



March 29, 2021

Honorable Henry Stern  
Member, California State Senate  
State Capitol, Room 5080  
Sacramento, CA 95814

**RE: SB 449 (Stern) – Climate Related Financial Risk – OPPOSE UNLESS AMENDED**

Dear Senator Stern:

The insurance trade associations listed on this letter represent a large and diverse group of California domestic and national insurance companies, across all lines of insurance, including health and property and casualty. Together, we serve the vast majority of California's health, auto, homeowners, and commercial insurance needs. We regretfully must oppose SB 449 unless it is amended.

SB 449 would require a bank, corporation, credit union, finance lender, insurer, investment advisor, real estate investment trust, and mortgage lender to submit an annual climate-related financial risk report to the Department of Financial Protection and Innovation (DFPI). Since 2010, our members have worked with the California Department of Insurance (CDI) and the National Association of Insurance Commissioners (NAIC) to submit an annual report on how insurers, across all lines of insurance, assess and manage risks related to climate change. The **Insurer Climate Risk Disclosure Survey** is designed to be an insurer reporting mechanism that provides regulators with a window into how insurers, across all lines of insurance, assess and manage risks related to climate change.

In 2010, approximately two dozen states surveyed their insurance companies, and the data was aggregated. In 2012, **California**, along with New York and the state of Washington, began administering the Survey to all insurance companies licensed in these states, and that write at least \$300 million, **making the survey mandatory and the results public**. In 2013, the threshold was lowered to \$100 million and since then, the multi-state group has expanded to include Connecticut, Minnesota, and New Mexico. Presently, the survey covers more than 1,000 companies capturing more than 70% of the entire U.S. insurance market, allowing regulators, insurance companies and interested members of the public the ability to identify trends, vulnerabilities and best practices by the insurance industry with respect to climate change.

As currently drafted **SB 449 fails to recognize that a climate-related financial risk report already exists for our industry.** The current reporting requirement is the product of long and thoughtful deliberations with stakeholders across the country. By introducing a new and different report, administered by a different regulator (DFPI), SB 449 would upend over a decade of work and circumvent the successful NAIC approach to insurance industry climate reporting.

Lastly, by requiring insurers to report to DFPI, SB 449 would create conflicting and duplicate oversight regimes for climate risk disclosure for our industry, which is currently regulated solely by the CDI. This is particularly concerning not only because of the precedent it would set, but also because it directly contravenes Cal. FIN Code § 90005(k)(13) established in 2020 by AB 1864 (Limón), which explicitly exempts insurance from the provisions of the California Consumer Financial Protection Law.

In short, it is untenable for insurers to have two different sets of climate reporting requirements for two different regulators. Since insurers have long been reporting this information as part of a multi-state effort, it would be extremely disruptive to create a new DFPI report. For these reasons **we respectfully request that SB 449 be amended to delete insurers from the bill.**

Sincerely,



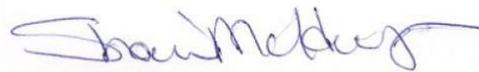
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Cc: Senator Henry Stern, Author  
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Melissa Immel, Deputy Legislative Secretary & Chief of Legislative Operations, Office of the Governor

Michael Martinez, Senior Deputy Commissioner and Legislative Director, California Department of Insurance