life insurers to respond to questions 4, 7, and 8 in view of the fact that they are not relevant to the life insurance industry.

Thank you again for providing us the opportunity to offer our comments on the latest Climate Risk Disclosure Proposal, as well as the opportunity to express our concerns. Please let me know if you have any questions or need additional information.

Sincerely,



Andrew Melnyk, Ph.D.

generation of climate models. For details please see:
<http://wcrp.ipsl.jussieu.fr/Workshops/ModellingSummit/Background.html>.