



Private Property, Climate Information Disclosure, and the Roles of Insurance and Government

Welcome!

The UNC School of Law Center for Law, Environment, Adaptation, and Resources (CLEAR), the Georgetown Climate Center, the Emmett Institute on Climate Change and the Environment, and the Cooperative Institute for Climate and Satellites – North Carolina (CICS-NC), which is largely supported through a grant from NOAA's National Climatic Data Center (NCDC), invites you and welcomes you to CLEAR's third Workshop on Private Sector Climate Change Adaptation and CICS-NC's third Executive Forum on Business and Climate. The workshop and forum provides a platform for discussion across academia, government, and the private sector built around the topic of climate risk information disclosure, specifically concerning the insurance industry.

Objectives/Goals

- Discuss the desirability of government requirements related to insurance company disclosure of climate change risk information. This includes analyzing whether such climate risk disclosure requirements will assist insurers in analyzing their own financial exposure to climate risk and whether this, in turn, will prompt insurance companies to more accurately price products to the private sector.
- Discuss the best way to require this information to accurately price climate risk and encourage good adaptation in the property sector.

Dates: March 19 – 20, 2015

Venue: UNC Chapel Hill

Background

The private sector has a role in climate change adaptation and building resiliency. The need to protect investments will push the private sector to adapt. This normal market response, however, requires both that the private sector have access to the information necessary to understand the risks from climate change and the need for resiliency, and that the government does not discourage such adaptation through maladaptive policies. In the United States, private businesses do not have accurate understanding of climate change, such as risk from sea level rise or changing weather pattern

CLEAR hosted a conference on private sector adaptation and the role of policy and law in 2012, which identified several areas of concern in private sector adaptation. In 2013, the Cooperative Institute for Climate and Satellites – North Carolina (CICS-NC) held a workshop with representatives of the private sector including the property and insurance arenas. The goal was to solicit information about how climate risk information could be transmitted to them from government agencies such as NOAA and its data centers including the National Climate Data Center (NCDC), and from organizations like CICS-NC.

Both of these conferences identified insurance as an area in which climate change risk information is necessary both for the insurance industry itself and for the insurance industry to encourage climate change adaptation by accurately pricing climate risks for businesses which utilize insurance. The

insurance industry needs accurate information to create actuarially correct products, and the property sector needs information both directly and in insurance signals to make appropriate decisions.

Thus, government can affect adaptation outside of direct action by how much information disclosure for climate change risks it requires in certain arenas. CLEAR has prepared a briefing paper on the disclosure requirements of climate change risks in different contexts. That briefing paper is available at <http://www.law.unc.edu/documents/clear/publications/climatechangeriskdisclosurebriefingpaper.pdf>

Such disclosure requirements can have a particular effect on property transactions as information makes its way into actuarially correctly pricing of the true cost of maintaining property in certain locations.

Industry and business may prefer to not have such information in the hopes that a property product may have a higher value. One of the ways that property's value may be miscalculated depends on insurance pricing. Nevertheless, there is a societal presumption that better information leads to more efficient pricing and resource allocation and that governmental policies should support such disclosure.

Flood insurance policies may provide incorrect risk signals due to government subsidies and/or regulation. Beyond altering such maladaptive policies, can and should the government require climate risk information be disclosed, particularly in the insurance industry, so that insurers can use this information correctly to assist in efficiently pricing insurance and giving efficient signals to other private sector actors to increase resiliency and reduce risk in the property arena? Is this an important policy for climate change adaptation?

AGENDA

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March 19, 2015

- 4:30-5:00 **Introduction of topic and review of current climate disclosure requirements**
- Speakers:*
Victor B. Flatt (CLEAR)
Jessica Grannis (Georgetown Center for Climate Change)
- 5:00-5:15 **Federal Update and Impacts**
- Speakers:*
Sam Medlock, U.S. Council on Environmental Quality (CEQ)
- 5:15-6:30 **State of the climate science in identification of risks; presentation and use of data from national climate center and affiliates**
- Speakers:*
Otis Brown (CICS-NC)
Ken Kunkel (CICS-NC)
- 6:45 **Welcome Dinner**

March 20, 2015

- 8:45-9:15 **CONTINENTAL BREAKFAST**
- 9:15 – 9:45 **Need for data and the use of data – refining methodologies for better reliability of risk data; asset vulnerability**
- Speakers:*
Dr. Pete Dailey (Independent Consultant, Former Verisk Executive)
Mack Pearsall (CEO, PVC, Inc.)
Dr. Gavin Smith (Executive Director, UNC Center for the Study of Natural Hazards and Disasters) - *Invited*
- 9:45 – 10:15 **Climate Change Messaging and the Private Sector**
- Speakers:*
Michael Vandenberg (Vanderbilt University Law School and Climate Center)
- 10:15 – 10:30 **BREAK**
- 10:30 – 11:30 **Role of insurance commissioners with respect to climate data and risk disclosure**



Speakers:

Mike Kreidler (WA Insurance Commissioner and Chair of Climate Change and Global Warming Working Group)

Wayne Goodwin (NC Insurance Commissioner)

Benjamin M. Lawskey (Superintendent, NY State Dept. of Financial Services) – *Invited*

Mike Chaney (MS Insurance Commissioner) – *Invited*

11:30 – noon **Disconnect of climate risk data with insurance and reinsurance**

Speakers:

Don Hornstein (Aubrey Brooks Distinguished Professor of Law, UNC School of Law)

Noon – 12:30 **Disconnect of climate risk data with insurance and reinsurance – Panel Discussion**

Max Messervy (CERES)

Jay L. Bruns III (The Hartford Financial Services Group, Inc.)

Frank Nutter (Reinsurance Association of America)

12:30 – 1:30 **LUNCH BREAK**

1:30 – 3:00 **Group Breakout Session**

What are the benefits of climate change risk disclosure – to society, gov't, insurers, private sector property interests (developer and individual)?

Breakout Discussion Leaders:

Jessica Grannis (GCC);

Don Hornstein (UNC);

Maria Savasta-Kennedy (UNC);

Amy Pickle (Nicholas Institute – Duke)

Heather Payne (CLEAR)

3:00-4:00 **Mechanisms for disclosure; compare and contrast federal statutory requirement, state statutory requirement, (model legislation), insurance commission requirements, insurance company internal practices for clients**

Facilitated discussion leaders:

Victor Flatt (CLEAR) and Jessica Grannis (GCC)

4:00-4:45 **Closing Discussions and Recommendations**

Victor Flatt (CLEAR)