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Director of Research
Sustainability Accounting Standards Board
1045 Sansome St., Suite 450
San Francisco, CA 94111

Via E-mail:
Attn: comments@sasb.org

Re: *Proposed Changes to Provisional Standards Exposure Draft*

Dear Director of Research:

The Travelers Companies, Inc. ("Travelers") appreciates the opportunity to comment on the Sustainability Accounting Standards Board's (the "SASB" or the "Board") *Proposed Changes to Provisional Standards Exposure Draft* dated October 2017 (the "exposure draft").

Travelers is a leading provider of property and casualty insurance products and services to a wide variety of businesses and organizations as well as to individuals. Our products are distributed primarily through independent insurance agents and brokers throughout the United States and in selected international markets.

We note that the *Proposed Changes to Provisional Standards Draft* related to the Insurance Suitability Accounting Standards Board includes a combination of new metrics as well as revisions to and eliminations of previously exposed metrics. The comments provided below are applicable to the proposed standards for the insurance industry and are presented in the order of the topic metric.

Table 1. Activity Metrics

Activity Metrics

1) Number of policies held by segment: (1) property & casualty, (2) life, (3) assumed reinsurance.

    This is a new metric that could be incorporated into the MD&A section of an insurer's SEC filings.

    We recommend that the metric description be changed to "policies in force" instead of "policies held by segment," as this description more accurately reflects the metric used by most insurers. Additionally, since insurers track policies in force by either product line or by segment, we recommend that the standard instead reference "by segment or by product" to read "Policies in force by segment or by product". This wording would conform to insurers' current use of this metric.

Table 2. Sustainability Disclosure Topics & Accounting Metrics

1) Environmental Risk Exposure

a) Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes.

    Travelers believes the revised wording is consistent with existing SEC reporting requirements and has no additional comment on this item. However, the clarifying information referenced in footnote 20 may be somewhat problematic for Companies to provide. Since climate change may occur over decades or centuries, it would be very difficult to ascribe movements in peril expectations between climate change impacts and other factors. Accordingly, we believe there may be varying levels of disclosures provided by companies based upon the types of products offered, and the level of underlying supporting documentation.

b) Total annual losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance).

    Travelers believes the revised wording is consistent with existing SEC reporting requirements and has no additional comment on this item. The clarifying information referenced in footnote 20 may be somewhat problematic for Companies to provide for the reasons noted above in item 1a). Consistent with our previous comment, we believe there may be varying levels of disclosures *provided by companies based upon the types of products offered, and the level of underlying supporting documentation.*

c) Description of how environmental risks are integrated into (1) The underwriting process for individual contracts, and (2) The management of firm-level risks and capital adequacy.

The exposure draft includes a revision to include disclosure of how incentives to improve the climate resiliency of properties or vehicles are considered in the pricing of policies."

Travelers believes the revised wording is generally consistent with existing SEC reporting requirements and has no additional comment on this item.

d) List of markets, regions, and/or events for which the registrant declines to voluntarily write coverage for weather-related natural catastrophe risks.

The exposure draft does not include any proposed changes to this item.

As currently drafted, the standard does not align with the potential actions an insurer may take, or be allowed to take, under insurance regulatory requirements to limit its exposure to weather events. For example, if an insurer writes homeowners coverage in an area subject to hurricane risk, the insurer may establish separate limits of coverage or a separate deductible for wind damage but it may not be allowed to exclude coverage for hurricanes. Moreover, insurers currently disclose the geographic concentrations of their written business as required by generally accepted accounting principles. Additionally, insurers already provide a discussion of their risk mitigation strategies, including identification of the products they offer, the markets they write in, and the limits that they place on coverage as well as the reinsurance coverage they have in place. To the extent that weather-related natural catastrophe risks are a material risk to an insurer, those risks are already required to be described in the insurer's existing disclosures.

As a result, we believe the existing disclosure requirements provide a more effective framework for investors to assess an insurer's risk profile than the proposed disclosure, particularly given that the proposed disclosure is limited to only one type of risk. Additionally, existing disclosures do not create potential concerns about how competitors may use the information to the disclosing company's disadvantage.

e) Percentage of policies in which weather-related natural catastrophe risks have been mitigated through reinsurance and/or alternative risk transfer.

The exposure draft would remove this metric from the standard.

Travelers supports the removal of this metric, as existing information related to reinsurance and/or risk transfer coverage is already provided as a part of insurance company registrants' SEC filings, and the requirement to provide a percentage of the policies mitigated through reinsurance does not provide a meaningful metric for investors.

2) Transparent Information & Fair Advice for Customers (Renamed from Plan Performance)

a) **New Metric:** Total amount of losses as a result of legal proceedings associated with failure to provide adequate, clear, and transparent information about products and services.

This is a new metric that we note is already subject to disclosure under existing SEC requirements if the amounts involved are material, and we do not believe that there is any principled basis to distinguish these types of claims from other types of claims. Additionally, regulatory financial statements filed with state insurance regulators require insurers to disclose the number and amount of extra-contractual obligations and bad faith claim payments. The regulatory financial statements are available from the insurance department of the state in which the insurance subsidiary that wrote the coverage is incorporated.

Additionally, in cases where an insured is dissatisfied with the amount paid by an insurer, uncertainty may exist surrounding whether the dissatisfaction is due to unclear policy language or the failure of the insured to fully read the policy when obtaining coverage. In such cases, the insurer may incur legal expenses but ultimately pay no additional losses. The current exposure draft is unclear as to whether the amount to be disclosed includes only losses or losses and legal expenses associated with the losses (or no losses, as the case may be).

In light of current disclosure requirements and the ambiguity of the proposed disclosure, we do not support adoption of the proposed disclosure.

b) Complaints-to-Claims ratio

The exposure draft does not include any proposed changes to this item.

The information requested by this provisional standard is generally available from state insurance departments, as most insurance departments provide a means for policyholders to file complaints via the department's website or toll-free phone number. More importantly, however, this ratio can be misleading without additional context regarding the complaints and the outcome of any resulting investigation. Notably, not all complaints are found to be valid; some complaints may be closed without action following investigation by the *department. Furthermore, in some cases, the insurer may not be aware of a complaint where the insurance department evaluates the basis of the complaint and concludes that it is not valid without requesting additional information from the insurer. Travelers believes, therefore, that a simple complaints-to-claims ratio does not provide decision-useful information to investors.*

c) Customer Retention Rate

The exposure draft does not include any changes to this item.

Travelers supports the disclosure of this metric. We currently disclose this information in our earnings webcasts and financial supplementary information.

d) Average number of days from reported claim to settlement of claim.

The exposure draft would remove this metric from the standard.

Travelers supports the removal of this standard. There are various types of coverage that have significant differences in the amount of time it takes to settle a claim. For example, claims involving property coverage can settle very quickly (e.g., minor damage to an automobile) while claims involving complex third-party liability issues may require extended periods of time to resolve, with other types of coverage falling somewhere in-between these time periods. As a result, we do not believe that this metric would provide a high degree of comparability among insurers. Additionally, we do not believe this metric would provide decision-useful information to investors, since it is more a reflection of the types of coverage that an insurer writes than a measure of an insurer's behavior.

e) Description of efforts to provide information to new and returning customers in a clear and conspicuous manner.

As currently drafted, this standard in the exposure draft is written in a very broad manner, and it is unclear as to the types of information that are designed to be included in the scope of this standard. As a result, we are unable to provide meaningful comments without a better understanding of the intent of the standard. Travelers recommends that this metric be further clarified or removed, since, as currently worded, it will likely lead to different disclosures based upon different interpretations.

3) Integration of Environmental, Social, and Governance Risk Factors in Investment Management

The exposure draft would remove "Risk" from the topic name.

a) Total invested assets by industry and asset class

This is a new metric that would require disclosure of total invested assets by industry and asset class.

We note that the insurance industry is unique when compared to other types of financial institutions due to the restrictions placed on insurers' investment holdings by state insurance statutes and/or regulations that limit the types of investments an insurer may hold, including limitations on concentrations of credit/issuer risk. In addition to these limitations, all insurers are subject to a requirement to report in significant detail all of their holdings, including through quarterly reports disclosing the sales and acquisitions of securities, by individual security. The format and categories used in these reports are prescribed by insurance regulators, resulting in significant comparability across insurers. These reports are also publicly available either through state insurance departments or through certain data services companies. Given the public availability of this information, we do not recommend that this information be included in the SASB standards.

b) Discussion of how environmental, social, and governance (ESG) factors are integrated into the investment of policy premiums.

The exposure draft does not include any proposed changes to this item.

Insurance companies are subject to significant regulatory investment requirements that place limitations on the types of investments insurers may make, as well as limitations on concentrations of credit and equity risk. These requirements have the primary objective of ensuring that insurers have sufficient liquidity to pay claims as they are presented. As a result, insurers do not have the flexibility that other segments of the financial sector have with regard to investment policy. Additionally, insurers that are SEC registrants are required to disclose material risks and provide a comprehensive risk factor(s) dedicated to the risks related to their investment portfolio. Specific to the insurance industry, property and casualty insurers frequently have large fixed income portfolios comprised of U.S. government debt obligations and debt obligations of state and local municipalities that provide funding for societal infrastructure.

We believe it would be more useful for an investor to understand the insurer's overall investment strategy, including how certain ESG factors are incorporated into the insurer's strategy.

To the extent that the other types of risks addressed in item c could have a material effect on an insurer, we would expect that the insurer would identify *those risks in its discussion of Risk Factors and discuss any effects that have occurred in its Management's Discussion and Analysis.*

c) Discussion of the investment portfolio risk, presented by climate change, natural resource constraints, human rights concerns, or other broad sustainability trends.

In addition to being subject to investment limitations as described in the comments to item 3b above, many insurers are required to file the NAIC Climate Change and Risk Disclosure. This disclosure was developed by the NAIC to ensure insurers account for any potential effect these risks might have on the marketplace and the availability and affordability of insurance. The disclosures allow regulators a window into how insurers are incorporating these changing dynamics into their risk management schemes, corporate strategy, and investment plans and provide insurers with a benchmark from which to assess their own climate change strategies and strengthening their ability to identify how climate change impacts their business. While these disclosures are required to filed with certain insurance regulators, the disclosures are publicly available and may be accessed via the California Department of Insurance website.

To the extent that the other types of risks addressed in item c could have a material effect on an insurer, we would expect that the insurer would identify those risks in its discussion of Risk Factors and discuss any effects that have occurred in its Management's Discussion and Analysis.

4) Policies Designed to Incentivize Responsible Behavior

a) Net Premiums written related to energy efficiency and low carbon technology.

The exposure draft does not include any proposed changes to this item.

Although the current exposure draft does not include any proposed changes to this item, Travelers notes that the separate identification of premiums related to energy efficiency and low carbon technology risks is dependent on whether those risks are separately rated (and priced) from the other risks included in a policyholder's total coverage. While many insurers have provided credits to incentivize responsible behavior (e.g., premium credits for certain hybrid powered automobiles), the premium is generally not separately identified. We recommend that the disclosure be modified to add the phrase: "to the extent the insurer has separately priced and identified such premium in its billing to the customer."

b) Discussion of products and/or product features that incentivize health, safe, and/or environmentally responsible actions and/or behaviors.

The exposure draft includes a revision to remove the note discussing how incentives to improve the climate resiliency and resource efficiency of properties or vehicles are considered in the pricing of policies.

Travelers supports the removal of this wording, as the information it requested may contain proprietary or competitive information. We note, however, that removal of this disclosure request does not preclude a reporting entity from voluntarily providing such information.

5) Systemic Risk Management

a) Global Systemically Important Insurer (G-SII) assessment score by category

This exposure draft would require disclosure for each of the six enumerated categories of the G-SII score as defined and calculated pursuant to the International Association of Insurance Supervisors' (IAIS) Globally Systemically Important Insurers: Updated Assessment Methodology, June 16, 2016.

*The Updated Assessment Methodology specifies that while the IAIS will provide an insurer its score upon request and through the relevant authorities, **"[t]his information is not publicly shared at this time due to the non-public and confidential nature of the information upon which this summary review may be based."***

Given that the IAIS has directed the G-SII scores be kept confidential, we do not believe it would be prudent for insurers that have been designated as a G-SII to disclose their G-SII scores publicly, even if they obtain these scores from the IAIS. Further, even assuming that the G-SII scores were not confidential, the G-SII scoring process is based on significant and nuanced judgment, and without knowing the regulators' rationale for designating an insurer a G-SII, the resulting scores alone do not provide decision-useful information to investors.

We believe it would be more appropriate and more relevant to the users of financial statements to simply provide a disclosure of whether an insurer has been designated as a G-SII as a result of the scoring process and a vote by members of the Financial Stability Board.

For the reasons discussed herein, we believe that this proposed standard should either be removed from SASB's provisional standards for the insurance industry or modified to require disclosure of whether an insurer has been designated as a G-SII.

b) Non-policyholder liabilities

The exposure draft would remove this metric from the standard.

Travelers supports the removal of this standard, as disclosure of the information it requests is already provided where applicable, in accordance with SEC requirements.

c) Discussion on how results of mandatory and voluntary stress tests and risk-based capital requirements are integrated into capital adequacy planning, long-term corporate strategy, and other business activities.

This is a new metric that would require disclosure of confidential information that is currently provided to insurance regulators only under state insurance law. The disclosure of this information could potentially violate existing regulatory requirements prohibiting the disclosure of risk-based capital ratios and would most certainly divulge confidential communications between regulators and insurers (i.e., mandatory stress tests). Travelers believes that the existing SEC requirements for disclosure of and discussion about liquidity and capital resources in a registrant's Management's Discussion and Analysis more appropriately addresses these issues. Accordingly, we recommend that this proposed standard be removed from the SASB's provisional standards for the insurance industry.

d) (1) Notional amount of CDS protection sold, (2) notional amount of debt securities insured for financial guarantee, and (3) risk-in-force covered by mortgage guarantee insurance.

The exposure draft would remove this metric from the standard.

Although Travelers does not sell CDS protection or write financial guarantee or mortgage guarantee insurance, we believe the removal of this standard is appropriate, as disclosure of the risks involved with these products are already addressed in current disclosure requirements.

e) Value of collateral received from securities lending and amount received from repurchase agreements.

The exposure draft would remove this metric from the standard.

Because this disclosure is already addressed in applicable accounting disclosure requirements, Travelers supports the removal of this item from the provisional standards.

f) Amount of life and annuity liabilities that can be surrendered upon request: (1) Within three months without penalty (2) With penalties lower than 20 percent.

The exposure draft would remove this metric from the standard.

As a property and casualty insurer, Travelers does not write these products and has no comment on this disclosure.

Summary

Thank you for the opportunity to comment on the exposure draft, and we offer our assistance as the project progresses. If you have any questions or would like to discuss our comments, please feel free to call me at (860) 277-0537.

Regards,

D. Keith Bell

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