

A Climate of Change

TRACKING THE INSURANCE IMPACT OF ENVIRONMENTAL ISSUES

A Newsletter from The Council: Issue 5 — Q1 2024

Federal & Regulatory Updates

Last week, the U.S. Securities & Exchange Commission issued its long-awaited final climate disclosure rule. Although it is far less onerous than the initial proposed rule, the final rule still represents a significant and complex expansion of disclosure requirements for publicly traded companies in the U.S., which will impact both Council members and their clients. To help bring you up to speed on these disclosure obligations, our partners at Steptoe have [compiled this comprehensive analysis](#).

INSURE Act Aims to Stabilize the Home Insurance Market

On January 18, 2024, Representative Adam Schiff (D-Calif.) introduced the [Incorporating National Support for Unprecedented Risks and Emergencies \(INSURE\) Act](#) to stabilize the home insurance market, while ensuring vulnerable communities are not excluded from coverage. The legislation would create a federal catastrophic reinsurance program to protect consumers from cost increases by offering insurers a transparent, fairly-priced public reinsurance alternative for catastrophic climate-related natural disasters.

NOAA Releases Data on Billion-dollar Climate Disasters in 2023

NOAA's National Centers for Environmental Information (NCEI) has released the [final update](#) to its [2023 billion-dollar disaster report](#), confirming a historic year in the number of costly climate-related weather events. There were 28 weather and climate disasters in 2023, surpassing the previous record of 22 in 2020, tallying a price tag of at least \$92.9 billion.

State-level Affairs

Was 2023 the Year of State-level ESG Discourse?

Last year, environmental, social, and corporate governance (ESG) took center stage in the [ideological battle](#) happening across state governments. The fight has pitted liberal-leaning states like California and New York, which often support ESG-focused investment frameworks, against conservative-leaning states like Florida and Texas, that have been campaigning to [ban consideration of ESG factors](#) in funds and policies. With the upcoming presidential election and an impending climate disclosure rule from the SEC, both sides of the debate are



Art from [Time to Rethink ESG?](#) (Leader's Edge—December 2023)

doubling down on their respective stances, passing new bills and regulations that could impact how businesses approach their ESG strategies. [Learn more](#) about a proposed new approach to ESG for key insurance industry stakeholders in *Leader's Edge* magazine.



Art from [Closing the Insurance Gap](#) (*Leader's Edge*—January 2024)

Budget Committee Inquiry into Insurers in CA, TX, LA, FL

Senators Sheldon Whitehouse (D-RI) and Ron Wyden (D-OR) [launched an investigation](#) into how insurance companies are navigating risks from climate change, including where companies could next pull coverage or raise premiums. The inquiry builds on a related investigation the Committee launched in June 2023 into the U.S. insurance industry's decisions to continue investing in and underwriting fossil fuel expansion projects.

Insurance Claims from Maui Wildfires Soar Above \$1 Billion Creating Uncertainty in the Market

A breakdown of the [first insurance data for the Maui wildfires](#) showed more than 6,079 residential property and personal motor vehicle claims totaling more than \$1.35 billion have been filed for losses. Five months after the massive wildfires destroyed Maui and displaced thousands of residents, many are still facing hurdles when it comes to housing and rebuilding their homes. Although Hawaii's market is unlikely to suffer the same fate as those in Florida and California, experts expect companies to seek elevated rates in the state to reflect the higher-risk environment.

California Climate Disclosure Bills Signed into Law

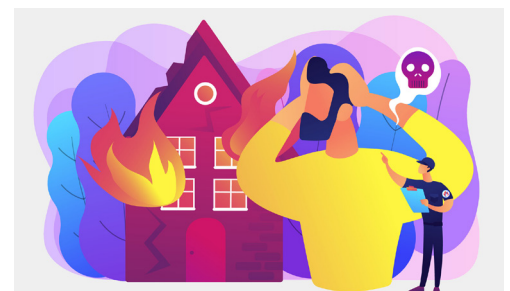
In Q4 2023, California Governor Gavin Newsom signed into law two [watershed climate bills](#) that will require companies with significant revenue to make climate-related disclosures starting in 2026. The purpose of the new laws are to enhance transparency, standardize disclosures, align public investments with climate goals, and raise the standards for businesses to drive action on addressing climate change. Together, these two laws essentially replicate and expand upon the U.S. Securities and Exchange Commission's proposed climate disclosure regulations.

Watching the Market

A Round-up of Climate-related Risk Coverage from the Team at Leader's Edge

Fire Break

Better predictive models and a deeper understanding of wildfires could bring some relief for homeowners. In a Q&A with Kevin Stein, CEO and Co-Founder of Delos Insurance Solutions, Stein lays out his views on climate-affected catastrophes being a generalist peril as opposed a specialist peril, and new models that allow Delos to better predict the risk of wildfire loss. [Read more.](#)



Art from [Fire Break](#) (*Leader's Edge*—December 2023)

Drowning in Drought

Despite an increase in rainfall totals, water mismanagement practices are creating conditions for big losses in the future. Experts say we simply haven't adjusted to new realities in building, agriculture

and an ever-changing earthly climate. [Learn more](#) about specific water mismanagement practices and their effects.

NAIC/NCOIL Climate-Focused Meeting Recaps

The NAIC Climate and Resiliency Task Force met at its winter meeting late last year and adopted their [NAIC recently exposed National Climate Resilience Strategy for Insurance](#). Several regulators (Indiana, Florida, Louisiana, Iowa, Pennsylvania, Washington, Alabama, Connecticut) and industry leaders discussed whether the document should have been exposed for comment. Committee Chair Lori Wing-Heier noted the document does not require any additional information from insurers and is meant to be an internal resource for regulators.

The report's strategies include:

- ✦ Identifying and coordinating how regulators measure protection gaps and then set priorities for reducing those gaps;
- ✦ Creating a new blueprint for flood insurance options;
- ✦ Bringing together data from the upcoming property and casualty data call with additional insurance resources to understand how companies are reacting to risk;
- ✦ Creating and coordinating new resiliency tools to assist all state regulators through grants or insurance pricing incentives;
- ✦ Finalizing recommendations for scenario analysis tools to better understand how climate risk impacts insurer solvency.

As noted in the Climate Resiliency Strategy report, the P&C Committee has created a drafting group to develop a data call collecting property insurance data to help the Committee better understand property insurance markets and insurance protection gaps, including the availability and affordability of insurance related to climate risk. The Committee hopes to learn more about how severe weather events, higher reinsurance costs and inflation will raise insurance availability and affordability concerns. The data template will be developed to help regulators assess and respond to protection gaps, availability, and affordability. It was noted that the data call may mirror FIO's work and that NAIC has reached out to coordinate, if possible, but will move ahead with collecting this information either way.

Meanwhile, NCOIL re-adopted their [previously approved NCOIL Model State Uniform Building Code](#) with minor amendments. Utah representative Jim Dunnigan said the proposed amendments are related to premium discounts and non-substantive technical amendments. Legislators were initially considering whether premium discounts for mitigation efforts should be incorporated into the model. Both APCIA and NAMIC made comments opposing the concept, arguing that discounts were fine, but the insurance marketplace had to survive, and any discounts must be actuarially sound. They oppose mandatory insurance-based mitigation and believe any programs should be voluntary and limited in scope.

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