

June 9, 2021

VIA SEC E-mail Comment Portal – rule-comments@sec.gov

The Honorable Gary Gensler
Chairman
Securities and Exchange Commission

The Honorable Allison Herren Lee
Commissioner
Securities and Exchange Commission
100 F St. NE
Washington, DC 20549

RE: RAA Comments on March 15, 2021 Remarks for the Center for American Progress
Regarding the Request for Public Input on Climate Change Disclosures

Dear Chairman Gensler and Commissioner Lee:

This letter is submitted by the Reinsurance Association of America (RAA) on behalf of our members in response to SEC Commissioner Lee's March 2021 Request for Public Input on Climate Change Disclosures ("SEC Request"). The Reinsurance Association of America is the leading trade association of property and casualty reinsurers doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross-border basis. The RAA also has life reinsurance affiliates and insurance-linked securities (ILS) fund managers and market participants that are engaged in the assumption of property/casualty risks. The RAA represents its members before state, federal and international bodies.

On behalf of the RAA and its members, we applaud your leadership in addressing the issue of climate change and how the SEC may improve public company disclosure of the risks of climate and natural disaster risk for the benefit of investors, other stakeholders and the general public. We agree that investor demand for, and company disclosure of information about climate change risks, impacts, and opportunities has grown dramatically. The RAA supports climate change disclosures that adequately inform investors about known material risks and uncertainties, and support disclosures that would provide greater consistency across industries and around the world.

Since 2008, the RAA has an established policy on climate change and we remain committed to working with policymakers, regulators, and the scientific, academic and business communities to assist in promoting awareness and understanding of the risks associated with climate change.¹ RAA's climate policy promotes scientific research, stakeholder awareness, appropriate risk disclosures, development of financial products to mitigate climate risk and the mitigation of

¹ https://www.reinsurance.org/Advocacy/RAA_Policy_Statements/

greenhouse gases. Addressing these risks urgently is particularly important as the frequency, severity, devastation, and costs of natural disasters continues to increase due to climate change.

Despite RAA's longstanding support for enhanced climate risk disclosures, our members are concerned about the proliferation of the many and varied climate risk disclosure requirements being promulgated around the world. In response to ongoing development of climate risk disclosure requirements by U.S. and international insurance supervisors, in March the RAA issued the attached Guiding Principles to Address Climate Change. In this document the RAA recommends that regulatory bodies utilize, assimilate and recognize existing disclosure requirements rather than developing additional disclosure tools.

The RAA would support new SEC disclosure requirements that borrow from existing requirements and that allow flexibility in reporting by accepting formats already in use under other frameworks such as the TCFD, SASB, GRI, CDP, the NAIC or the New York Department of Financial Services, among others. New comprehensive SEC financial disclosures will be problematic if they are too prescriptive or require specified quantitative stress tests or scenario analyses that are not supported by current climate and financial forecasting models.

Below please find our comments on several, but not all, of the specific questions included in the SEC Request. While comprising only fifteen questions, the SEC Request contains many sub-questions on matters which the RAA needs to consider further or must evaluate in the context of information or guidance which is not yet available. We hope you find these responses and observations useful as you consider next steps in requiring more consistent, reliable and decision useful climate risk disclosures.

- Q1 Climate change disclosures should be material and relevant from the perspective of the management of the reporting entity and should reflect the reporting entity's business model and risk profile. Disclosures should address both physical risks and transition risks that are measurable given the current limits of climate and financial modelling. The SEC should not overemphasize consistency and comparability, nor should it require quantitative reporting of information and estimates that are highly subjective and uncertain. Annual reporting of these disclosures should be sufficient, given the long-term nature of climate risk.
- Q2 Quantifying physical climate risks is a unique strength of the property casualty insurance industry. There are vast amounts of information available in the insurance and actuarial profession, among industry chief risk officers and available from catastrophe risk modelling companies. Transition risk on the other hand is more subjective, and difficult to estimate. All of this information is highly technical and we would recommend the SEC consult these sources for more information. We do not believe that there are specific metrics that all registrants should report. Insurers and reinsurers are highly experienced at measuring, underwriting and reporting climate and weather-related risks, which are unique to our industry. At the same time, our industry is not a significant carbon emitter. Different industries should make different disclosures based on what is material to their risk profile and their business model.
- Q3 Minimum disclosure requirements could be useful if defined broadly enough. For example, this could be accomplished by referencing other reporting standards such as

TCFD, SASB or other disclosure frameworks. We agree with the approach taken by the states in the annual NAIC climate disclosure survey, which allows insurers who file under the TCFD framework to submit that report in lieu of the NAIC survey.

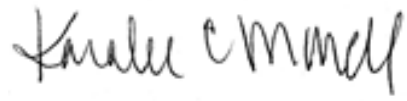
- Q4 Establishing different climate reporting frameworks for different industries would be unnecessarily complex. Instead, the selection of climate risk reporting elements should be left to the reporting entities to determine how, within a broad framework, climate related disclosures best reflect the entity's own climate risk profile under their own business model.
- Q5 We strongly support the SEC drawing on existing frameworks for its disclosure guidance. The biggest climate disclosure challenge for insurers is the plethora of different climate risk disclosure requirements that have been promulgated by regulators, investors, rating agencies and others across many jurisdictions. Reporting entities should be able to provide a single set of disclosures to all regulators or limit disclosures to a single regulator. To the extent that a registrant is part of a corporate group, disclosures at the group level should be permitted as a mode of compliance. Separate, quantitative or rules-based SEC disclosure requirements would only add another distinct way to examine the same issue. It would unlikely increase the benefits to investors or other stakeholders and could add significant additional compliance burden.
- Q9 We strongly support the SEC relying on a single global climate risk disclosure standard as the basis for its disclosure guidance. As a global industry, we would like to see all financial services and securities regulators adopt one global standard.
- Q10 We do not believe that climate risk disclosure standards should be subject to audit. To the extent that climate risk is material and it would affect the decisions of investors, the existing financial statement audit requirements should include climate related disclosures. We support the traditional view of audit services, which within the context of materiality is intended to provide assertions that the financial statements are presented fairly. Audits are also conducted in the context of the going concern assumption, which generally means that there is an expectation that a business will continue to generate a positive return on its assets and meet its obligations in the ordinary course of business for at least one year from the date the financial statements are issued. Climate risk disclosures and particularly quantifications of transition risk, are more subjective than typical financial statement amounts and measure potential risks far into the future.
- Q11 Consistent with our answer to Question 10, we do not believe that climate related financial disclosures should be subject to the annual report on internal controls over financial reporting. Such an approach would add significant costs without corresponding benefit.
- Q15 The RAA supports ESG reporting and would agree that climate risk disclosures could be part of a broader ESG reporting framework. We note that ESG reporting is broader in scope and is less well developed than climate risk reporting, so practically speaking there are advantages to focusing on climate risk disclosures first.

Thank you for the opportunity to comment on the SEC Request. The RAA looks forward to participating in future discussions of these matters. You may contact Joseph Sieverling [REDACTED] or Karalee Morell [REDACTED] if you have questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Sieverling", with a stylized flourish at the end.

Joseph B. Sieverling
Senior Vice President and
Director of Financial Services

A handwritten signature in black ink, appearing to read "Karalee Morell", enclosed within a thin rectangular border.

Karalee Morell
Senior Vice President and
General Counsel

RAA Guiding Principles to Address Climate Change

The Reinsurance Association of America (RAA) is urging policy makers to adopt guiding principles as they seek to address the issue of climate change and its interrelationship with insurance and regulation. Long a leader in addressing climate change challenges on behalf of its members, the RAA has released a series of guiding principles with respect to climate change regulation and urged policy makers to adopt them.

- Regulation should not supplant management decision making (underwriting, investment and risk management). Each insurance entity is unique in its business model and the execution of it in the marketplace. Regulatory supervision should recognize that.
- Regulatory action should not be prescriptive. Regulators should focus on ensuring that insurers are evaluating future conditions as part of their risk management processes, rather than on fixed metrics. For example, regulator involvement in the investment arena should focus on the ability of risk management processes to identify significant potential future investment impacts and be in no way granular.
- Rather than develop additional disclosure tools, regulators should utilize, assimilate and recognize existing disclosure requirements and other climate tools—National Association of Insurance Commissioners (NAIC) survey, Securities and Exchange Commission (SEC), Own Risk and Solvency Assessment (ORSA), Task Force on Climate-related Financial Disclosure (TCFD), CDP (formerly the Carbon Disclosure Project), Climatewise—and not layer additional disclosures and requirements onto those already in use. Thoughtful, robust climate disclosures require significant insurer time and resource commitments. The ability to cross-reference or provide climate risk disclosure responses made in other contexts is important to avoid repetition and reduce unnecessary administrative burdens.
- Companies should be able to provide a single set of disclosures to all regulators or limit disclosures to a single regulator. Consistency is key.
- To the extent that a company is part of a corporate group, disclosures at the group level should be permitted for legal entities in the group. Coordination with international supervisors and other U.S. regulatory bodies is encouraged.
- Stress tests and scenario analyses, if needed, should be conducted and evaluated at the group level, not the individual insurer, legal entity level.
- Due to the inherent problems involved with down-scaling climate models and in predicting the timing and impact of future climate scenarios, particularly on a regional, state or local geographic basis consistent with (a) insurer business operations and (b) state insurance regulation, model output becomes more speculative. Accordingly, stress tests and scenario analyses should be conducted as a risk management exercise to identify climate issues, not as a solvency tool. It is important to recognize that climate scenario analyses are tools to help understand the long-term effects of climate-related risks on insurance and other financial markets and institutions. They are not the same as traditional stress tests, which have a short-term solvency focus.