

A watered down NAIC climate change survey; but CA Dept. stands firm on original format

For the past four years, UP has been working on insurance issues at the national level by serving as an appointed consumer representative at the National Association of Insurance Commissioners (NAIC). NAIC meetings are the forum through which regulators in the 50 states coordinate their activities...or not. The NAIC holds hearings and meetings on a wide variety of topics, publishes reports and designs model laws and regulations.

One of the first projects we got involved with at the NAIC was helping break a logjam that was preventing adoption of a Climate Risk Disclosure Survey. The idea behind the survey is to require insurers to report to regulators (and the public) on the data they have gathered and the plans they are making to account for the impact of climate change on their operations and their customers. Disclosure of climate change risks is important because of the potential impact of climate change on insurer solvency and insurance availability and affordability across all major categories of insurance: property casualty, life and health.

Certain sectors of the industry had been lobbying regulators at the NAIC for years to resist the survey. But, after a lot of work by forward-thinking Commissioners, plus **Andrew Logan, Larry Shapiro, Birny Birnbaum** and **Nancy Skinner** (now a CA. Assemblymember) and help from **Amy Bach**, an historic vote took place in 2009, and at long last, the survey was adopted.

But...the victory was short lived. As certain states (e.g. California, New York, Pennsylvania, Washington and Wisconsin) prepared to launch the survey, others dragged their feet at the behest of lobbyists. Then, in the very last hour of a four day NAIC meeting this past March, after most people had gone home, in what Financial Times reporter **Paul J. Davies** refers to as a “U-turn”, a new “watered down” survey was adopted. [Click here](#) for the new version of the survey which is now optional instead of mandatory.

The bizarre U-turn was described by Davies:

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“The US National Association of Insurance Commissioners (NAIC) executed a U-turn at the end of last month by voting to water down plans that insurers should be required to respond publicly to a survey on the risks they face from climate change.

The decision came as a surprise not only to the industry, but also to some of the commissioners present. The vote to adopt a weaker version of the “climate risk disclosure survey” that had been approved a year earlier was sprung on the gathering by a handful of those present, right at the end of the five day spring meeting.

Joel Ario, chairman of the association’s climate change task force and Pennsylvania Insurance Commissioner, had not even seen the version that was brought to the table, according to a report on the proceedings from insurance specialists at Deloitte. “I think it’s not a good public process adopting something that no-one’s seen,” he says.

The turn of events highlights the extent of disagreements over climate change that continue to exist within the insurance industry globally. Some warn that insurers could be overwhelmed by a potentially greater incidence of floods and storms in wealthy parts of the world. Others however see it as an opportunity to sell more, or different kinds of, insurance or risk management services.

The NAIC survey was designed to collate insurers’ thoughts, actions and investment habits in relation to climate change, according to Deloitte. According to NAIC, disclosure is important because of the potential impact of climate change on insurer solvency and the availability and affordability of insurance across all major categories.

The weaker version where disclosure via the survey is no longer mandatory means the extent to which individual states will push local insurers to supply information is now uncertain.

The big problem for the industry – and for policymakers – lies mainly not in the huge uncertainty of the effects of climate change itself, but in the balance between properly assessing and pricing current risks and ensuring that those who live in the most exposed areas can afford cover for their homes and other property”.

To read the full article, register free of charge [here](#).

Despite the recent “U-turn”, the California Department of Insurance, under the leadership of General Counsel **Adam Cole**, is proceeding and requiring insurers to comply with the original, stronger version of the survey. Kudos to California’s DOI!

Insurer responses to the California
Climate Risk Disclosure Survey were posted
to the California
Department of Insurance website. You can view the responses [here](#).

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