

Circular Letter No. 9 (2017)

July 26, 2017

TO: All Life/P&C/Health insurers authorized in New York

RE: Climate Change and Sustainability

STATUTORY REFERENCE:

Rising global temperatures and their effect on the world's climate have affected our nation in many ways. Unusual weather patterns, severe storms and flooding, and coastal beach erosion are a few examples of climate change that we have experienced, and that we can expect to continue to profoundly affect the ecosystem as well as the nation's – and New York's - economy in the future. The insurance industry has felt the economic effects of climate change and is in a position to influence potential solutions.

In your day-to-day operations, prudent management of resources can have a positive effect on the environment and on your bottom line as well. Examples include:

- Reduction of the use of paper in daily operations, and conversion to a paperless environment save natural resources.
- Electronic file systems and digital storage save space and energy.
- Implementation of rigorous recycling programs in offices and throughout operations.
- Conservation of energy in offices and physical plants, and deployment of energy efficient vehicles in vehicle fleets.
- Identification of potential exposure to climate related risk in corporate and financial operations.
- Risk management as an integral part of underwriting activities by assisting and encouraging policyholders in developing and practicing prudent risk management in their personal and corporate conduct.

New York participates in the annual Climate Risk Disclosure Survey, which is an excellent vehicle for insurers to identify the short-term and long-term exposures they face from the myriad ways climate change affects financial, underwriting, and operational strategies. We urge all insurers to complete the survey as a valuable exercise to help develop initiatives that will work to promote environmental sustainability.

Beyond management of their corporate affairs, insurers should promote customers' compliance with clean energy and environment-friendly practices. Policyholders that invest in energy efficient equipment and devices might simultaneously reduce potential loss exposure that can be reflected in lower insurance premiums. Insurers are encouraged to develop and file programs and rules in respect of such equipment and devices for insurance premium discounts. Following are examples of measures for which property/casualty insurers should consider offering incentives to automobile and homeowners insurance policyholders.

- Purchase of hybrid and electric vehicles
- Vehicles with efficient engines/power trains that achieve superior fuel economy
- Use of telematics devices and participation in usage based insurance programs, in each case only where the device or program has been approved by the Department of Financial Services
- Verified reduction of vehicle usage by policyholders
- Upgraded HVAC systems or water heaters that earn superior Energy Star ratings
- Conversion from oil to natural gas or geothermal heating systems
- Installation of solar panels
- Installation of programmable thermostats or Smart home devices

Governor Cuomo recently announced New York's goals for promoting clean power through adoption of advanced energy efficiency and renewable energy programs. The Governor set reasonably obtainable targets for achieving meaningful reductions in carbon emissions, which highlights the State's leadership on climate issues. We encourage all insurers to follow that lead in pursuing and achieving solutions for the benefit of all New Yorkers.

Sincerely,

A handwritten signature in black ink, appearing to read "Maria T. Vullo". The signature is fluid and cursive, with a large initial "M" and a long, sweeping tail.

Maria T. Vullo
Superintendent