

Thomas Maletta

I am writing to provide feedback on the proposed regulations for Senate Bills 253 and 261 within the Code of Regulations, Title 17. Specifically, I wish to address a significant omission in Section 96201, which currently excludes business entities subject to regulation by the Department of Insurance or those engaged in the business of insurance in other jurisdictions.

Excluding the insurance industry—a primary facilitator of economic activity and a significant stakeholder in climate risk management—undermines the efficacy of these disclosures. While the California Department of Insurance may pursue similar requirements, relying on disparate state-level regulators risks creating a fragmented reporting landscape. For companies headquartered outside of California, a lack of standardized mandates at the state level may lead to inconsistent data, hampering the ability of stakeholders to assess climate risk accurately. Removing this exclusion is essential to align the insurance industry with global reporting standards, provide investors with decision-useful data, and foster a robust internal control and reporting environment. SB 253 and 261 represent a landmark shift in U.S. business reporting, bringing domestic climate-related disclosures into alignment with international frameworks. The mandate for Scope 1, 2, and 3 emissions is critical for ensuring comparability across industries and borders. The specific exclusion of insurance entities creates a significant data gap in a sector that is deeply integrated into the broader financial system. Leaving oversight to individual state insurance commissioners will inevitably result in a "patchwork" of requirements, rendering cross-jurisdictional comparability nearly impossible. In the absence of final SEC climate rules, it is imperative that California demonstrates leadership by ensuring these requirements apply broadly across all high-impact industries.

Standardized disclosures improve market efficiency by allowing for more competitive and informed capital allocation. In the insurance sector, where products are often highly commoditized, climate disclosures provide a vital point of differentiation for investors. These metrics offer insight into a carrier's underwriting philosophy, investment strategies, and long-term risk management. Inclusion in these rules will provide the transparency necessary for investors to understand the full scope of a company's operational and financed emissions.

The implementation of these regulations will necessitate rigorous improvements in corporate governance and internal controls. Establishing a clear chain of command for climate data—information that has historically been siloed or unmonitored—requires direct engagement from boards and executive leadership. This integration will modernize reporting systems and foster a culture of accountability. While the transition to tracking new data sets may be complex, the resulting evolution in control frameworks will ensure that insurance companies remain resilient in an era of rapid technological and environmental change.

While calculating Scope 3 emissions for financial institutions is complex, established methodologies already exist to facilitate this transition. The Partnership for Carbon Accounting Financials provides robust guidelines tailored specifically to the insurance industry that align with the GHG Protocol. These guidelines offer clear boundaries for measuring emissions across diverse portfolios, from commercial lines to personal auto and investment holdings. By leveraging these existing standards, insurance carriers can provide clear, comparable, and reliable disclosures that meet the expectations of the global market.

The inclusion of insurance companies in the final regulations is vital to the integrity of California's disclosure framework. Insurance companies hold a unique and critical position in the global effort to mitigate climate change. As the primary backer of property and casualty risks, particularly in disaster-prone regions like California, carriers are on the front lines of observing the increasing

frequency and severity of natural disasters. However, their responsibility extends beyond mere measurement; it requires active stewardship of their own carbon footprints and, more importantly, their massive investment portfolios. By prioritizing Environmental, Social, and Governance principles alongside financial returns, insurance companies can leverage their capital to foster a sustainable future, ensuring that the world they protect remains insurable for generations to come. By removing the current exclusion, CARB will enhance investor confidence, promote industry-wide consistency, and ensure that the insurance sector remains a resilient and transparent participant in the transition to a low-carbon economy.

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