



December 4, 2023

Office of Information and Regulatory Affairs
Office of Management and Budget
Executive Office of the President

Re: Agency Information Collection Activities; Submission for OMB Review; Comment Request; Federal Insurance Office Climate-Related Financial Risk Data Collection for U.S. Homeowners Multi-Peril Underwriting Data

The Center for American Progress (CAP) welcomes the opportunity to submit comments to the notice of information collection submitted to the Office of Information and Regulatory Affairs (OIRA) for Paperwork Reduction Act review and clearance and titled *Federal Insurance Office Climate-Related Financial Risk Data Collection for U.S. Homeowners Multi-Peril Underwriting Data*.¹ CAP is an independent, nonpartisan policy institute dedicated to improving the lives of all Americans, through bold, progressive leadership and action.

We strongly support the Federal Insurance Office's (FIO) proposed data call, which will provide critical information in understanding of climate-related financial risks on insurance markets and its effects on consumers and households. Therefore, we urge OIRA to approve the FIO's proposed data collection without delay.

Climate-related financial risks go beyond individual insurers, affecting insurance markets, consumers, and the financial system as a whole

Insurers play an integral role in the U.S. financial system and the economy at large. By pooling and transferring risk and backstopping against adverse events, the insurance sector provides an essential function to households and businesses. Insurance companies are already being forced to confront the well-documented reality of climate-related financial risks. The recently released Fifth National Climate Assessment estimates that extreme events cost the U.S. nearly \$150 billion

¹ Federal Insurance Office, Departmental Offices, Department of the Treasury, "Agency Information Collection Activities; Submission for OMB Review; Comment Request; Federal Insurance Office Climate-Related Financial Risk Data Collection for U.S. Homeowners Multi-Peril Underwriting Data," Federal Register, November 2, 2023, available at <https://www.federalregister.gov/documents/2023/11/02/2023-24248/agency-information-collection-activities-submission-for-omb-review-comment-request-federal-insurance>.
<https://www.federalregister.gov/documents/2023/11/02/2023-24248/agency-information-collection-activities-submission-for-omb-review-comment-request-federal-insurance>

each year.² In 2022 alone, natural disasters caused nearly \$100 billion in insured property losses.³

Frequent and intensifying weather events have prompted insurer withdrawals and sharp premium increases.⁴ Companies are exiting climate-vulnerable markets as seen in the recent reports of State Farm General Insurance Company and Allstate Corporation ending new contracts in California.⁵ In describing its recent decision to halt new policies in Florida, Farmers Insurance Group stated, “With catastrophe costs at historically high levels and reconstruction costs continuing to climb, we implemented a pause on writing new homeowners policies to more effectively manage our risk exposure.”⁶ Where insurers choose to stay, they are sharply increasing premiums, forcing some consumers to cut back on coverage altogether.⁷ The growing unavailability and unaffordability of insurance may stand to disproportionately harm low-income communities and communities of color, who are most affected by climate change-induced natural disasters.

² The White House, “FACT SHEET: Biden-Harris Administration Releases Fifth National Climate Assessment and Announces More Than \$6 Billion to Strengthen Climate Resilience Across the Country,” November 14, 2023 available at <https://www.whitehouse.gov/briefing-room/statements-releases/2023/11/14/fact-sheet-biden-harris-administration-releases-fifth-national-climate-assessment-and-announces-more-than-6-billion-to-strengthen-climate-resilience-across-the-country/#:~:text=This%20year%20set%20a%20record,four%20months%20during%20the%201980s.>

³ Insurance Information Institute, “Facts + Statistics: U.S. catastrophes,” available at [https://www.iii.org/fact-statistic/facts-statistics-us-catastrophes#Estimated%20Insured%20Property%20Losses,%20U.S.%20Natural%20Catastrophes,%202012-2021%20\(1\)](https://www.iii.org/fact-statistic/facts-statistics-us-catastrophes#Estimated%20Insured%20Property%20Losses,%20U.S.%20Natural%20Catastrophes,%202012-2021%20(1)) (Last accessed November 2023).

⁴ See e.g., Christopher Flavelle, Jill Cowan and Ivan Penn, “Climate Shocks Are Making Parts of America Uninsurable. It Just Got Worse,” *The New York Times*, May 31, 2023, available at <https://www.nytimes.com/2023/05/31/climate/climate-change-insurance-wildfires-california.html>; “‘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>.

⁵ Ryan Mac, “Allstate Is No Longer Offering New Policies in California,” *The New York Times*, June 4, 2023, available at <https://www.nytimes.com/2023/06/04/business/allstate-insurance-california.html>; Noor Zainab Hussain, “State Farm stops new home insurance sales in California as wildfire risks grow,” *Reuters*, May 30, 2023, available at <https://www.reuters.com/world/us/state-farm-stops-new-home-insurance-sales-california-wildfire-risks-grow-2023-05-30/>.

⁶ Anika Hope, “Farmers Insurance Group stops writing new property policies in Florida,” *WESH 2*, June 15, 2023, available at <https://www.wesh.com/article/farmers-insurance-property-policies-florida/44189948>.

⁷ Debra Kamin, “Home Insurance Premiums Rise as Americans Flock to Weather-Worn States,” *The New York Times*, May 5, 2023, available at <https://www.nytimes.com/2023/05/05/realestate/home-insurance-climate-change.html>.

These developments also raise serious concerns about the resilience of the insurance sector and its ability to perform the risk-bearing and loss-absorbing role upon which U.S. households, businesses, and other financial companies rely. A recent report by Federal Reserve Board senior economist Benjamin Dennis describes this flow of risk, using the example of Miami residential real estate damage caused by hurricanes: “In the event of a hurricane in Miami, insurance companies take the first loss ... When insurance coverage does not exist or is insufficient, losses spill over to homeowners. If homeowners default for whatever reason, losses accrue to mortgage originators or purchasers depending on their exposure.”⁸ These systemic risks may stand to threaten the health of the financial system as a whole, necessitating action by the FIO and other federal financial agencies to address.

Data collection and monitoring of insurance markets fit squarely within the FIO’s statutory mandate

The FIO’s efforts to collect climate-related financial risk data from insurers are central in carrying out its mission of monitoring risks to the insurance sector and the industry’s ability to serve consumers.

The Financial Crisis of 2007-2008 highlighted the need for more systematic oversight of insurance markets. In the Dodd-Frank Wall Street Reform and Consumer Protection Act, Congress responded by establishing the FIO and entrusting it 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.” Dodd-Frank also tasks the FIO “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 duties.⁹ In furtherance of these mandates, Congress explicitly authorized FIO to collect data from the insurance industry and the capacity to enforce these requests through subpoena if necessary.¹⁰ The FIO’s Director also provides valuable expertise as a non-voting member of the Financial Stability Oversight Council (“FSOC”).¹¹

Climate-related risks often are not confined to state borders, and therefore present challenges for state insurance regulators in understanding and addressing these

⁸ Benjamin Dennis, “Household, Bank, and Insurer Exposure to Miami Hurricanes: A Flow-of-Risk Analysis” (Washington: Board of Governors of the Federal Reserve System, 2023), available at <https://www.federalreserve.gov/econres/feds/household-bank-and-insurer-exposure-to-miami-hurricanes-a-flow-of-risk-analysis.htm>.

⁹ Legal Information Institute, “31 U.S. Code § 313 - Federal Insurance Office,” last accessed November 2023, available at <https://www.law.cornell.edu/uscode/text/31/313>.

¹⁰ Ibid.

¹¹ Ibid.

risks for the institutions they supervise. The FIO is playing a key role in identifying and addressing supervisory gaps with respect to climate-related financial risks.¹² The proposed nationwide data collection is another important step toward gaining a first-of-its-kind, comprehensive understanding of the magnitude of risk insurers bear, as well as where gaps exist that could detrimentally impact consumers, especially communities most vulnerable to the effects of climate change, and lead to widespread defaults and asset losses.

Dodd-Frank recognized that federal oversight of financial institutions, such as the insurance industry, is essential to monitoring the stability of the financial system on which all Americans rely. Additionally, through its role on the FSOC, the FIO should have access to the Office of Financial Research's Joint Analysis Data Environment (JADE) climate and financial database to supplement and inform the FIO's continued work in this area.¹³ The potential for catastrophic harms to consumers and the economy and for self-dealing on the part of industry are too significant and warrant the comprehensive collection and analysis of insurance data by the FIO.

The FIO data collection proposal errs on the side of minimizing the burden on insurers

We are encouraged that this updated proposal retains several important elements, including a nationwide geographic scope from its October 2022 proposal.¹⁴ While CAP initially advocated for the FIO to collect information from insurers at the more granular, census tract level,¹⁵ we believe collecting this information at the ZIP

¹² See, U.S. Department of Treasury, "Treasury's Federal Insurance Office Releases Report Assessing Climate-Related Risk, Gaps in Insurance Supervision," June 27, 2023, available at <https://home.treasury.gov/news/press-releases/jy1579>; Federal Insurance Office, Departmental Offices, Treasury, "Agency Information Collection Activities; Proposed Collection; Comment Request; Federal Insurance Office Climate-Related Financial Risk Data Collection," Federal Register, October 21, 2022, available at <https://www.federalregister.gov/documents/2022/10/21/2022-22880/agency-information-collection-activities-proposed-collection-comment-request-federal-insurance>; Federal Insurance Office, Departmental Offices, Department of the Treasury, "Federal Insurance Office Request for Information on the Insurance Sector and Climate-Related Financial Risks," Federal Register, August 31, 2021, available at [https://www.federalregister.gov/documents/2021/08/31/2021-18713/federal-insurance-office-request-for-information-on-the-insurance-sector-and-climate-related#:~:text=The%20Federal%20Insurance%20Office%20\(FIO,sector%20and%20climate%2dRelated%20financial](https://www.federalregister.gov/documents/2021/08/31/2021-18713/federal-insurance-office-request-for-information-on-the-insurance-sector-and-climate-related#:~:text=The%20Federal%20Insurance%20Office%20(FIO,sector%20and%20climate%2dRelated%20financial).

¹³ Office of Financial Research, "Joint Analysis Data Environment (JADE)," last accessed November 2023, available at <https://www.financialresearch.gov/data/joint-analysis-data-environment/>.

¹⁴ Federal Insurance Office, Departmental Offices, Treasury, "Agency Information Collection Activities; Proposed Collection; Comment Request; Federal Insurance Office Climate-Related Financial Risk Data Collection," Federal Register, October 21, 2022, available at <https://www.federalregister.gov/documents/2022/10/21/2022-22880/agency-information-collection-activities-proposed-collection-comment-request-federal-insurance>.

¹⁵ Lilith Fellowes-Granda, "Comment Letter: Federal Insurance Office Climate-Related Financial Risk Data Collection," Center for American Progress, December 20, 2022, available at

Code-level will glean valuable insights while limiting the burden on insurers. Importantly, the FIO also expanded the collection to cover a six-year period (2017-2023) and indicated that it would conduct climate-related data collections and analyses on an ongoing, annual basis.

At the same time, we note that this proposal was narrowed in several fundamental ways that will reduce the burden on insurers in complying. For instance, the November 2023 proposal cut the number of data fields related to policy information, claims, and premiums from 15 to 7. We feel many of the fields that were removed would be valuable in furthering the FIO's understanding of climate-related impacts on insurance markets and consumers without adding unreasonable burdens to insurers, especially given the fact that nearly all information is maintained digitally and easily manipulated for different purposes.

Additionally, the November 2023 proposal notes that the data collection will only focus on owner-occupied homeowners' multi-peril insurance policies issued on the form "HO-3." While this may reduce the burden on insurers in complying with the FIO's collection, this narrowed focus omits numerous business lines that are being affected by climate change-induced disasters. It is our strong hope that the FIO will consider expanding the collection to additional lines of business, such as renters insurance, in the future. However, we note that the narrower scope of the data call will enable FIO to test the efficiency and effectiveness of its processes for collecting data from insurers for this initial exercise.

Finally, to maximize the value of the collection, we hope that the FIO will make as much of this information public as possible under the law. We believe this can be done without violating confidentiality or competitiveness considerations. Insurance is an industry that operates on proprietary modeling and data to price risk. Efforts by states to collect climate-related risk data have been piecemeal to date, meaning that regulators are likely working off incomplete information.¹⁶ This proposed data collection—and future collections—may not only prove invaluable to furthering the FIO's statutory mandate, but also to the critical efforts of the Financial Stability Oversight Council, state insurance regulators, insurers, other financial companies, and academics and researchers in assessing threats to consumers and the financial system posed by the current state of insurance markets.

Conclusion

https://www.americanprogress.org/wp-content/uploads/sites/2/2022/12/FIO-climate-related-financial-risk-data_final.pdf.

¹⁶ Lilith Fellowes-Granda, "Insurers' Failure on Climate Disasters Imperils Financial System," Bloomberg, July 11, 2023, available at <https://www.bloomberg.com/opinion/articles/2023-07-11/climate-disasters-should-put-insurers-under-federal-oversight>.

We commend the FIO for undertaking this proposal and continuing to develop its capacity relating to the insurance sector's climate-related financial risks and consumer impacts. As climate-related financial risks increasingly affect insurers, the FIO must have access to comparable and consistent data to adequately monitor the insurance industry and the impacts on communities that have been traditionally underserved. We hope that OIRA will move expeditiously to approve this data collection proposal so that the FIO can begin collecting this information promptly.

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