



2600 South River Road, Des Plaines, IL 60018 Telephone 847-297-7800 Facsimile 847-297-5064 www.pciaa.net

David Kodama  
Director, Policy Analysis  
Policy Development & Research

December 15, 2008

Via E-mail to Eric Nordman

Commissioner Sean Dilweg, Chairman  
Climate Change and Global Warming (EX) Task Force  
Care of: Eric Nordman  
National Association of Insurance Commissioners  
2301 McGee Street – Suite 800  
Kansas City, MO 64108

**Re: November 26, 2008 Climate Risk Disclosure Survey Proposal**

Dear Commissioner Dilweg and members of the NAIC Climate Change and Global Warming Task Force:

The Property Casualty Insurers Association of America (PCI) again appreciates the continued opportunity to participate in and respond to the latest efforts of the Task Force. The following comments are provided in response to the revised Climate Risk Disclosure Proposal, drafted on November 26, 2008.

In the latest draft, the disclosure survey will be collected through state regulators rather than a supplement to the annual statement. This positive change addresses a critical element of our members' adamant opposition to prior versions.

However, we remain opposed to any mandatory public disclosure of such information and continue to question the general regulatory relevance of the disclosure requirements, in terms of insurer solvency and consumer protection. In this regard we have several requests and concerns which this letter summarizes, as follows.

First, PCI requests that the Task Force's Climate Risk Disclosure Working Group reconsider the stated purpose and intent of this proposal. The declaration that such disclosures would provide "substantive" information to regulators, shareholders, and the public alike is potentially misleading and could have detrimental consequences. We further believe that it is inappropriate to use insurance company information that was provided in good-faith as a means to enforce a standard of availability and affordability onto the insurance marketplace.

PCI applauds the effort to update instructions to reflect our stated concerns over public filing of forward-looking, sworn statements. In addition, the eliminated disclosure requirement for competitively sensitive and proprietary information now more appropriately reflects the still evolving nature of the climate change issue, the underlying science and the state of risk modelers' ability to incorporate it into their models. Such improvements notwithstanding, PCI still challenges the assertion that the proposed questions would provide regulators, consumers, and institutional investors with any discernable benefit. To date, no evidence or persuasive

argument has been presented to support the statement that climate risk disclosures could provide material information for the assessment of the financial soundness, i.e. solvency, of an insurance company.

A second concern for PCI and its over 1,000 individual member companies is that individual states could and would alter the proposed survey form to demand more intrusive and burdensome reporting requirements, thereby dismissing the collaborative efforts offered here. Public filing of company responses would also provide new fee-generating opportunities for an aggressive trial bar. By requiring insurers to provide unverifiable, speculative loss information concerning a risk factor that can never be accurately or directly attributed to any specific insurer, the proposal could expose insurers to significant reputational and economic harm from new litigation theories. Such litigation would be counter-productive for all parties with interests in climate change, except for the plaintiffs bar.

Third, we continue to assert that an effective venue for public disclosure already exists. Management's Discussion and Analysis (MD&A), currently filed as a supplement to the Annual Statement, provides for the disclosure of material historical and prospective information concerning the financial condition and results of operations of the reporting entity. This supplement also includes a description of any known trends or uncertainties, including those relating to climate change. Note, however, that the speculative nature of the requested climate change disclosures, plus the divergent opinions within the climate science community, will undoubtedly result in varying responses by insurance companies to the proposed climate-related interrogatories. Hence, questions over the accuracy, efficacy, and reliability of the climate change information would remain under any circumstances, and PCI reiterates our opposition to the concept of such a formalized disclosure, no matter the process used to elicit it.

PCI supports the regulator's continued dialogue with insurers to provide an understanding of the extent to which the individual company has been able to assess its exposure to climate-related risks. Through existing risk-focused financial reviews and the ability to engage an insurance company in interim discussions, regulators have the ability to obtain all of the information sought by the proposed interrogatories, without requiring public disclosure. This type of dialogue should be encouraged, rather than discouraged as it will be by mandating public filings. As stated again at the last meeting of this Task Force, this dialogue should represent "a first step." We caution that the intrusion of the strong opinions of outside interests could disrupt or limit the positive impact of that effort.

PCI continues to welcome the opportunity to work with the Task Force and the NAIC to promote and support vibrant, reliable, and expanding competitive markets. PCI continues to support regulatory and legislative action that enforces stronger building codes, effective land-use planning, and grant and tax incentives for reinforced construction of individual homes and buildings. Through all these efforts, we expect to achieve workable and effective solutions to address and manage the complexity and uncertainty of the catastrophe risks facing our nation.

PCI and our members again thank you for the opportunity to provide input on this very important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "David Kodama". The signature is stylized with large, rounded letters and a long horizontal stroke at the end.

David Kodama  
847.553.3611  
[david.kodama@pciaa.net](mailto:david.kodama@pciaa.net)

cc: Joel Ario, Vice Chair  
Deirdre Manna, PCI