



April 14, 2021

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

RE: SB 449 Stern (as amended 4.13.21) – 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 life and property and casualty. Together, we serve the vast majority of California's life, health, auto, homeowners, and commercial insurance needs. While we appreciate your efforts to improve SB 449 with your April 13th amendments, those amendments did not address the critical issues we outlined in our March 29th letter and therefore ***we must regretfully continue to oppose SB 449*** unless is it further amended.

SB 449 would require a covered entity to submit an annual climate-related financial risk report to the Secretary of State (SOS) and empower the Governor's newly created (announced on April 5th, 2021) Climate-Related Risk Disclosure Advisory Group to propose regulatory actions, policies, or reforms in the area of climate-related financial risks. 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 (SOS), SB 449 would upend over a decade of work and circumvent the successful NAIC approach to insurance industry climate reporting.

In short, it is untenable for insurers to have two different sets of climate reporting requirements for two different entities. Further, it is unclear why this new Advisory group would be empowered to propose new, and potentially conflicting, regulations for insurers that are already regulated by CDI with regard to climate-risk disclosure. Since insurers have long been reporting this information as part of a multi-state effort, it would be extremely disruptive to create a new SOS report. For these reasons **we respectfully request that SB 449 be further amended to explicitly exempt insurers from the definition of a covered entity**.

Sincerely,



Matthew Powers
Vice President, Life, Disability and Long-Term Care
Association of California Life and Health Insurance
Companies (ACLHIC)



John Mangan
Regional Vice President
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Shari McHugh
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Seren Taylor
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Personal Insurance Federation of California (PIFC)



Christian John Rataj
Senior Regional Vice President
National Association of Mutual Insurance
Companies (NAMIC)

Cc: Chair and Members of the Senate Banking & Financial Institutions Committee
Michael Burdick, Staff Director, Senate Banking & Financial Institutions

Tim Conaghan, Consultant, Senate Republican Caucus

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