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Mr. Roger A. Sevigny, President
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Dr. Therese M. Vaughan, CEO
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Dear Mr. Sevigny, Dr. Vaughan, and Members of the NAIC Climate Change and Global Warming (EX) Task Force:

It is obvious to anybody that a risk of climate change exists: weather patterns have changed throughout human history and will continue to change over time, to both the detriment and benefit of human settlement. Since insurance deals with the management of risk, efforts to explore the risk of climate change have a valid role in the provision of insurance *even from the perspective of those who raise significant questions about the scope, impact, consequences and even existence of global climate change*. Thus, we commend NAIC and the EX Task Force for taking the initiative to investigate issues related to climate change.

Although we work for an organization that has long associated itself with public policy issues related to climate change, we will confine these comments to the extent to which the issue should be incorporated in rate, form and solvency regulation. We offer two major comments.

- ***A Comprehensive Response to Climate Change in the Insurance Sector Requires Fundamental Changes to the Rate and Form Regulation Process***
- ***The Specific Disclosures Required Have Little Relationship to Insurance.***

Our comments follow:

A Comprehensive Response to Climate Change in the Insurance Sector Requires Fundamental Changes to the Rate and Form Regulation Process in Many States

Data related to potential risks of climate change certainly can and, in some cases, already do play a role in the setting of insurance rates. For example, insofar as they regulate rates beyond the extent needed to maintain actuarial adequacy, states should allow, but not require, the incorporation of “climate change risk loads” into predictive models used for justifying insurance

rates. States, likewise, should encourage fine-tuned rate differentiation of all kinds including differentiation related to climate-related risks. The development of innovative new products that take into account real or perceived climate change risk (and other risks), likewise, should be encouraged through simple, commonsense form regulation approaches that focus on doing those things needed to continue selling insurance on an utmost good faith basis.

In short, a comprehensive effort to increase the number of factors used in rate making and speed form approval offers the best possible response to the potential risks of climate change.

Many of the Specific Disclosures Required Have Little Relationship to Insurance.

Many of the questions appear to have little direct relationship to insurance *per se*. For example, the first question asks “Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations? If yes, please summarize.” This question may well have relevance to overall public policy *but it is difficult to see how it has any importance to insurance regulation*. In short, we do not believe the question has a valid purpose. Some other questions relating to investment strategy and policyholder risk management do appear to have a more direct relationship to insurance regulation but might have used some more fine-tuning to apply them directly to insurance issues. For example, as written, question 5 seems to have little purpose other than to discourage investment in certain potentially profitable opportunities and should be rewritten to avoid any suggestion of second-guessing investment decisions.

We believe, moreover, that a company that performs certain actions relating to climate change—for example, working to limit its own carbon emissions--shouldn’t go through a rate, form, or solvency regulation process any more or less rigorous than one that does not. If the government is to seek an answer to this question and finds a compelling public policy reason for doing so, it makes no sense for an insurance regulator to collect the data.

Concluding Thoughts

We question the wisdom of relying so heavily on questionnaires developed by a non-insurance organization—the Carbon Disclosure Project—in a field as complex and specialized as insurance regulation. (All but one question echoes CDP language.) Although we understand that these disclosures have little force of law, they still concern us. If NAIC chooses to approve these standards, we strongly encourage state regulators to take them as information alone and consider them largely irrelevant for the purposes of rate, form, and solvency regulation.

Respectfully Submitted,

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