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Room 1410 MT
Department of the Treasury
1500 Pennsylvania Avenue N.W.
Washington, D.C. 20220

December 20, 2022

Re: Federal Insurance Office Climate-Related Financial Risk Data Collection

Dear Elizabeth Brown,

The Center for American Progress ("CAP") welcomes the opportunity to submit comments to the Treasury Department's Federal Insurance Office ("FIO") notice of proposed collection of information titled *Agency Information Collection Activities; Proposed Collection; Comment Request; Federal Insurance Office Climate-Related Financial Risk Data Collection* ("the Proposal"). CAP is an independent, nonpartisan policy institute dedicated to improving the lives of all Americans, through bold, progressive leadership and action.

Insurers play an integral role in the U.S. financial system and the economy at large. By managing risks and backstopping against unpropitious events, the insurance sector provides an essential function to households and businesses. Insurance companies are already confronting the well-documented reality of climate-related financial risks, as natural disasters caused over $92 billion in insured property losses last year.[1] More frequent and intensifying weather events have prompted coverage withdrawals and sharp premium increases.[2] The growing

[1] "Estimated Insured Property Losses, U.S. Natural Catastrophes, 2012-2021(1)," Insurance Information Institute, February 1, 2022, available at https://www.iii.org/fact-statistic/facts-statistics-us-catastrophes#Estimated%20Insured%20Property%20Losses,%20U.S.%20Natural%20Catastrophes,%202012-2021%20(1).

[2] See e.g., Tom Jacobs, "Chubb pulling back sharply in California; CEO blames price inadequacy," S&P Global Market Intelligence, October 27, 2021, available at https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/chubb-pulling-back-sharply-in-california-ceo-blames-price-inadequacy-67294343; "'Priced Out of California' – How Insurance Industry is Responding to Risks Posed by Climate Change," Times of San Diego, November 11, 2021, available at https://timesofsandiego.com/business/2021/11/11/priced-out-of-california-how-insurance-industry-is-responding-to-risks-posed-by-climate-change/; Becky Sullivan, "Florida's Property insurance market was already under stress. Ian could make it worse," NPR, October 6, 2022, available at https://www.npr.org/2022/10/06/1127083845/hurricane-ian-florida-property-insurance.

unavailability and unaffordability of insurance stands to disproportionately harm low-income communities and communities of color, who are most affected by climate change-induced natural disasters.[3] These effects may not be apparent from ZIP Code level data and may require a more granular analysis.

As the Intergovernmental Panel on Climate Change has found, "Climate change impacts and risks are becoming increasingly complex and more difficult to manage. Multiple climate hazards will occur simultaneously, and multiple climatic and non-climatic risks will interact, resulting in compounding overall risk and risks cascading across sectors and regions."[4] FIO was established after the events of the Financial Crisis of 2007-2008 highlighted the need for more systematic oversight of risk in insurance markets. Resultant reforms entrusted FIO with the authority "to monitor all aspects of the insurance industry, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or the United States financial system" and "to monitor the extent to which traditionally underserved communities and consumers, minorities, … and low- and moderate-income persons have access to affordable insurance products regarding all lines of insurance" among other important mandates.[5] FIO also provides unique expertise as a non-voting member of the Financial Stability Oversight Council ("FSOC").

With climate-related risks increasingly affecting insurers, FIO must have access to comparable and consistent data to adequately fulfill its duties and monitor the sector. The need for reliable data has been recognized by federal financial agencies and state-level coordinating bodies and regulators,[6] but efforts to collect such information have fallen short. For example, the National Association of Insurance Commissioners created the voluntary Insurer Climate Risk Disclosure

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[3] See, e.g., David Sherfinski, "U.S. overhauls flood insurance to meet rising climate change risks," Reuters, October 15, 2021, available at https://www.reuters.com/legal/litigation/us-overhauls-flood-insurance-meet-rising-climate-change-risks-2021-10-15; Parinitha Sastry, "Who Bears Flood Risk? Evidence from Mortgage Markets in Florida," (Cambridge, MA: MIT Sloan School of Management, 2021), available at https://psastry89.github.io/website/psastry_JMP.pdf.

[4] "Summary for Policymakers Headline Statements," Intergovernmental Panel on Climate Change, February 28, 2022, available at https://www.ipcc.ch/report/ar6/wg2/resources/spm-headline-statements/.

[5] Rep. Frank Barney [D-MA-4] "H.R. 4173 – Dodd-Frank Wall Street Reform and Consumer Protection Act" 111th Congress, available at https://www.congress.gov/bill/111th-congress/house-bill/4173/text.

[6] See e.g., "Report on Climate-Related Financial Risk," (Washington DC: Financial Stability Oversight Council, 2021), available at https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf; National Association of Insurance Commissioners, "Climate Risk and Resiliency Resource Center," available at https://content.naic.org/climate-resiliency-resource.htm (Last accessed December 2022); California Department of Insurance, "California Climate Insurance," available at https://www.insurance.ca.gov/01-consumers/180-climate-change/ (Last accessed December 2022); "The Impact of Climate Change on Vermont's Insurance Industry," (Montpelier, VT: Vermont Department of Financial Regulation, 2021) available at https://dfr.vermont.gov/sites/finreg/files/doc_library/dfr-report-climate-change-insurance-final.pdf.

Survey over a decade ago to help insurers and state regulators identify and address climate-related financial risks. However, only 15 states have adopted the survey for supervised insurance companies located in their jurisdictions.[7] What's more, a 2020 report by NAIC found that, of the insurers surveyed, just over half reported "some engagement in enterprise-wide climate risk management."[8]

While insurance is regulated at the state-level, climate-related risks often are not confined within state borders. The nationwide, granular collection of such data proposed by FIO is an important step toward gaining a more fulsome understanding of the magnitude of such risk on insurers as well as the impacts on communities most vulnerable to the effects of climate change. In addition to the comments above, we provide the following comments on selected questions posed by the Proposal.

(Q.1 at FR 64140): Focus on Underwriting: FIO proposes to focus this data collection on insurers' underwriting for homeowners' policies to assess the impact of physical risk on the availability of insurance coverage for policyholders as well as whether the available insurance coverage is affordable for policyholders. Please provide your views on FIO's focus on insurers' underwriting.

The physical effects of climate change are already challenging insurers' traditional models for underwriting risk and contributing to multibillion-dollar losses for the industry.[9] Underwriting also influences how premiums are set and can affect insurance affordability and availability for consumers most vulnerable to climate-induced weather events. We strongly agree with the Proposal's assessment that collecting underwriting data can provide valuable information regarding how insurance companies are pricing climate-induced risks and its impact on consumers.

(Q.2 at FR 64140) Selection of Insurance Lines: FIO proposes collecting information on homeowners' multi-peril policies. Should FIO consider data

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[7] "U.S. Insurance Commissioners Endorse Internationally Recognized Climate Risk Disclosure Standard for Insurance Companies," National Association of Insurance Companies, April 8, 2022, available at https://content.naic.org/article/us-insurance-commissioners-endorse-internationally-recognized-climate-risk-disclosure-standard.

[8] "Assessment of Insights from NAIC Climate Risk Disclosure Data," (Kansas City, MO: Center for Insurance Policy and Research, 2020) available at (https://content.naic.org/sites/default/files/cipr_insights_climate_risk_data_disclosure.pdf.

[9] See e.g., "Perspectives from China: The Shifting Regulatory Landscape," S&P Global Market Intelligence, August 24, 2022, available at https://www.spglobal.com/marketintelligence/en/news-insights/blog/perspectives-from-china-the-shifting-regulatory-landscape; https://www.mckinsey.com/industries/financial-services/our-insights/climate-and-insurance-how-carriers-are-preparing-for-a-net-zero-future; Insurance Information Institute, "Facts + Statistics: U.S. Catastrophes," available at https://www.iii.org/fact-statistic/facts-statistics-us-catastrophes (Last accessed December 2022).

collection for any other lines of business? To what extent should FIO's assessment include NFIP policies and private flood insurance policies?

Collecting homeowner multi-peril policy data may only provide limited insights into climate-induced financial risks, potentially excluding broader communities that are most at-risk to climate change and types of weather events that may not be fully reflected in standard multi-peril packages. FIO should consider expanding the collection of data to additional insurance lines, including:

Renter and mobile home: The effects of climate change stand to threaten the already-limited supply of affordable housing in the U.S.[10] For instance, affordable housing units have been disproportionately built on flood zones.[11] A history of disinvestment in low-income communities and communities of color[12] has contributed to a predominance of climate-vulnerable housing, ill-equipped to withstand natural disasters.[13] Black, Hispanic, and young Americans are more likely to rent than own homes and renters also tend to be significantly less wealthy as opposed to homeowners who tend to be whiter and wealthier.[14] Additionally, mobile homes, occupied mostly by low-income residents, perform particularly poorly in natural disasters.[15] Expanding the data collection to include information on renter and mobile home policies can inform FIO's understanding of how climate-related risks are affecting traditionally underserved communities.

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[10] "Struggling Against a Rising Tide: Sea Level Rise and Coastal Flooding Threaten Affordable Housing," (Princeton, NJ: Climate Central, 2020) available at https://assets.ctfassets.net/cxgxgstp8r5d/2nitlFrqBONFS2R44J7SLY/5c0c724f1d001be26c72cac05d859e1b/SEA_LEVEL_RISE_AND_COASTAL_FLOODING_THREATEN_AFFORDABLE_HOUSING.pdf.

[11] "Study: U.S. affordable housing exposed to coastal flood risk projected to triple by 2050," Climate Central, May 18, 2021, available at https://www.climatecentral.org/press-release-affordable-housing.

[12] Lily Katz, "A Racist Past, a Flooded Future: Formerly Redlined Areas Have $107 Billion Worth of Homes Facing High Flood Risk—25% More Than Non-Redlined Areas," Redfin, March 21, 2021, available at https://www.redfin.com/news/redlining-flood-risk/.

[13] See e.g., Jee Young Lee and Shannon Van Zandt, "Housing Tenure and Social Vulnerability to Disasters: A Review of the Evidence," Journal of Planning Literature, 2019, available at https://journals.sagepub.com/doi/10.1177/0885412218812080; "Struggling Against a Rising Tide: Sea Level Rise and Coastal Flooding Threaten Affordable Housing," (Princeton, NJ: Climate Central, 2020) available at https://assets.ctfassets.net/cxgxgstp8r5d/2nitlFrqBONFS2R44J7SLY/5c0c724f1d001be26c72cac05d859e1b/SEA_LEVEL_RISE_AND_COASTAL_FLOODING_THREATEN_AFFORDABLE_HOUSING.pdf.

[14] Drew Desilver, "As national eviction ban expires, a look at who rents and who owns in the U.S.," Pew Research Center, August 2, 2021, available at https://www.pewresearch.org/fact-tank/2021/08/02/as-national-eviction-ban-expires-a-look-at-who-rents-and-who-owns-in-the-u-s/.

[15] See e.g., Lora Phillips and Melissa Guardaro, "Mobile Homes Have a Major Climate Change Problem," Slate, November 2, 2022, available at https://slate.com/technology/2022/11/mobile-homes-climate-change-heat-wave-deaths.html; Fred Thys, "University of Vermont to study impact of climate change on manufactured-home communities," VT Digger, November 1, 2022, available at https://vtdigger.org/2022/11/01/university-of-vermont-to-study-impact-of-climate-change-on-manufactured-home-communities/.

Flood: Flooding is the most common and costly natural disaster in the U.S.[16] Generally, flood losses are not covered by multi-peril policies, but through the Federal Emergency Management Agency ("FEMA")-administered National Flood Insurance Program ("NFIP") and private flood insurers.

NFIP provides over 90% of all residential flood insurance.[17] However, NFIP premium rates are set well below what is often needed to cover estimated flood damages.[18] In 2021, NFIP established a new risk-rating system that incorporates climate change considerations in calculating premiums.[19] As a result, most policyholders are expected to experience premium increases, with some rising significantly from $700-$800 to $4,000-$5,000, making this insurance far more costly than what low-income households can afford.[20]

Private flood insurance can provide additional coverage than what is offered by NFIP, as well as policies for properties that are not eligible for NFIP, at high premiums. It is estimated that 14.6 million properties face substantial flood risk. 5.9 million of those properties are located outside of FEMA's Special Flood Hazard Areas designation,[21] meaning that many households may be underestimating their exposure to flood risk. Lack of affordable coverage options is spurring consumers to drop NFIP coverage, even in high-flood risk areas.[22] FIO should coordinate with FEMA and private providers to develop analysis on whether consumers are opting for private coverage or are forgoing flood insurance completely due to insufficient coverage and unaffordability.

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[16] "Testimony of Michael Grimm before the Committee on Science, Space, and Technology Subcommittee on Investigations and Oversight Subcommittee on Environment," (Washington DC: U.S. House of Representatives, 2020) available at https://science.house.gov/imo/media/doc/Grimm%20Testimony.pdf.

[17] Noelwah Netusil, Carolyn Kousky, Shulav Neupane, Will Daniel, and Howard Kunreuther, "The Willingness to Pay for Flood Insurance," (Philadelphia, PA: Warton Risk Management and Decision Process Center, 2020) available at https://riskcenter.wharton.upenn.edu/wp-content/uploads/2020/09/Working-Paper-2020-03_Willingness-To-Pay-for-Flood-Insurance.pdf.

[18] "The Cost of Climate: America's Growing Flood Risk," First Street Foundation, February 22, 2021, available at https://firststreet.org/research-lab/published-research/highlights-from-the-cost-of-climate-americas-growing-flood-risk/.

[19] "Risk Rating 2.0 is Equity in Action," Federal Emergency Management Agency, April 2021, available at https://www.fema.gov/sites/default/files/documents/fema_rr-2.0-equity-action_0.pdf.

[20] Renee Cho, "With Climate Impacts Growing, Insurance Companies Face Big Challenges," Columbia Climate School: Climate, Earth, and Society, November 3, 2022, available at https://news.climate.columbia.edu/2022/11/03/with-climate-impacts-growing-insurance-companies-face-big-challenges/.

[21] "The First National Flood Risk Assessment: Defining America's Growing Risk," (Brooklyn, NY: First Street Foundation, 2020) available at https://assets.firststreet.org/uploads/2020/06/first_street_foundation__first_national_flood_risk_assessment.pdf.

[22] Thomas Frank, "Hundreds of thousands drop flood insurance as rates rise," E&E News, August 17, 2022, available at https://www.eenews.net/articles/hundreds-of-thousands-drop-flood-insurance-as-rates-rise/.

Wildfire: Eight out of 10 of the costliest wildfires have occurred in the past five years.[23] In California, the most wildfire-prone state, insurers paid a total of $29 billion in claims while collecting just $15.6 billion in premiums during the deadly fires of 2017 and 2018.[24] The intensifying nature and increased frequency of wildfires have prompted insurers to scale back coverage in areas most afflicted by wildfires.[25] While wildfire damage is usually included in standard homeowner multi-peril policies, coverage is becoming increasingly insufficient, unaffordable, or unavailable.[26]

State residual markets: State-run residual markets, which operate in some high-risk states such as Florida and Louisiana, have grown significantly as private alternatives have dwindled. These policies are expensive and provide limited coverage. Data related to these insurers of last resort would serve as an important indicator of private insurance availability.

(Q.3 at FR 64140) Selection of Insurers: FIO proposes selecting insurers that meet either of the following criteria: (1) insurers writing $100 million or more in annual homeowners' insurance premiums in 2021 or (2) additional insurers that would allow FIO to capture at least 80 percent in each of the 10 Potential Climate-Vulnerable States identified above. Please provide your views on the appropriateness of these thresholds and whether they should be modified.

We agree with the proposed criteria for insurer selection. Further, we underscore that it is particularly important that FIO collect information from a broader group of insurers in the 10 Potential Climate-Vulnerable States, as currently proposed, to gain a comprehensive view of insurance markets in the most at-risk states.

(Q.4 at FR 64140) Inclusion of Data Elements: The data template includes elements related to insurers' policies, claims, premiums, and losses. Are there any additional data elements you would propose to include? Are there any data elements you would propose to exclude? How should FIO's analysis

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[23] "Top 10 Most Destructive California Wildfires (1)," Insurance Information Institute, October 2022, available at https://www.iii.org/fact-statistic/facts-statistics-wildfires#Top%2010%20Most%20Destructive%20California%20Wildfires%20(1).
[24] "California wildfire insurance crisis shows signs of easing," United Policyholders, December 18, 2021, available at https://uphelp.org/california-wildfire-insurance-crisis-shows-signs-of-easing/.
[25] See e.g., Jason Woleben, "AIG to exit California homeowners insurance market at January-end," S&P Global Market Intelligence, January 25, 2022, available at https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/aig-to-exit-california-homeowners-insurance-market-at-january-end-68512476; "California wildfire insurance crisis shows signs of easing," United Policyholders, December 18, 2021, available at https://uphelp.org/california-wildfire-insurance-crisis-shows-signs-of-easing/.
[26] Gretchen Frazee, "California's wildfire victims could be like most homeowners: underinsured," PBS, December 17, 2018, available at https://www.pbs.org/newshour/economy/making-sense/californias-wildfire-victims-could-be-like-most-homeowners-underinsured.

consider other potential elements such as additional living expenses or reinsurance?

Research has demonstrated that low-income and other marginalized communities are most exposed to environmental risks and take longer to recover from natural disasters.[27] FIO should collect data on claim delays, underpayments, and denials, which are becoming increasingly common,[28] impeding policyholders' capacity to quickly rebuild following a climate-related disaster. Additionally, FIO may wish to add a qualitative section to the call for data in which firms can discuss how they account for climate-related risks in underwriting and how they may be adapting existing products to meet evolving needs.

(Q.6 at FR 64140) Selection of Reporting Period: FIO proposes collecting data for each year from 2017 through 2021. Please provide your views on the appropriateness of this reporting period and whether it should be modified by FIO.

We support FIO's proposal to collect data from 2017-2021, which could help uncover important trends in how insurers have adapted underwriting practices considering some of the most destructive and costliest natural disasters in recent history.[29]

(Q.7 at FR 64140) Collection at ZIP Code level: Please provide your views on FIO's proposal to collect data at a ZIP Code level.

Climate change's effects are pervasive and differ by geography, necessitating granular data disclosure to better understand the risks posed on the insurance sector and the impact of climate risks across households of different income, racial, and ethnic backgrounds. FIO proposes to collect data at the ZIP Code level for all U.S. ZIP Codes included in the representative sample for the purpose of a nationwide assessment. Although aggregating and reporting data at the Zip Code level can certainly facilitate a more granular assessment than the collection of data at the state level, we recommend that homeowners' insurance data be aggregated and made available at the census tract level, except where privacy concerns prevent it.

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[27] Fourth National Climate Assessment, "Volume II: Impacts, Risk, and Adaptation in the United States," available at https://nca2018.globalchange.gov (last accessed December 2022).
[28] Sophie Kasakove, "For Storm Victims, Rebuilding Becomes the Disaster After the Disaster," New York Times, February 27, 2022, available at https://www.nytimes.com/2022/02/27/us/hurricane-damage-insurance.html.
[29] See e.g., Insurance Information Institute, "Facts + Statistics: US Catastrophes," available at https://www.iii.org/fact-statistic/facts-statistics-us-catastrophes (last accessed December 2022).

Zip Codes are often utilized for aggregating individual level data in the Public Health field,[30] where protected health information is routinely de-identified and aggregated at a geographic level that is large enough to comply with the HIPAA privacy rule.[31] There are, however, several challenges associated with the use of Zip Codes, particularly when performing spatial analysis.[32] Zip Codes are not actual areas with boundaries delineated by the United States Postal Service but represent a collection of mail delivery routes. They don't represent neighborhoods homogeneous in terms of socioeconomic and political characteristics but rather consist of street sections, collections of streets, individual establishments, or groups of post office boxes.[33] Most importantly, they vary significantly in terms of size, shape, and population. Since Zip Code delineations change relatively frequently – because of changes in delivery routes or because of discontinuation or addition of Zip Codes – databases based on Zip Codes need to be updated on a regular basis. Furthermore, longitudinal analyses of data aggregated at the Zip Code level are nearly impossible to perform since Zip Code delineations are inconsistent over time.

To facilitate the aggregation of small area socioeconomic data at the Zip Code level, the U.S. Census created the Zip Code Tabulation Areas (ZCTAs), generalized areal representations of Zip Code service areas delineated based on aggregated census blocks for which census data are available since Census 2000.[34] The U.S. Census Bureau routinely publishes data by ZCTA. ZCTAs, however, are not strictly equivalent to USPS Zip Codes. In addition, they do not nest within other census-designated areas, such as counties and cities, making analyses combining

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[30] See e.g., Nancy Krieger, Pamela Waterman, Jarvis T. Chen, Mah-Jabeen Soobader, S.V. Subramanian, and Rosa Carson, "Zip Code Caveat: Bias Due to Spatiotemporal Mismatches Between Zip Codes and US Census–Defined Geographic Areas—The Public Health Disparities Geocoding Project," Am J Public Health (92(7))(2002): 1100–1102, available at https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1447194/; Richard Casey Sadler, "How ZIP codes nearly masked the lead problem in Flint," Visionscarto, November 15, 2016, available at https://visionscarto.net/zip-codes-flint#:~:text=This%20is%20referred%20to%20in%20geography%20as%20the,between%20the%20city%20of%20Flint%20and%20outlying%20municipalities.

[31] National Institutes of Health, "How Can Covered Entities Use and Disclose Protected Health Information for Research and Comply with the Privacy Rule?" available at https://privacyruleandresearch.nih.gov/pr_08.asp (Last accessed December 2022).

[32] "The Trouble with ZIP Codes: Solutions for Data Analysis and Mapping," At These Coordinates, available at https://atcoordinates.info/2020/05/11/the-trouble-with-zip-codes-solutions-for-data-analysis-and-mapping/.

[33] See e.g., "The Untold Story of the ZIP Code," US Postal Service Office of Inspector General, April 1, 2013, available at https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-13-006_0.pdf.

[34] United States Census Bureau, "ZIP Code Tabulation Areas (ZCTAs)," available at https://www.census.gov/programs-surveys/geography/guidance/geo-areas/zctas.html (Last accessed December 2022).

data aggregated by Zip Code with those published by other census geographies very challenging, even when using geographic relationship files or crosswalks.[35]

The ability to perform analyses of socioeconomic and housing data by combining data coming from different sources is largely dependent on the possibility of identifying data that are aggregated based on consistent areal units of analysis. For this reason, we recommend that homeowners' insurance data are collected at the census tract level. Census tracts, which typically contain a population averaging 4,000-5,000 individuals (in contrast with Zip Codes, which usually average 30,000 individuals), represent relatively permanent neighborhoods that are homogeneous from a socioeconomic perspective and in terms of their built environment. Since census characteristics and other relevant housing-related data, such as Home Mortgage Disclosure Act data, are regularly published at the census tract level, it is very important to publish homeowner insurance data at the census tract level as well in order to facilitate the merging, analysis, and cross-sectional and longitudinal studies of housing data.

(Q.8 at FR 64140) Collection across all Jurisdictions: FIO is proposing to collect nationwide data for identified insurers to allow for a nationwide understanding and assessment of U.S. insurance markets that may be affected by climate-related events. Please provide your views on FIO's proposal to collect nationwide data from certain insurers.

No U.S. state will be exempt from the physical and economic effects of climate change[36] – effects that frequently cross state borders. A systematic, nationwide collection and review of climate-related financial data is central to fulfilling FIO's mandate of monitoring risks to the insurance industry and to the financial system.

(Q.11 at FR 64141) Annual Collection: Please provide your views on whether FIO should collect this information from U.S. insurers on an annual basis.

As part of its ongoing monitoring, FIO should collect this information annually going forward. FIO should also be cognizant of how the increased frequency of natural disasters could affect insurers and consider collecting such data more often (e.g., quarterly), if needed to fully understand and stay on top of growing risks.

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[35] United States Census Bureau, "Relationship Files," available at https://www.census.gov/geographies/reference-files/time-series/geo/relationship-files.html (Last accessed December 2022).

[36] See e.g., Al Shaw, Abrahm Lustgarten, ProPublica, and Jeremy Goldsmith, "New Climate Maps Show a Transformed United States," ProPublica, September 15, 2020, available at https://projects.propublica.org/climate-migration/; National Oceanic and Atmospheric Administration, "Data Snapshots," available at https://www.climate.gov/maps-data/data-snapshots (Last accessed December 2022).

(Q.12 at FR 64141) Analysis of Availability: Please provide your views on how FIO should assess the impact of climate-related risks on the availability of insurance; and
(Q.13 at FR 64141) Analysis of Affordability: Please provide your views on how FIO should assess the impact of climate-related risks on the affordability of insurance.

As previously noted, the cost of climate-induced natural disasters is already impacting insurance availability and affordability, particularly for communities most vulnerable to climate change's effects. Information collected should be utilized to identify gaps in coverage and to inform FIO's reports and recommendations to key stakeholder groups (see response to Q.14 for additional considerations).

(Q.14 at FR 64141) Additional Comments: Please provide any additional comments that may be relevant to FIO's proposed data collection and analyses.

CAP recommends that FIO expeditiously review comments from this Proposal and formally issue a data call from insurers. The data received should be made available to the public and, where possible, disaggregated by income level, race, ethnicity, and gender.

Additionally, FIO should coordinate closely with the Treasury Department's Office of Financial Research to analyze the data and derive insights that can be used to inform FIO updates and recommendations to state legislatures and insurance regulators, insurers themselves, consumers, and FSOC. Research focus areas could include:

- Identification and development of "best practice" policies that address the unique and pervasive risks climate change poses on the insurance sector;
- Examination of the extent to which insurance firms limit services or make services increasingly unaffordable, with a particular focus on effects on low-income communities and communities of color; and
- Investigation of trends in claim delays, underpayments, and denials.

In addition to underwriting, insurers also diversify risk through investing revenue from premiums into capital markets and through reinsurance. While the Proposal has an explicit consumer focus, FIO may also wish to collect information on insurers' investment portfolios to understand the extent to which insurance firms are exposed to carbon-intensive sectors which contribute to climate-induced weather events and accelerate multibillion-dollar losses for the industry. Moreover, analysis by S&P Global found that reinsurers may be underestimating

their exposure to climate-induced risks by 33%-50%.[37] Given their function as insurance for insurers, FIO may also wish to gather data from reinsurers.

Lastly, recent disasters such as Hurricane Ian have demonstrated deficiencies in firms' individual financial health. Insurers are exiting disaster-prone markets or declaring insolvency, contributing to a greater availability crisis in the areas most in need of coverage.[38] FIO may want to collect information on how firms are integrating climate considerations into their risk management procedures.

Conclusion

We commend FIO for undertaking this proposal and continuing to develop its capacity relating to the insurance sector's exposure to climate-related financial risks. As climate-related financial risks increasingly affect insurers, FIO must have access to comparable and consistent data to adequately fulfill its statutory mandate of monitoring the industry and the extent to which traditionally underserved communities have access to affordable insurance products. We urge FIO to work quickly to assess the comments received on this proposal and take the important step of issuing a data call to selected insurers.

If you have questions related to the considerations outlined above, please contact Lilith Fellowes-Granda, Senior Policy Analyst for Financial Regulation and Corporate Governance, at lfellowesgranda@americanprogress.org.

Regards,
Center for American Progress

[37] Dennis Sugrue, "Global Reinsurers Grapple with Climate Change Risks," S&P Global Ratings, September 23, 2021, available at https://www.spglobal.com/ratings/en/research/articles/210923-global-reinsurers-grapple-with-climate-change-risks-12116706.
[38] Becky Sullivan, "Florida's property insurance market was already under stress. Ian could make it worse," NPR, October 6, 2022, available at https://www.npr.org/2022/10/06/1127083845/hurricane-ian-florida-property-insurance.