



December 4, 2023

**SUBMITTED ELECTRONICALLY AT *Reginfo.gov***

The Office of Management and Budget  
725 17th Street, NW  
Washington, DC 20503

**RE: Federal Insurance Office Climate-Related Financial Risk Data  
Collection for U.S. Homeowners Multi-Peril Underwriting Data  
ICR Reference Number: 202311-1505-001**

On behalf of the Natural Resources Defense Council (NRDC), we write to express our strong support for the Office of Management and Budget's (OMB) approval, without delay, of the Department of the Treasury's Federal Insurance Office (FIO) final proposed "Climate-Related Financial Risk Data Collection for U.S. Homeowners Multi-Peril Underwriting Data" ("data collection" or "data call").

NRDC is an international nonprofit environmental organization with more than 3 million members and online activists. Since 1970, our lawyers, scientists, and other environmental specialists have worked to protect the world's natural resources, public health, and environment. NRDC has offices in New York City, Washington D.C., Los Angeles, San Francisco, Chicago, Montana, and Beijing. Through its finance and legal experts, NRDC remains engaged in financial regulation and views sensible financial regulation as an integral part of mitigating climate change.

We appreciate the opportunity to inform OMB's review of FIO's data collection, as it is an important step to assess climate-related exposures, their effects on insurance availability for policyholders, and how they can disrupt insurance coverage in regions of the country vulnerable to climate change impacts.

The data collection is an essential part of FIO's work in response to President Biden's Executive Order on Climate-related Financial Risk, which called on FIO to "assess, in consultation with States, the potential for major disruptions of private insurance coverage in regions of the country particularly vulnerable to

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climate change impacts.”<sup>1</sup> The executive order has a purpose of analyzing and mitigating the risk climate change poses to homeowners and consumers, businesses and workers, and the financial system and Federal Government itself.

The data collection will also advance FIO’s statutory mandates, including to monitor the extent to which traditionally underserved communities and consumers, minorities, and low- and moderate-income persons have access to affordable insurance products and to monitor all aspects of the insurance industry. This mandate and data collection additionally align with the goals of the President’s Executive Order on Advancing Racial Equity and Support for Underserved Communities through the Federal Government.<sup>2</sup>

According to the Fifth National Climate Assessment,<sup>3</sup> the estimated annual cost to the US economy from extreme weather events caused by climate change is \$150 billion. Based on research coordinated by 14 participating US government agencies, the U.S. now experiences, on average, a weather or climate disaster that causes in excess of \$1 billion in economic losses every three weeks, compared to once every 4 months in the 1980s. Between 2018 and 2022, 89 such events affected the U.S., including 4 droughts, 6 floods, 52 severe storms, 18 tropical cyclones, 5 wildfires, and 4 winter storm events.

The increasingly prevalent and severe hazards caused by climate change pose a massive threat to housing stability, affordability, and safety for Americans nationwide.<sup>4</sup> Purchasing insurance policies is an action any individual can take to protect their property from the effects of climate-driven disasters. Many Americans who own their home do not have a choice as to whether to purchase these policies, as their mortgage lenders generally require them to take out homeowner’s insurance, and, depending on location, flood, wind, or fire policies.

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<sup>1</sup> The White House, *Executive Order on Climate-Related Financial Risk*. May 20, 2021. <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/20/executive-order-on-climate-related-financial-risk/>

<sup>2</sup> The White House, *Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*. January 20, 2021. <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/>

<sup>3</sup> Jay, A.K. Et al, *Fifth National Climate Assessment (NCA5), U.S. Global Change Research Program*, 2023. <https://doi.org/10.7930/NCA5.2023.CH1>; <https://nca2023.globalchange.gov/>

<sup>4</sup> National Oceanic and Atmospheric Association. *Climate Change Impacts*. Accessed December 20, 2022. <https://www.noaa.gov/education/resource-collections/climate/climate-change-impacts>

Renters can purchase coverage for the contents of their rental property through private insurers and can get additional hazard specific coverages, like those provided by the National Flood Insurance Program. Renters also are impacted by their landlord's ability to rebuild after a disaster, including through the purchase of adequate insurance coverage. Therefore, the cost and availability of insurance is deeply related to a household's monthly housing costs and its ability to recover from damages following severe weather.

The availability and affordability of insurance is a crucial housing issue: it will determine who is able to afford to live in areas that are vulnerable to extreme weather, and who will be most able to recover from disasters. Lack of availability of affordable insurance will affect not only homeowners, tenants, and small businesses, it may have serious implications for the nation's financial stability.<sup>5</sup>

Unfortunately, the public and even financial regulators do not currently have access to the data necessary to systematically understand insurance trends on a national level and the harm to consumers, or the data to monitor the potential for systemic financial risk that may spill over into the broader financial system.

### **FIO's Final Proposed Data Call**

The data call will require certain homeowners insurance providers to disclose details about their premiums, claims, and overall climate-related exposures and how that affects insurance availability for policyholders, covering the past six years of underwriting data. This data will be collected by zip code, rather than at the state or nationwide level where information is currently available. However, FIO scaled back the data call from its earlier proposal, reducing the number of insurers impacted and cutting back the requested data points by half, including claims denials.

FIO has accurately assessed that consistent, comparable, and granular data are needed to evaluate how climate change is harming insurance consumers and to fulfill FIO's mandate to evaluate impacts on low- and moderate-income, minority, and traditionally underserved communities. FIO took a necessary step with this data call to better understand how climate change is affecting insurers' coverage and pricing decisions for consumers by releasing a notice of data collection which will come from some of the largest providers of homeowners insurance in the US.

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<sup>5</sup> Public Citizen. *Groups Call on FSOC to Take Action on Insurance*. November 1, 2023. <https://www.citizen.org/article/groups-call-on-fsoc-to-take-action-on-insurance/>

We support FIO's moving forward with this data collection and making this data public, because the ability for states and local governments and other stakeholders to make tailored policies to protect communities from the physical and financial impacts of climate change depends on publicly available, granular data.

### **Data Collection Reasons for Approval**

FIO has designed its data collection in a manner that the information should be (1) accurate, in coming directly from insurers; (2) helpful in that a variety of stakeholders are desperately seeking this information; and (3) at a level of detail that should help FIO monitor (i) the potential for major disruptions of private insurance coverage in climate-vulnerable regions of the country, and (ii) the extent to which traditionally underserved communities and individuals have access to affordable insurance products, both of which align with FIO's mandate and the stated goals of the data collection.

FIO has considered and addressed in its data call concerns related to privacy and proprietary information by specifying that when it publishes analyses based on the data it collects, those analyses will be based on group-level submissions that will be aggregated across insurance groups to the ZIP Code level.

FIO has addressed concerns about appropriate use of the public's time and efficiency of data collection, for example in trimming down its collection from 15 data fields in the initial proposal to only 7 data fields in the final proposal, and cutting Homeowners Multi-Peril from six form types down to one form type covering only Owner Occupied Homeowners (form type HO-3). Also, this data is complementary rather than duplicative of data which has been previously collected from NAIC related to climate.

The information and analysis from FIO's data collection will have actual, timely use for the agency, the public and other stakeholders, and other federal regulators (financial and nonfinancial), especially the Federal Stability Oversight Council, of which FIO is a non-voting member. This data collection and analysis should help inform private and public efforts at the federal, state, and local levels to target pre-disaster mitigation measures and to improve policy in this area.

Systemic risks can lead to large fiscal impacts, where taxpayers are being required unwillingly to shoulder costs. Information that would help quantify the extent and nature of insurance coverage gaps is increasingly important because, as noted in U.S. Senate Budget Committee [hearings](#) in July 2023, "it is the federal government who is disproportionately footing the bill for billion in grants and

loans to expedite reconstruction of this infrastructure”<sup>6</sup>; for example, in Florida. Insurance coverage gaps, when combined with accumulating shifts in normal weather conditions contribute to economic stress on states, counties, municipalities, the federal government, as well as ratepayers and taxpayers, and reduces revenues that could be used for public works expenditures.

Unlike other stakeholders such as the state insurance departments, FIO has a duty to respond to emerging threats to financial stability posed by the growing insurance gap, promoting measures that build the capacities of financial institutions, municipalities, and consumers—particularly in LMI and BIPOC communities—to manage climate risks, and that ensure a just allocation of risks and related costs.<sup>7</sup>

Finally, and related to financial stability, FIO serves as a bridge to federal financial regulators who are raising concerns about insurance and are seeking more information from relevant stakeholders.

### **More is Still Needed**

We urge OMB to approve FIO’s data collection, because there is no time to waste as the climate crisis proceeds and the insurance markets falter. Indeed, rather than scaling back this data collection from the original proposal, FIO should have gone further. We need more data to fully capture the harm to consumers from steep increases in prices or withdrawals of coverage, disparate impacts on BIPOC and underserved communities, and the potential for systemic financial risk that may spill over into the broader financial system.

#### *FIO should include transition risk data in its data collection*

Although we appreciate that the proposed data collection is intended to focus on how climate change physical risk may jeopardize insurance policy availability, we believe the current exercise is also a valuable opportunity to collect data on the transition risk residing on the asset side of insurance companies’ balance sheets.

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<sup>6</sup> Keenan, Jesse M., Testimony on *Fiscal and Economic Implications of Climate Change on Infrastructure Systems in the United States: Hearing Before the U.S. Senate Committee on the Budget*, 118 Cong. 4-5 (2023). <https://www.budget.senate.gov/imo/media/doc/Dr.%20Jesse%20M.%20Keenan%20-%20Testimony%20-%20Senate%20Budget%20Committee.pdf>

<sup>7</sup> Jung, Hyeyoon et al. *Measuring the Climate Risk Exposure of Insurers*. July 2023. [https://www.newyorkfed.org/medialibrary/media/research/staff\\_reports/sr1066.pdf?sc\\_lang=en](https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr1066.pdf?sc_lang=en)

Impairments and market declines in the value of investments facing transition risk, such as investments in fossil fuel producers, are a major concern facing insurers. To pay liabilities stemming from payouts on policies they sell, insurers generally invest the premiums they receive on those policies in the capital markets, making insurance companies some of the most significant institutional investors in the market. According to one estimate, U.S. insurance companies have \$582 billion invested in fossil fuels<sup>8</sup>. In order to understand the risks insurers face beyond policy payouts, we must assess their investment portfolios and the impact climate will have on the asset side of the balance sheet.

To help assess the extent of the financial risk to insurance company balance sheets posed by climate change, the FIO should expand its data collection to encompass transition risk, such as the risk posed by investments in the fossil fuel industry.

*The FIO should request information on wind insurance, private flood, supplemental insurance, and renter's insurance.*

Property and casualty insurance will provide baseline data for assessments, but it does not provide all pertinent data needed to fully grasp the climate-related exposures on insurers. The FIO should request data on the uptake of supplemental coverages, such as basement backup policies in urban areas where flooding is not caused by rivers or storm surges, but rather by sewage backing up into basements. We also recommend that the FIO determine which states have active private flood insurance markets, for both residential and commercial properties. Additionally, the FIO should look at renters' insurance coverage in addition to homeowners. This will provide a more complete view of the residents in climate disaster-prone areas, and how exposed an insurer's liabilities are to climate change. Wind-related disasters are not universally covered by multi-peril homeowner policies. While some states like Texas and North Carolina have their own wind insurance facilities, most states lack wind related policies.

Louisiana and Florida, in particular, have seen several insurers declare bankruptcy this year, even before Hurricanes Ian and Nicole. The FIO should work to understand which lines of coverage contributed to those failures and what ripple effect it will have across those states.

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<sup>8</sup> Mufson, Steven. *What could finally stop new coal plants? Pulling the plug on their insurance.* 26 October 2021. <https://www.washingtonpost.com/climate-environment/2021/10/26/climate-change-insurance-coal/>

*The National Risk Index is a useful resource but has limitations.*

The National Risk Index (NRI) is based on historical data and does not provide projections of future risk. Furthermore, it is heavily weighted toward financial exposure: areas rated as highest risk are those with more dense and expensive assets and where property damage totals may be high. However, for assessing risk faced by low-wealth populations or rural areas, a metric that is heavily weighted towards expensive properties and assets may not provide the clearest picture. To compensate for using only the financial exposure component of the NRI, the FIO should consider other components of risk, not just financial exposure. Towards that end, the FIO should consider a wider array of data such as FEMA (Federal Emergency Management Agency) Individual Assistance grants, health and workers compensation claims data, and information on displacement from homes. These, when combined with NRI, may provide a clearer picture of high-risk areas for low-wealth populations.

*FIO should request data of non-renewals for homeowners and rental policies*

The FIO needs to understand where gaps of insurance coverage exist due to affordability and/or availability issues. The FIO should request data of policies that have chosen not to be renewed, which could signify geographic areas where gaps in insurance might arise due to affordability issues. For example, in California, the 2017–2018 wildfires caused significant turbulence in the state’s insurance market, with non-renewals of residential insurance policies jumping by 31 percent to 235,250 in 2019 alone<sup>9</sup>. The FIO should also distinguish non-renewals (i.e., policy not renewed at the policy holders’ discretion) and termination of coverage by the insurer. It would be helpful, as able, for the FIO to figure out what the insurance gap is in states. Being able to compare the number of multi-peril policies, hazard specific riders, and other hazard specific policies (e.g., flood and wind), that are in place compared to the number of households in each zip code would also be useful.

*Granularity of data should be at census tract-level*

Data should be requested at census tract-level for better analytical comparisons. Zip code tabulation areas reflect only USPS (United States Postal Service) service areas—rather than geographic, demographic, or government characteristics—while census tracts are specifically drawn to be comparable to

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<sup>9</sup> California Department of Insurance. *Data of Insurance Non-Renewals FAIR Plan, and Surplus Lines (2015-2019)*. 19 October 2020. <http://www.insurance.ca.gov/0400-news/0100-press-releases/2020/upload/nr104Charts-NewRenewedNon-RenewedData-2015-2019-101920.pdf>

each other, have a standard number of residents, to be internally similar, and align with other geographic units used by the census bureau—therefore they are more useful for analysis.

Disaster prone areas are often subject to declining property values, thus can potentially increase the prospect of defaults and uninsured disaster losses. This can cause insurers to withdraw underwriting policies for high-risk areas, which consequently will decrease investments in these communities causing a decline in the local tax base needed to pay for climate resiliency upgrades. Instances of such acts include insurers pulling out of coverage in California due to wildfires<sup>10</sup>, and in Louisiana, where losses from hurricanes could prompt insurers to withdraw from the state<sup>11</sup>; for example, damage from Hurricane Ida in 2021 caused the shuttering of two regional insurers<sup>12</sup>. For this reason, we need granular data based on census tract data on all geographies to understand where gaps exist in coverage.

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We thank the OMB for its consideration of our comments, and we would be glad to follow up if you wish to speak with us about any aspect of them.

Sincerely,

Alfonso Pating  
Anna Weber  
Rob Moore  
Sarah Dougherty  
Natural Resources Defense Council  
1152 15th Street NW  
Suite 300  
Washington, DC 20005

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<sup>10</sup> Vankin, Jonathan. *California's Fire Insurance Crisis: Why It Happened and What Can Be Done to Fix It*. 23 September 2021. <https://californialocal.com/localnews/statewide/ca/article/show/635-california-fire-insurance-crisis/>

<sup>11</sup> Finch II, Michael. *Louisiana's Homeowners Insurance Market Straining Under Weight of 600,000 Claims*. 2 April 2022. [https://www.nola.com/news/article\\_1aa57ff2-b205-11ec-8b04-5391d3bc8214.html](https://www.nola.com/news/article_1aa57ff2-b205-11ec-8b04-5391d3bc8214.html)

<sup>12</sup> AP News. *2 Louisiana Insurance Company Fails After Hurricane Ida*. 5 December 2021. <https://apnews.com/article/business-louisiana-hurricanes-hurricane-ida-8c7ce612e7592879d0f7dbcf5b173f85>