Two weeks ago the National Association of Insurance Commissioners (NAIC) took a significant step in the assessment and disclosure of climate-related financial risk by updating its insurer climate risk survey to reflect the recommended disclosures of Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD recommendations are widely recognized as a leading international standard for climate risk disclosure, and the NAIC's adoption will both increase the quality of insurers' climate risk assessments and help align US insurers with reporting from key European insurance markets as well as the rest of the financial sector.

We made a similar recommendation in our 2020 California Roadmap report, which recommended TCFD disclosure across a number of sectors in California including insurance. As state governments begin to grapple with the serious impacts of climate change on a range of local industries and economic actors, it will be vital for leaders and investors to have access to comparable, high-quality risk disclosure.

The updated NAIC survey is a step in that direction, as is the participation by a bipartisan group of 15 US states. New inquiries, including TCFD's 11 recommended disclosures, reflect a much more robust understanding of climate risk management, climate-related business strategy, and risk assessment metrics and targets. As Dave, Ethan Elkind, and I wrote in a letter to the NAIC earlier this year, adopting the TCFD standard for the insurance sector could advance understanding of climate-related financial risks by insurers, regulators, and the public. Many insurers have already done so, and the NAIC's redesigned survey demonstrates that the new level of detail is appropriate for the sector.

The NAIC climate risk disclosure survey, which for the past 12 years the California Department of Insurance has helped to administer on behalf of other participating states, includes eight questions on insurers' approach to climate change and climate risk. While the survey was highly innovative when it was first adopted (with leadership from CLEE's Dave Jones, then California Insurance Commissioner), it can often yield general or cursory answers, and the field of climate risk disclosure has matured significantly in the subsequent decade. The recent NAIC action will make progress this year, with nearly 80% of the US Insurance Market expected to report in November 2022.