



# Climate Progress Report

March 29, 2022

**To**

The Insurance & Real Estate Committee

**Prepared by**

Connecticut Insurance Department

Andrew N. Mais, Commissioner



Pursuant to June Special Session, Public Act No. 21-2, Section 312 (Conn. Gen. Stat. § 38a-23), the Insurance Commissioner of the Connecticut Insurance Department (CID) is providing CID's 2022 Climate Progress Report.

As dictated by Section 312, this report discloses, for the preceding two calendar years, CID's progress towards addressing climate-related risks, monitoring greenhouse gas levels, and bolstering resilience of insurers to the physical impacts of climate change. This is the first submission of this report, which will be updated and distributed to the Insurance & Real Estate Committee biennially.

CID is addressing the climate crisis through a combination of actions taken within our own initiatives, collaboration, and leadership within the National Association of Insurance Commissioners (NAIC), and coordination with local, state, and federal agencies.

Respectfully,

A handwritten signature in blue ink, appearing to read 'A. Mais', is positioned above a horizontal line.

Andrew N. Mais  
Insurance Commissioner

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## Background

The mission of the Connecticut Insurance Department (CID) is consumer protection. The Department carries out its mission by enforcing state insurance laws to ensure policyholders are treated fairly; providing assistance, outreach and education to help consumers make sound choices; and regulating the industry in a fair and consistent manner that fosters market competition for availability of insurance.

The state of Connecticut is part of the U.S. insurance regulatory framework, which is a highly coordinated state-based national system designed to protect policyholders and to serve the greater public interest through the effective regulation of the U.S. insurance marketplace. Through the National Association of Insurance Commissioners (NAIC), U.S. insurance regulators establish national standards and best practices, conduct peer reviews, and coordinate their regulatory oversight to better protect the interests of consumers while ensuring a strong, viable insurance marketplace. U.S. state insurance regulators and the NAIC also participate in the International Association of Insurance Supervisors (IAIS) and its supervisory college process. This process facilitates creating international best practices through major standard setting initiatives, better supervision of cross-border insurers, and identification of systemic risk in the insurance sector.

The Connecticut General Assembly passed climate-related insurance legislation effective July 1, 2021, in the June 2021 Special Session, Public Act 21-2 (SB 1202), Section 312 (Conn. Gen. Stat. § 38a-23), requires the Connecticut insurance commissioner to submit a report on progress towards addressing climate-related risks, monitoring greenhouse gas levels, and bolstering resilience of insurers to the physical impacts of climate change. The reporting is due by April 1, 2022 and continue biennially until April 1, 2032.

Section 312 can be found in its entirety on the Connecticut General Assembly website at:

<https://www.cga.ct.gov/2021/ACT/PA/PDF/2021PA-00002-R00SB-01202SS1-PA.PDF>

## Scope and Contents of Report

Section 312 includes a requirement that CID shall disclose, for the preceding two years:

(1) Progress toward:

(A) Addressing climate-related risks, including, but not limited to, the Department's progress toward integrating such risks into:

- (i) Risk-based capital requirements,
- (ii) Regular supervisory examinations,
- (iii) Own risk and solvency assessments; and by

(B) Incorporating the reduced levels of emissions of greenhouse gas established in section 22a-200a of the general statutes into the Department's regulatory and supervisory actions by, among other things, addressing the impacts of thermal coal, tar sands and Arctic oil and gas; and

(2) Regulatory and supervisory actions to bolster the resilience of insurers to the physical impacts of climate change.

This report separately addresses each item within the scope of Section 312 set out above. For completeness, some relevant actions preceding the last two years are included in this report, as there was no prior report to cover this information.

The remainder of this report contains the following sections:

- The Executive Summary of Progress provides an overview of major CID actions.
- The Detailed Progress Report section provides details and relates each action back to the scope of Section 312.
- The Appendix provides descriptions of and links to external sources referenced throughout this report.

## Executive Summary of Progress

CID's progress towards addressing climate-related risks, monitoring greenhouse gas levels, and bolstering resilience of insurers to the physical impacts of climate change has spanned a variety of activities. As outlined below, CID has taken action through its own initiatives, leadership in the NAIC, and coordination with other local, state federal, and international agencies.

### CID Initiatives

CID has several initiatives to set expectations for its domestic insurers, and it provides industry and consumer education with respect to climate risks. Below are highlights of the major initiatives covered within this report:

- In October 2021, CID hosted the first Connecticut Conference on Climate Change and Insurance (C4I). The event provided forward-looking discussion of critical topics relevant to Section 312, including insurance industry investment exposure to climate change, insurer transactions with fossil fuel investors and industries contributing to large amounts of greenhouse gas emissions, local resilience finance, insurtech climate finance, and social justice.
- CID is currently drafting climate guidance for Connecticut domestic insurers in regard to managing climate-related financial risks. The guidance is generally expected to be similar to the New York Department of Financial Services (DFS) guidance issued to its domestic insurers in November 2021, though it will be specific to the state of Connecticut.
- CID is taking action to build resilience to sea-level rise and inland flooding by promoting the increased uptake of flood insurance. Sea-level rise, in particular, poses a unique threat to Connecticut, given the amount of real estate in exposed areas and the relatively low percentage of properties covered by flood insurance. To stimulate the underdeveloped private flood insurance market and encourage more community resiliency post-event, CID has developed a flood insurance website for consumers.
- CID's financial examinations, as well as regulatory review of insurer rate filings, includes processes to understand and evaluate company catastrophe management and risk modeling, which are critical tools for building resilience to climate change.

### NAIC Activities

The NAIC provides expertise, data, and analysis for state insurance commissioners to effectively regulate the industry and protect consumers. Founded in 1871, the U.S. standard-setting organization is governed by the chief insurance regulators from the United States and its territories. Many items relevant to Section 312 depend on regulatory and legislative model laws by the NAIC.

Commissioner Mais is a member of the Climate and Resiliency (EX) Task Force (Climate Task Force)<sup>1</sup> of the Executive (EX) Committee. The mission of this Climate Task Force is to serve as the coordinating NAIC body for discussion and engagement on climate-related risk and resiliency issues, including dialogue among state insurance regulators, industry, and other stakeholders. The Climate Task Force has five workstreams, and George Bradner, CID Assistant Deputy Commissioner, Property and Casualty Division, is a member of each. Connecticut is one of only two states represented across all five workstreams of the Climate Task Force.

Key initiatives that CID members are involved with, through both the Climate Task Force and other NAIC work groups and task forces, include:

- The Solvency Workstream of the Climate Task Force is currently working on enhancing existing risk frameworks to address emerging perils exacerbated by climate change, such as wildfires and flood, within the property/casualty (P/C) risk-based capital (RBC) formula. CID Chief Actuary, Wanchin Chou, is Co-Chair of

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<sup>1</sup> [https://content.naic.org/cmte\\_ex\\_climate\\_resiliency\\_tf.htm](https://content.naic.org/cmte_ex_climate_resiliency_tf.htm)

the Catastrophe Risk Subgroup of the NAIC P/C RBC (E) Working Group, which is tasked with working on these enhancements.<sup>2</sup>

- For the Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee,<sup>3</sup> Chief Actuary Chou is leading the effort to update the NAIC's *Catastrophe Computer Modeling Handbook* and potentially expand regulatory guidance to encompass climate-impacted perils such as flood and wildfire.
- Possible climate-related enhancements to insurers' Own Risk Solvency Assessment (ORSA)<sup>4</sup> are being considered in the Solvency Workstream. Enhancements to the NAIC Financial Analysis Handbook and the NAIC Financial Condition Examiners Handbook are being considered. Kathy Belfi, CID Assistant Deputy Commissioner, Financial Regulation Division, and co-chair of the NAIC ORSA Implementation Subgroup is involved with both initiatives
- CID is one of 14 state insurance departments that require insurers to respond to the NAIC Climate Risk Disclosure Survey. Survey results generally show that a higher percentage of Connecticut-domiciled insurers reported that they are taking action on climate-related risks compared to their counterparts domiciled in other states. The Climate Risk Disclosure Workstream is currently working on redesigning the NAIC Climate Risk Disclosure Survey, and Assistant Deputy Commissioner Bradner is contributing to that work.

## Interagency Coordination

CID has led or played key roles in numerous initiatives relevant to Section 312. Many of these initiatives not only bolster the resilience of insurers to the physical risks of climate change, but also promote resilience of Connecticut residents and communities. CID's interagency resilience efforts include:

- Working with the Division of Emergency Management and Homeland Security (DEMHS) to establish and support a long-term recovery plan for the State of Connecticut, within the Connecticut Long Term Recovery Committee.
- Supporting municipalities in addressing insurance-related requirements for obtaining FEMA Building Resilient Infrastructure and Communities (BRIC) grants, including promoting consideration of long-term resiliency when funding is supplied. BRIC grants support states, local communities, tribes, and territories as they undertake hazard mitigation projects, reducing the risks they face from disasters and natural hazards.
- Ongoing collaboration with the Insurance Institute for Business and Home Safety (IBHS) to support multi-family physical risk mitigation action, with the ultimate goals of incentivizing builders to construct resiliently and insurers to offer discounts to consumers in mitigated multi-family residences.
- Ongoing collaboration with the Connecticut Department of Energy and Environmental Protection (DEEP) and the Department of Administrative Services (DAS) to integrate residential IBHS FORTIFIED building standards, where relevant, into state building codes about wind loads and exposures.
- Ongoing collaboration with DEEP, the Connecticut Institute for Resilience and Climate Adaptation (CIRCA), and the Connecticut Green Bank (CGB) to promote financing of adaptation and resiliency projects by state and local governments.
- Serving on the State Agencies Fostering Resilience (SAFR) Council. SAFR was established via Executive Order No. 50 by Governor Malloy on October 26, 2015. The SAFR Council met regularly since its creation and the resulting partnerships contributed to multiple resiliency studies, programs and policies within each of the member organizations.

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<sup>2</sup> [https://content.naic.org/cmte\\_e\\_cat\\_risk\\_sg.htm](https://content.naic.org/cmte_e_cat_risk_sg.htm)

<sup>3</sup> [https://content.naic.org/cmte\\_c\\_catastrophe.htm](https://content.naic.org/cmte_c_catastrophe.htm)

<sup>4</sup> The NAIC defines an ORSA as an internal process undertaken by an insurer or insurance group to assess the adequacy of its risk management and current and prospective solvency positions under normal and severe stress scenarios. ORSA applies to any individual U.S. insurer that writes more than \$500 million of annual direct written and assumed premium, and/or insurance groups that collectively write more than \$1 billion of annual direct written and assumed premium.

- Serving on the Governor's Council on Climate Change (GC3). GC3's scope and responsibilities include both mitigation of carbon emissions and climate change adaptation and resilience. Commissioner Mais and Assistant Deputy Commissioner Bradner both serve on the council.



## Detailed Progress Report

The following section provides detailed information for each climate-related action taken by CID related to Section 312.

### Actions relevant to the entirety of Section 312

#### Connecticut Conference on Climate Change and Insurance (C4I)

In October 2021, CID hosted the first C4I conference. In addition to participation by Governor Lamont and Commissioner Mais, the event included other prominent public officials with experience regulating climate-exposed areas. The event provided forward-looking discussion of critical topics relevant to Section 312, including:

- An opening panel discussing asset management and the impact of climate change. This is relevant to Section 312(a)(1)(A), as insurer investments are part of the insurer supervisory requirements under this section.
- Discussion of insurer behavior with respect to changing of underwriting practices for businesses investing in the fossil fuel arena and for industries contributing to large amounts of greenhouse gas emissions. Section 312(a)(1)(B) includes incorporation of greenhouse gas emissions into regulatory and supervisory actions.
- Several sessions addressing mitigation of climate change costs, which is directly related to Section 312(a)(2), bolstering the resilience of insurers to the physical impacts of climate change, including discussions on:
  - How Connecticut can help communities and businesses minimize and mitigate risk,
  - How to finance resilience in local communities through public-private partnerships,
  - How InsurTech firms can create innovative products to mitigate the cost of climate change; and
  - The vulnerability of underserved communities to climate change, the resulting affordability challenges, and the insurer implications of systemic racism, coverage affordability and availability, and protection of vulnerable communities.

CID joined only a few states<sup>5</sup> that have conducted climate-related outreach and thought leadership at this high level to the insurance industry. Discussions such as C4I are critical, as they bring regulators and public officials with experience managing climate issues together with the industry and the public. This promotes a dialogue on how to best incorporate climate-related risks into the insurance regulatory framework in Connecticut and other states.

### Section 312(a)(1)(A): Addressing Climate-related Risks

#### Climate guidance for Connecticut Domestic Insurers

CID is currently drafting climate guidance for Connecticut domestic insurers regarding managing climate-related financial risks. Draft guidance will be posted on the CDI website for a 30-day public comment period. After comments are received and reviewed, final guidance will be issued as a Department Bulletin. The bulletin is generally expected to be similar in structure to the New York Department of Financial Services (DFS) guidance issued to insurers in November 2021 and tailored to be specific to the state of Connecticut.

The final guidance will establish the department's expectations for insurers regarding, among other items, integration, and disclosure of climate-related risks within their risk management processes. Thus, it will be highly relevant to Section 312(a)(1)(A), and possibly other parts of the Section. CID will be one of the first insurance departments in the United States to issue such guidance.

#### NAIC Collaboration and Leadership

Like other state insurance departments, CID applies RBC requirements and guidelines for supervisory examinations and ORSA that are issued at a national level through the NAIC. These requirements and guidelines are frequently

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<sup>5</sup> California, New York, and Washington are three other states that have promulgated climate-related outreach and/or guidance. Please see the Appendix for further information.

reviewed and updated, and revisions to each to reflect climate-related risks are currently under consideration. CID is actively involved in these climate discussions.

Commissioner Mais is a member of the Climate and Resiliency (EX) Task Force (Climate Task Force). The mission of this Climate Task Force is to serve as the coordinating NAIC body for discussion and engagement on climate-related risk and resiliency issues, including dialogue among state insurance regulators, industry, and other stakeholders. The Climate Task Force has five workstreams, and George Bradner, Assistant Deputy Commissioner, Property and Casualty Division, is a member of each. Connecticut is one of only two states represented across all five workstreams of the Climate Task Force.

## **RBC**

The Solvency Workstream of the Climate Task Force is currently working to enhance existing risk frameworks to address emerging perils exacerbated by climate change, such as wildfires and flood, within the property/casualty (P/C) RBC formula. CID Chief Actuary, Wanchin Chou, is Co-Chair of the Catastrophe Risk Subgroup of the NAIC P/C RBC (E) Working Group which is tasked with working on these enhancements. The Working Group is also developing an understanding of how climate risk stress testing and scenario analysis may be developed to evaluate potential financial exposure to both the physical risk and transition risk impacts of climate change.<sup>6</sup>

Previously only the hurricane and earthquake perils were subject to separate factors within the P/C RBC formula with the factors calculated using advanced catastrophe models. Flood is a peril where the most developed climate-science exists to examine the physical impacts to the peril, but few insurers offer flood insurance today. Wildfire may also be impacted by climate change through, among other changes, more extreme high temperatures and longer droughts. Wildfire is typically a covered peril under property insurance policies, but wildfire catastrophe models are not yet widely adopted in the insurance industry compared to hurricane and earthquake. Chief Actuary Chou and others in the P/C RBC Working Group are tasked with balancing these issues with the benefits that wildfire and flood models can provide towards understanding physical climate risks to insurers.

## **Regulatory Oversight of Catastrophe Models**

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee (Catastrophe Working Group) is charged with numerous efforts related to catastrophic risk and the availability and affordability of insurance in catastrophe-exposed areas. This group created the *Catastrophe Computer Modeling Handbook*, which currently provides guidance to regulators with respect to advanced catastrophe models used to measure and manage risk for the perils of hurricane and earthquake. For the Catastrophe Working Group, Chief Actuary Chou is leading the effort to update the Handbook, potentially expanding regulatory guidance to encompass climate-impacted perils such as flood and wildfire. This may help to increase the adoption of these models in the insurance industry by equipping regulators with the tools to better understand and evaluate the various models, and potentially increase the confidence of insurers and gain acceptance with state regulators.

## **ORSA**

Several possible climate-related enhancements to ORSA are being considered in the Solvency Workstream of the Climate Task Force. Kathy Belfi, CID Assistant Deputy Commissioner, Financial Regulation Division, is the co-chair of the NAIC ORSA Implementation Subgroup leading these discussions. The subgroup will hold meetings to discuss these possible ORSA enhancements beginning March 1, 2022.

## **Supervisory Examinations**

Assistant Deputy Commissioner Belfi is also involved with updating the NAIC Financial Condition Examiners Handbook, the key regulatory tool for supervisory examinations. Climate-related enhancements to the Handbooks may occur in 2022; when they do occur, they will be statutorily incorporated into use in Connecticut. Even without updates, understanding how climate change risks are identified and managed in company business strategy is a part of the examination procedures which already include verification through interviews with company leadership, and assessments of possible controls and test procedures for mitigating existing risk. These supervisory actions provide a

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<sup>6</sup> This is consistent with the Task Force on Climate-Related Disclosures' terminology, which divided climate-related risks into two major categories: (1) risks related to the *transition* to a lower-carbon economy and (2) risks related to the *physical* impacts of climate change.

foundation of understanding regarding company investment and underwriting strategies related to climate change. Lastly, within the examination process, CID also assesses company prospective risk exposures impacted by climate change.

## Disclosure

For the past decade, the NAIC has promulgated a Climate Risk Disclosure Survey, designed to be adopted by individual states and completed by insurers. The survey contains eight questions to assess strategy and preparedness in several areas, including emissions/carbon footprint, investment, mitigation, financial solvency, and customer engagement. CID is one of the currently 14 state insurance departments that requires insurers to respond to the survey. In 2021, CID sent the survey to Connecticut-domiciled insurers who collected more than \$100M in direct written premium during the 2020 reporting year. Responses were received for 35 property and casualty insurers domiciled in Connecticut spanning seven unique corporate groups. Table 1 below compares the 2020 survey results for Connecticut-domiciled property and casualty insurers compared to property and casualty insurers domiciled in other states. All data shown is at the individual company level for both Connecticut and countrywide.

*Table 1. NAIC Climate Risk Disclosure Survey Responses<sup>7</sup>*

NAIC Climate Risk Disclosure Survey Question	U.S. Property and Casualty Insurers Domiciled in Connecticut	U.S. Property and Casualty Insurers Domiciled Outside of Connecticut
	Yes (%)	Yes (%)
Does the company have plan to assess and reduce or mitigate emissions in its operations or organizations?	97%	83%
Does the company have a climate change policy with respect to risk management and investment management?	94%	57%
Does the company have a process for identifying climate change-related risks and assessing the degree that it could affect its business, including financial implications?	100%	93%
Has the company identified current or anticipated risks that climate change poses to the company?	94%	83%
Has the company considered the impact of climate change on its investment portfolio?	100%	86%
Has the company altered its investment strategy in response to considerations on the impact of climate change to its investment portfolio?	29%	53%
Has the company taken steps to encourage policyholders to reduce the losses caused by climate change-influenced events?	100%	83%
Has the company taken steps to engage key constituencies on the topic of climate change?	100%	83%
Has the company taken actions to manage the risks climate change poses to its business?	100%	91%

<sup>7</sup> Responses collected from Years 2018 to 2020 here: <http://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications/ClimateSurvey/>. Starting in 2019, companies were provided the option to submit a Task Force on Climate-Related Financial Disclosures (TCFD) Report instead of responding to the NAIC survey. In those instances, the latest available responses from either 2018 or 2019 were imputed for each company. For a comparison of the NAIC survey and TCFD, please see <https://content.naic.org/sites/default/files/inline-files/Appendix%20C.pdf>

Responses are provided at the company level and limited to property and casualty insurers which made up all of the Connecticut-domiciled responses. The questions in Table 1 are paraphrased, for the full survey please see: <http://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications/ClimateSurvey/upload/QUESTIONS-AND-GUIDELINES-CLIMATE-RISK-SURVEY-REPORTING-YEAR-2020.pdf>

The NAIC survey is structured such that “Yes” answers mean that a company indicated it is taking action to identify, manage, or communicate specific climate-related risks. Except for their response to altering investment strategy in considerations of climate change impacts, Connecticut-domiciled insurers answered “Yes” between 94% and 100% of the time. This compares to 57% to 93% for property and casualty insurers domiciled in other states. Therefore, among survey respondents, a higher percentage of Connecticut-domiciled insurers reported that they are taking action on climate-related risks than their counterparts domiciled in other states.

The single response where individual Connecticut-domiciled property and casualty insurers responded with a lower frequency of taking action than their counterparts across the country had response rates that were heavily influenced by a single corporate group responding “No” on behalf of its 22 individual insurers domiciled in Connecticut. Aside from this corporate group, 10 out of 13 (77%) individual insurers responding in Connecticut indicated that they are altering their investment strategy in consideration of climate change impacts, which is 24 percentage points higher than the average for insurers domiciled in other states (53%). Among all seven corporate groups in Connecticut, four of them (57%) responded “Yes” to this question for all of their individual insurers which is also above the countrywide rate for individual insurers. Another important consideration is that this specific question is part of a two-part question and a lack of action to the investment portfolio does not mean that climate change impacts are not being considered by Connecticut-domiciled companies. The first part of the question specifically asks if the company has considered the impact of climate change on its investment portfolio. Every responding insurer in Connecticut answered that they have considered investment impacts of climate change which is 14 percentage points higher than the rate for property and casualty respondents domiciled in other states.

The Climate Risk Disclosure Workstream is currently working on redesigning the NAIC Climate Risk Disclosure Survey, and Assistant Deputy Commissioner Bradner is also contributing to that work. The Appendix contains a draft of the redesigned survey that was posted for public comment, as well as the responses received. The Workstream is collaborating with European regulators in a dialogue that will further the education of all parties, and develop consistency between U.S. and European climate regulation, where appropriate. The redesign effort is also considering alignment with the Task Force on Climate-Related Financial Disclosures (TCFD), and Securities and Exchange Commission (SEC) disclosures. The Appendix contains information on these disclosures.

## **Section 312(a)(1)(B): Incorporating Reduced Greenhouse Gas Emissions of the Connecticut General Statutes into Regulatory and Supervisory Processes**

### **NAIC Climate Risk Disclosure Survey**

Through responses to the current NAIC Climate Risk Disclosure Survey, and the upcoming redesign, CID and other regulators are asking for information regarding greenhouse gas emissions.

***Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations?***

***Yes - The company has a plan to assess and reduce or mitigate emissions in our operations or organizations - Please summarize.***

***No - The company does not have a plan to assess and reduce or mitigate emissions in our operations or organizations - Please describe why not.***

*Insurers who are unfamiliar with frameworks for greenhouse gas emission measurement and management are encouraged to review the principles of “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)” developed by the World Resources Institute and the World Business Council for Sustainable Development (“The GHG Protocol”).*

*Each insurer is encouraged to clarify whether its plan for measuring and management of its emissions in operations and/or its subsidiary organizations’ operations includes emissions related to energy use for data storage or other computing-intensive processes.*

As seen in Table 1 above, 97% of Connecticut-domiciled property and casualty insurers who responded to the NAIC survey indicated that they have a plan to assess and reduce or mitigate emissions in their operations or organizations. This is 14 percentage points higher than the average for property and casualty insurers domiciled in other states. Given the structure of the insurance regulatory system and wide geographic spread of insurers, CID looks to collaborate with the NAIC on the issue of greenhouse gas emission monitoring and reduction to promote consistent reporting and oversight of U.S. insurers.

### **Governor's Council on Climate Change (GC3)**

Commissioner Mais and Assistant Deputy Commissioner Bradner both serve on the GC3. In addition to developing and implementing climate adaptation strategies, GC3's primary task is to monitor and report on the state's implementation of the greenhouse gas emissions reduction strategies set forth in the inaugural GC3's December 2018 report. The Phase 1 report was issued in January 2021 and is provided in the Appendix.

The report contains recommendations for near-term actions that should begin to be implemented by the Governor in early 2022. A presentation regarding implementation of these updates was provided to the Legislature in May 2021. CID is currently involved in the Phase 2 report, which will provide longer-term recommendations from GC3.

## **Section 312(a)(2): Bolstering the Resilience of Insurers to the Physical Impacts of Climate Change**

### **Encouragement of Private Flood Insurance Options for Consumers**

CID is taking action to build resilience to sea-level rise and inland flooding by promoting consumer awareness and purchase of flood insurance. Sea-level rise poses a unique threat to Connecticut given the amount of exposed real estate and the low percentage of properties covered by flood insurance. To stimulate the underdeveloped private flood insurance market and encourage more community resiliency post-event, CID has developed a flood insurance website for consumer information.

In 2014, CID addressed the still underdeveloped market and removed the requirement for consumers to be declined three times by admitted carriers before having the option to obtain flood insurance from a surplus lines carrier. This provided easier access to private flood insurance for consumers and encouraged availability from insurers. CID was able to achieve this by placing Private Flood insurance on the exportable list.<sup>8</sup> CID routinely reviews this list and is maintaining Private Flood insurance on the list as the market continues to need encouragement. In 2014, CID helped craft legislation (Conn. Gen. Stat. § 38a-316f.) to allow insurers to selectively write flood insurance across the state. This has a similar effect as placing private flood insurance on the exportable list, encouraging supply from insurers by lowering their risk and providing more consumer options in areas where these insurers offer flood products.

The flood insurance protection gap in Connecticut (and countrywide) causes devastating uninsured damages with each flood event. CID's encouragement of flood insurance supply attempts to bolster the resilience of flood insurers to climate change by promoting a sustainable market through increased consumer choice and education.

### **Insurer Risk Management and Modeling**

CID's financial examinations include understanding and evaluating company catastrophe management and/or risk modeling which are critical tools for building resilience to climate change. CID also regularly performs regulatory reviews of insurer rate filings. This allows CID to assess the adequacy of insurer rates for products exposed to climate-impacted perils.

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<sup>8</sup> <https://portal.ct.gov/CID/Financial-Division/Exportable-List>

## Building Resilience in Connecticut through Interagency Coordination

Aside from monitoring insurer risk management, CID has taken many steps to bolster resilience within the state of Connecticut. Not only do these actions directly support the Department's mission of protecting consumers, but they also reduce short and long-term damages from natural disasters, ultimately promoting a more stable and resilient insurance market for the insurance industry. This subsection details some of the many activities CID has engaged in on this front.

### Recovery

CID is working with the Department of Emergency Management and Homeland Security (DEMHS) to set up and support a long-term recovery plan for the State of Connecticut, now provided through the Connecticut LTRC.

Prior to disasters the LTRC objectives are to:

- Develop a state recovery plan
- Assign responsibilities to recovery partners
- Maintain clear lines of communication with local/municipal, state/regional, and federal/national partners.

Post-disaster, the LTRC has plans in place to:

- Assess recovery needs following an event
- Activate Recovery Support Functions for complex recovery issues
- Develop Post-disaster Recovery Strategies
- Oversee disaster recovery coordination
- Report progress
- Evaluate and update State Recovery Plan

Local recovery supported by the LTRC is critical for insurance markets, allowing damage to be assessed and claims to be paid quickly and efficiently.

Furthering efforts in recovery, CID has collaborated with Eversource Energy and the United Illuminating Company (together, the Electric Distribution Companies, or EDCs) to evaluate the potential for EDCs to obtain storm insurance coverage, offsetting catastrophe losses and minimizing costs of catastrophic events to Connecticut utility customers. A report was issued in December 2021 that detailed the available insurance options for the EDCs. The EDCs stated that the *"...Report is the first in what will be continued conversations with all stakeholders to ensure that pre-and-post disaster plans, and actions serve as prudent performance standards and practices that readily adapt to ongoing climate realities and risks on behalf of customers."*

### Resiliency and Mitigation

CID is active in multiple efforts promoting resilience through damage mitigation. In addition to bolstering resilience of insurers, these support reduction of greenhouse gas emissions by decreasing the resources, energy, and waste required to rebuild homes destroyed or significantly damaged by a natural disaster. Over time this will help Connecticut meet its GHG emission reduction goals as less energy will be needed to rebuild after a major catastrophe and fewer materials will be placed in landfills.

CID serves on the State Agencies Fostering Resilience (SAFR) Council. SAFR was established via Executive Order No. 50 by Governor Malloy on October 26, 2015. The SAFR Council met regularly since its creation and the resulting partnerships contributed to multiple resiliency studies, programs, and policies within each of the member organizations. The SAFR resource page is included in the Appendix.

To support municipalities, CID has assisted in addressing insurance-related requirements for obtaining Federal Emergency Management Agency (FEMA) BRIC grants, and to promote consideration of long-term resiliency when funding is supplied. BRIC grants support states, local communities, tribes, and territories as they undertake hazard mitigation projects, reducing the risks they face from disasters and natural hazards. BRIC grants often require insurance-specific building code evaluation, on which CID is able to advise. CID also advises on how post-disaster dollars are spent, to include consideration of climate-resilience instead of only focusing on the near-term effort to rebuild.

CID is engaged in ongoing collaboration with the Insurance Institute for Business and Home Safety (IBHS) to support multi-family physical risk mitigation action, with the ultimate goals of incentivizing builders to construct resiliently and insurers to offer discounts to consumers in mitigated multi-family residences. IBHS is an independent, non-profit scientific research and communications organization supported solely by property insurers and reinsurers. IBHS's building safety research leads to real-world solutions for home and business owners, helping to create more resilient communities.

The CID and IBHS efforts to improve building code and hazard mitigation include working with the Connecticut Department of Energy and Environmental Protection (DEEP), and the Department of Administrative Services (DAS) to bring residential IBHS FORTIFIED building standards, where applicable, into state building codes about wind loads and exposures. CID also promoted the inclusion of a roof-deck taping requirement into statewide building code, reducing water damage in major wind and rainstorm events.

Finally, CID recently engaged in collaboration with DEEP, the Connecticut Institute for Resilience and Climate Adaptation (CIRCA), and the Connecticut Green Bank (CGB) to promote financing of adaptation and resiliency projects by state and local governments. The project looks to form an Environmental Infrastructure Fund (EIF) in Connecticut as authorized by Governor Lamont's bipartisan Public Act 21-115 (An Act Concerning Climate Change Adaptation).

As the state's leading green finance institution, the Connecticut Green Bank could administer the Environmental Infrastructure Fund (EIF) to finance climate adaptation and resilience projects that manage physical climate change risks and would be one of the first of its kind in the U.S. The EIF's environmental infrastructure project could include structures, services, or projects related to climate adaptation and resiliency, water, waste and recycling, agriculture, land conservation, parks and recreation, and environmental markets, such as carbon offsets and ecosystem services.

CID continues to seek new opportunities for interagency coordination. On March 1, 2022, CID applied for membership in the Sustainable Insurance Forum (SIF), a global leadership group of insurance supervisors and regulators working together to strengthen understanding and responses to sustainability issues. SIF is working to support development of a global insurance system where sustainability factors are effectively integrated into the regulation and supervision of insurance companies. As a member of SIF, CID will have the opportunity to expand its contributions towards addressing climate-related risks in the insurance industry.



## Appendix

Item	Category	Title	Author	Date of Publication	Description	Link
1	CID Climate Actions	Climate Conference on Climate Change and Insurance (C4I)	CID	10/13/2021	Connecticut Insurance Department Commissioner Andrew Mais brought together a national audience with climate, government, and insurance professionals to understand and explore how climate change affects CT's communities, regulatory efforts, and businesses.	<a href="https://portal.ct.gov/CIDClimateConference?language=en_US">https://portal.ct.gov/CIDClimateConference?language=en_US</a>
2	CID Climate Actions	CID Flood Insurance Resource Page	CID		The CID provides consumer outreach with respect to flood insurance through its Flood Insurance resource page.	<a href="https://portal.ct.gov/CID/General-Consumer-Information/Flood-Insurance">https://portal.ct.gov/CID/General-Consumer-Information/Flood-Insurance</a>
3	CID Climate Actions	Evaluation of Potential to Obtain Storm Insurance Coverage	Eversource Energy and the United Illuminating Company	12/22/2021	Collaboration with the CID and Aon Risk Services to undertake a through review of the potential storm insurance policies for utility providers	<a href="http://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/a7b99b4393ebac29852587b30069c17e/\$FILE/CT%20EDC%20Report%2012-22-21.pdf">http://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/a7b99b4393ebac29852587b30069c17e/\$FILE/CT%20EDC%20Report%2012-22-21.pdf</a>
4	Governors Council on Climate Change (GC3)	Climate Action Now to Insure Connecticut's Future	GC3	4/19/2021	GC3 call to climate action co-authored by Commissioner Mais.	<a href="https://ctmirror.org/2021/04/19/climate-action-now-to-insure-connecticuts-future/">https://ctmirror.org/2021/04/19/climate-action-now-to-insure-connecticuts-future/</a>
5	GC3	Governor Ned Lamont's Executive Order No. 3	CT Office of the Governor	9/3/2019	Strengthening Connecticut's commitment to transition to a decarbonized economy and enhance resiliency of the state's economic, cultural, and natural resources to the impacts of climate change, including rising sea levels and flooding, increasingly powerful storms, extreme heat events, and ecosystem degradation. Executive Order No. 3 re-establishes the GC3.	<a href="https://portal.ct.gov/-/media/Office-of-the-Governor/Executive-Orders/Lamont-Executive-Orders/Executive-Order-No-3.pdf">https://portal.ct.gov/-/media/Office-of-the-Governor/Executive-Orders/Lamont-Executive-Orders/Executive-Order-No-3.pdf</a>
6	GC3	Governors Council on Climate Change	GC3		Resource page for activity from the GC3	<a href="https://portal.ct.gov/DEEP/Climate-Change/GC3/Governors-Council-on-Climate-Change">https://portal.ct.gov/DEEP/Climate-Change/GC3/Governors-Council-on-Climate-Change</a>
7	GC3	Taking Action on Climate Change and Building a More Resilient Connecticut for All	GC3	1/2021	Phase 1 Report for GC3	<a href="https://portal.ct.gov/-/media/DEEP/climatechange/GC3/GC3_Phase1_Report_Jan2021.pdf">https://portal.ct.gov/-/media/DEEP/climatechange/GC3/GC3_Phase1_Report_Jan2021.pdf</a>
8	GC3	Governor's Council on Climate Change Legislative Update	GC3	5/10/2021	Presentation to Legislature	<a href="https://portal.ct.gov/-/media/DEEP/climatechange/GC3/Progress-Tracking/Implementing-GC3-in-Legislation-5_10_2021.pdf">https://portal.ct.gov/-/media/DEEP/climatechange/GC3/Progress-Tracking/Implementing-GC3-in-Legislation-5_10_2021.pdf</a>
9	State Agencies Fostering Resilience (SAFR) Council	SAFR Council	SAFR		Resource page for SAFR Council	<a href="https://resilientconnecticut.uconn.edu/engagement/safr/#">https://resilientconnecticut.uconn.edu/engagement/safr/#</a>
10	NAIC Climate Risk Disclosure Survey	Assessment of and Insights from NAIC Climate Risk Disclosure Data	NAIC	11/2020	Analysis of NAIC Climate Risk Disclosure Survey	<a href="https://us.eversheds-sutherland.com/portalresource/cipr_insights_climate_risk_data_disclosure.pdf">https://us.eversheds-sutherland.com/portalresource/cipr_insights_climate_risk_data_disclosure.pdf</a>
11	NAIC Climate Risk Disclosure Survey	NAIC Climate Risk Disclosure Survey	NAIC		NAIC Climate Risk Disclosure Survey Results	<a href="http://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications/ClimateSurvey/index.cfm">http://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications/ClimateSurvey/index.cfm</a>
12	NAIC Climate Risk Disclosure Survey	Climate Risk Disclosure Survey Guidance Reporting Year 2020	NAIC	2020	Supplemental guidance for insurer responses to the NAIC Climate Risk Disclosure Survey	<a href="http://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications/ClimateSurvey/upload/QUESTIONS-AND-GUIDELINES-CLIMATE-RISK-SURVEY-REPORTING-YEAR-2020.pdf">http://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications/ClimateSurvey/upload/QUESTIONS-AND-GUIDELINES-CLIMATE-RISK-SURVEY-REPORTING-YEAR-2020.pdf</a>



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13	NAIC Climate Risk Disclosure Survey	Proposed Redesign NAIC Climate Risk Disclosure Survey	NAIC	2021	Redesigned survey based on the TCFD report	<a href="https://content.naic.org/sites/default/files/inline-files/Draft%20Proposed%20Climate%20Risk%20Disclosure%20Survey_1.pdf">https://content.naic.org/sites/default/files/inline-files/Draft%20Proposed%20Climate%20Risk%20Disclosure%20Survey_1.pdf</a>
14	NAIC Climate Risk Disclosure Survey	NAIC Climate Risk Disclosure Comment Letters	Various Authors	2021	Comment Letters received for the NAIC Climate Risk Disclosure Survey Redesign	<a href="https://content.naic.org/sites/default/files/call_materials/American%20Academy%20of%20Actuaries_0.pdf">https://content.naic.org/sites/default/files/call_materials/American%20Academy%20of%20Actuaries_0.pdf</a> <a href="https://content.naic.org/sites/default/files/inline-files/American%20Property%20Casualty%20Insurance%20Association_0.pdf">https://content.naic.org/sites/default/files/inline-files/American%20Property%20Casualty%20Insurance%20Association_0.pdf</a> <a href="https://content.naic.org/sites/default/files/inline-files/Center%20for%20American%20Congress.pdf">https://content.naic.org/sites/default/files/inline-files/Center%20for%20American%20Congress.pdf</a> <a href="https://content.naic.org/sites/default/files/inline-files/Center%20for%20Economic%20Justice_0.pdf">https://content.naic.org/sites/default/files/inline-files/Center%20for%20Economic%20Justice_0.pdf</a> <a href="https://content.naic.org/sites/default/files/inline-files/CERES.pdf">https://content.naic.org/sites/default/files/inline-files/CERES.pdf</a> <a href="https://content.naic.org/sites/default/files/inline-files/Insure%20our%20Future%20Sunrise%20Project.pdf">https://content.naic.org/sites/default/files/inline-files/Insure%20our%20Future%20Sunrise%20Project.pdf</a> <a href="https://content.naic.org/sites/default/files/inline-files/NY%20Dept%20Financial%20Services.pdf">https://content.naic.org/sites/default/files/inline-files/NY%20Dept%20Financial%20Services.pdf</a> <a href="https://content.naic.org/sites/default/files/inline-files/Sustainability%20Accounting%20Standards%20Board.pdf">https://content.naic.org/sites/default/files/inline-files/Sustainability%20Accounting%20Standards%20Board.pdf</a>
15	NAIC Climate Risk Disclosure Survey	NAIC Climate Risk Disclosure Survey / TCFD Comparison	NAIC		Comparison of the NAIC climate risk disclosure survey and TCFD guidelines	<a href="https://content.naic.org/sites/default/files/inline-files/Appendix%20C.pdf">https://content.naic.org/sites/default/files/inline-files/Appendix%20C.pdf</a>
16	Other NAIC Climate Activity	Adaptable to Emerging Risks: The State-Based Insurance Regulatory System is Focused on Climate-Related Risk and Resiliency	NAIC	2021	An outline of climate- and resilience-related work state insurance regulators have been doing for years to regulate the industry and protect consumers	<a href="https://content.naic.org/sites/default/files/climate-resiliency-resource-report-adaptable-emerging-climate-related-risk-resiliency_2021.pdf">https://content.naic.org/sites/default/files/climate-resiliency-resource-report-adaptable-emerging-climate-related-risk-resiliency_2021.pdf</a>
17	Other NAIC Climate Activity	Climate Risk and Resiliency Resource Center	NAIC	2/17/2021	Compilation of recent activity from the five workstreams of the NAIC Climate Risk and Resiliency Task Force	<a href="https://content.naic.org/climate-resiliency-resource.htm">https://content.naic.org/climate-resiliency-resource.htm</a>
18	Task Force on Climate-Related Financial Disclosures (TCFD)	TCFD 2021 Status Report	TCFD	10/2021	The latest TCFD status report describes progress on climate-related disclosure and TCFD implementation efforts, insights, and challenges.	<a href="https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Status_Report.pdf">https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Status_Report.pdf</a>
19	TCFD	Task Force on Climate-related Financial Disclosures: Guidance on Metrics, Targets, and Transition Plans	TCFD	10/2021	Guidance around climate-related metrics and users' increasing focus on information describing organizations' plans for transitioning to a low-carbon economy. The guidance also describes a set of cross-industry, climate-related metric categories that the TCFD believes all organizations can disclose.	<a href="https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf">https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf</a>

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20	TCFD	Recommendations of the Task Force on Climate-related Financial Disclosures	TCFD	6/2017	Recommendations of the TCFD	<a href="https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf">https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf</a>
21	TCFD	Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures	TCFD	6/2017	Implementation guidelines for recommendation of the TCFD	<a href="https://assets.bbhub.io/company/sites/60/2020/10/FINAL-TCFD-Annex-Amended-121517.pdf">https://assets.bbhub.io/company/sites/60/2020/10/FINAL-TCFD-Annex-Amended-121517.pdf</a>
22	U.S. Securities and Exchange Commission (SEC)	Sample Letter to Companies Regarding Climate Change Disclosures	SEC	9/2021	An illustrative letter containing sample comments that the SEC's Division of Corporate Finance may issue to companies regarding their climate-related disclosure or the absence of such disclosure	<a href="https://www.sec.gov/corpfin/sample-letter-climate-change-disclosures">https://www.sec.gov/corpfin/sample-letter-climate-change-disclosures</a>
23	U.S. Department of the Treasury	U.S. Department of the Treasury Launches New Effort on Climate-Related Financial Risks in the Insurance Sector	U.S. Department of the Treasury	8/31/2021	Press release announcing a request for information and public comment on the insurance sector and climate-related financial risks	<a href="https://home.treasury.gov/news/press-releases/jy0337">https://home.treasury.gov/news/press-releases/jy0337</a>
24	Climate actions of CID's peers: California Department of Insurance (CDI)	CA: Protecting Communities, Preserving Nature and Building Resiliency	CDI Climate Insurance Working Group	7/2021	A report focused on the physical and health impacts of climate change to individuals and communities, and ways to reduce or address those impacts, exploring the role of risk transfer tools in managing these risks to health, structures, and properties, as well as to the related financial stability of local governments and businesses.	<a href="https://www.insurance.ca.gov/ccf/docs/climate-insurance-report-07-22-2021.pdf">https://www.insurance.ca.gov/ccf/docs/climate-insurance-report-07-22-2021.pdf</a>
25	Climate Actions of CID's Peers: NY Department of Financial Services (DFS)	Guidance for NY Domestic Insurers on Managing the Financial Risks from Climate Change	NY DFS	11/15/2021	DFS guidance for NY domestic insurers around climate risks, including in enterprise risk reports and ORSA summary reports, and in the decision-making processes of senior management.	<a href="https://www.dfs.ny.gov/system/files/documents/2021/11/dfs-insurance-climate-guidance-2021_1.pdf">https://www.dfs.ny.gov/system/files/documents/2021/11/dfs-insurance-climate-guidance-2021_1.pdf</a>
26	Climate Actions of CID's Peers: NY DFS	An Analysis of New York Domestic Insurers' Exposure to Transition Risks and Opportunities from Climate Change	NY DFS	6/10/2021	A report on insurer exposure to climate risk and opportunity	<a href="https://www.dfs.ny.gov/system/files/documents/2021/06/dfs_2dii_report_ny_insurers_transition_risks_20210610.pdf">https://www.dfs.ny.gov/system/files/documents/2021/06/dfs_2dii_report_ny_insurers_transition_risks_20210610.pdf</a>
27	Climate Actions of CID's Peers: NY DFS	DFS Climate Change Webinar Series - Insurance	NY DFS	8/4/2021	Webinars discussing the DFS' work on climate change	<a href="https://www.dfs.ny.gov/event/dfs-climate-change-webinars-insurance">https://www.dfs.ny.gov/event/dfs-climate-change-webinars-insurance</a>

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28	Climate Actions of CID's Peers: WA Office of the Insurance Commissioner (OIC)	WA: Climate Summit 2021	WA OIC	10/6/2021	Climate Summit held by the WA OIC	<a href="https://www.youtube.com/watch?v=yPrO7XkzgvM&amp;ab_channel=WashingtonStateOfficeoftheInsuranceCommissioner">https://www.youtube.com/watch?v=yPrO7XkzgvM&amp;ab_channel=WashingtonStateOfficeoftheInsuranceCommissioner</a>
29	Climate Actions of CID's Peers: WA OIC	WA: Implementing a Climate Risk Survey	WA OIC	7/22/2019	Implementing the Climate Risk Survey	<a href="https://www.insurance.wa.gov/sites/default/files/2019-07/washington_cover_letter_-_2019_climate_survey_-_final.pdf">https://www.insurance.wa.gov/sites/default/files/2019-07/washington_cover_letter_-_2019_climate_survey_-_final.pdf</a>