Insurance Update
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Combating climate change: NYDFS calls on insurance industry to help

On 26 July 2017, the New York Department of Financial Services (the "NYDFS") issued Circular Letter No. 9 (2017) (the "Circular Letter") and a corresponding press release, directed at all life, property/casualty, and health insurers authorized in New York that encourages insurers to consider offering premium discounts to policyholders who adopt various energy efficiency measures that might reduce potential loss exposure and to adopt environment-friendly measures in their own day-to-day operations. The NYDFS believes the insurance industry is uniquely situated with regard to climate change and "is in a position to influence potential solutions."

Influencing policyholder adoption of environment-friendly practices

The Circular Letter states that insurers should promote customer compliance with clean energy and environment-friendly practices, including developing and filing programs by which policyholders would receive premium discounts for taking certain climate risk-reducing actions, such as investment in energy efficient equipment. The NYDFS gives specific examples of automobile and homeowner insurance policyholder actions for which insurers should consider offering incentives, including conversion to alternative energy sources, such as purchasing electric or hybrid vehicles or solar panels, options for reducing energy usage of traditional carbon-based resources, and verified reduction of vehicle usage.

The NYDFS also encourages property/casualty insurers to use telematics devices and participate in usage based insurance programs as another medium through which premium discounts can be utilized to influence policyholder behavior. The Circular Letter notes, however, that such devices or programs would need to be approved for use by the NYDFS.

Encouraging insurers to manage their own resources prudently

The Circular Letter promotes "prudent management of resources" in insurers' day-to-day operations and proposes that insurers take concrete steps such as going paperless, implementing recycling programs, and identifying potential climate-related risks in corporate and financial operations. Insurers are also

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encouraged to identify short- and long-term exposures they face from the myriad ways climate change affects financial, underwriting, and operational strategies.

The Circular Letter also requests that all insurers participate in the **Climate Risk Disclosure Survey**, an eight-question survey originally adopted by the NAIC in 2010 and administered annually online by California since 2012. The survey is comprised of questions regarding an insurer's actions on investment, mitigation, financial solvency (risk management), emissions/carbon footprint, and consumer engagement. Completion of the survey, annually by August 31, is mandatory for insurers with direct written premium in the United States of US$100 million or more, but the NYDFS encourages all insurers to complete the survey. The survey results, which can be queried by individual company name, can be found on the California Department of Insurance Climate Risk Disclosure Survey **webpage**.

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