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CAPITAL ADVISORS

December 7, 2017

Director of Research

Sustainability Accounting Standards Board

1045 Sansome St., Suite 450, 94111

To whom it may concern,

RE: SASB Exposure Draft Standards for Public Comment

Breckinridge Capital Advisors is a Boston-based investment advisor specializing in the management of high-grade fixed income portfolios for institutions and private clients. Working through a network of investment consultants and advisors, Breckinridge manages over $30 billion in municipal, corporate and government bond strategies in customized separate accounts. Breckinridge Capital Advisors supports the SASB, in its efforts to codify standards for sustainable accounting. Specifically, the SASB's tenets of materiality-focused, evidence-based and market-informed, provide for a powerful framework to improve the disclosure of materially significant sustainability information. Improved disclosure and increased transparency will lead to greater price discovery and better functioning capital markets. Furthermore, the standardization of ESG reporting will allow investors to better evaluate sustainability related disclosures and make more informed investment decisions. Please find below our comments on several of the topics and metrics for the Insurance Sector.

- Industry Standard: Insurance
- Disclosure Topic: Environmental Risk Exposure
- Accounting metric code: FN0301-01 through FN0301-05
- Technical Agenda item numbers: #2-49-#2-51
- Comment: We agree with the inclusion of these metrics for the Insurance Sector. The provisional metric focused on the probable Maximum loss from weather-related natural catastrophes is especially timely considering the severe hurricanes and earthquakes experienced globally over the past few months, which have led to more than $100 billion dollars' worth of losses for the sector. I believe the technical protocol provides very useful clarifying information, especially with regards to a breakdown by geographic region, by type of event and the PML for 1-in-100 and 1-in-250 year events. As noted, insurers are typically reporting PML's for 1-in-100 and 1-in-250 year events, but the added disclosure is extremely helpful, and allows for better comparisons across the sector. Investors are concerned not only with the magnitude of losses both also how environmental risks are integrated in to the underwriting process and how insurers manage their capital adequacy

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relative to these risks. Again, the SASB metrics on this area will allow analysts and investors to have a better understanding of how insurers are managing these risks, and we fully support the proposed changes to these metrics.

- Industry Standard: Insurance
- Disclosure Topic: Systematic Risk Management
- Accounting metric code: FN0301-12
- Technical Agenda item number: #2-54
- Comment: While we agree that the G-SII scores are valuable in analyzing insurance companies, the G-SII scores incorporate financial metrics that are already being reported in traditional financial statements as well as in the footnotes to SEC filings. It seems somewhat incongruous that SASB is including these metrics for insurers but excluding a variety of capital metrics that were previously provisional metrics for the banking sector. As you noted, most insurers discuss compliance with risk-based capital standards in their SEC filings, but it would be useful for insurers to include a further discussion around RBC ratio goals and targets and sensitivities to changes in equity markets and interest rates. A proposed metric could be, "Please provide the sensitivity of your RBC ratio to a +/- 20% change in equity markets and a +/- 1% change in interest rates." From my understanding state regulators are not currently assessing ESG risk factors, in their calculation of RBC ratios. Therefore, any qualitative discussion around ESG risks and their impact on RBC ratios would also be additive to investors in terms of their understanding of insurers.

- Industry Standard: Insurance
- Disclosure Topic: Integration of E,S and G Risk Factors in Investment Management
- Accounting metric code: FN0301-16
- Technical Agenda item number: #2-55
- Comment: We believe it is vitally important to consider how insurers integrate the E,S and G risk factors into their investment management process. Many of the largest global asset managers are owned by insurance companies such as PIMCO, PGIM and Nuveen, to name a few. Additionally, investment management is a key driver of performance for insurers in terms of both net investment income and 3rd party asset management fees. Furthermore, due to the current low interest rate environment, it is critical for investors to better understand the risks that insurers are taking in their investment portfolios. The proposed update to this topic includes a new metric: "Total invested assets by industry and asset class". However, this metric on its own is not particularly helpful in

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understanding how insurers integrate E,S and G. Additionally, this metric is already utilized in more traditional financial analysis. An alternative metric, would be “what percentage of both internal assets and 3rd party assets are managed using ESG factors.” Presumably, insurers that are reporting a higher percentage of ESG assets under management would have greater ESG capabilities and a better understanding of ESG risks. Furthermore, it would be useful to investors, for insurers to provide some qualitative disclosures regarding their processes and how ESG fits into the insurers overall risk management approach. Another proposed metric would pertain to what risks limits insurers have on specific ESG risk factors. For example, placing limits on their overall exposure to climate risk, or limits on their exposure to a particular human capital risk. This would provide some additional quantitative information and would also better inform investors as to how insurers are managing ESG risks.

Sincerely,

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