

December 4, 2023

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

Re: OMB Control Number 1505–NEW, Federal Insurance Office Climate-Related Financial Risk Data Collection,

A growing climate-driven insurance crisis has dominated the news this summer, confirming the reality that climate change imposes tangible financial costs that everyday Americans are paying through their insurance premiums.ⁱ At least eight large insurance companies, including State Farm, AIG, and Farmers have begun withdrawing from or limiting coverage across entire states, forcing a growing number of people to rely on barebones coverage from expensive last-resort programs.ⁱⁱ For those who are able to retain private insurance, anecdotal evidence shows that many of these vulnerable consumers are paying more for less as insurers raise premiums and cut coverage. In the aftermath of climate-related disasters, investigations into long delays and underpayments from underprepared insurers show that insurers' post-disaster profit-seeking strategies can be devastating for the recovery of vulnerable communities.ⁱⁱⁱ

As climate harms increase, these trends will only accelerate. A climate-driven industry retreat is set to create an affordability crisis that threatens Americans' homes, life savings, and the economies of already vulnerable regions. Yet a widely recognized lack of comprehensive, neighborhood-level data obscures the full extent of the problem, impeding efforts to protect insurance consumers, monitor potential systemic risks, and inform climate adaptation efforts.^{iv} While anecdotal data, voluntary industry surveys, and data from last-resort programs have effectively raised the alarm, these data do not paint a full picture, and selective disclosures from insurers can just as easily be used to exploit a crisis as they can to solve it.^v

Public Citizen and thirty undersigned organizations applaud the Federal Insurance Office (FIO) for taking an important step forward to finalize the proposed data collection, and we urge the Office of Management and Budget (OMB) to swiftly approve the collection. Given the speed and scale at which a climate-driven insurance crisis is currently unfolding, comprehensive national data collection should be a high priority. While FIO has further narrowed an already limited proposal, the urgency of the crisis necessitates that FIO move forward to collect this data to establish a national baseline of granular data. It is essential that FIO continue to collect this data annually and expand the focus to include additional policy types and data elements over time.

A national study on climate impacts on insurance markets is necessary, inexpensive, and long overdue.

Congress created FIO with the specific authority to collect and analyze this data and a mandate to monitor impacts on low- and moderate-income, minority, and traditionally underserved communities.^{vi} In 2021, President Biden’s Executive Order on Climate-Related Financial Risk instructed the Treasury Department to direct FIO to assess the potential for major disruptions of private insurance in regions of the country particularly vulnerable to climate change impacts.^{vii} This finalized collection is a necessary step to respond to that Executive Order and fulfill FIO’s statutory mandate.

The burden of this collection should be considered in light of the enormous financial risks to homeowners, communities and the economy. Insurance industry losses now regularly exceed \$100 billion annually, and Secretary Yellen has warned that this crisis is creating a “protection gap,” as only 60% of \$165 billion in damages from 2020’s climate disasters were insured.^{viii} This risk is particularly acute for uninsured families, who stand to lose their entire life savings. But it also threatens the broader economy; a recent analysis suggests the mortgage market could be overvalued by \$200 billion due to unrealized flood risk alone.^{ix} In the context of the enormous risks to insurance companies, their policyholders, mortgage lenders, and the broader economy, the financial burden of the FIO data collection, estimated at a maximum potential cost of \$2.7 million for *all* impacted insurers, is remarkably low.^x

While insurance is regulated at the state level, a data collection from FIO is necessary due to the absence of sufficiently granular and timely data available through state regulators. After consulting with state regulators, FIO determined that four of the necessary data fields are not collected at the right level of granularity (the zip code level), and three are simply not collected by states.^{xi} While the National Association of Insurance Commissioners (NAIC) subsequently issued a press release in August with a welcome announcement that it will help states collect some of this data, it remains unclear whether or when these NAIC data calls may be implemented and how many states would participate.^{xii} A piecemeal, state-level approach will not provide the timely nationwide review necessary to allow federal financial regulators to evaluate the potential for systemic risks.

Reductions to limit paperwork already exclude crucial information.

FIO has already narrowed the proposed collection significantly, focusing on just the largest homeowners’ insurers and only one policy type. FIO cut eight of fifteen original data fields and extended the timeline for collection. While this limited collection will enable FIO to create a national baseline for analytics, these changes restrict a collection that was already too narrow when first proposed. As attention to insurance markets grows rapidly, the omission of crucial information in this collection will only appear more glaring over time.

The narrow focus on just one type of homeowners insurance, HO-3, leaves out a broad range of consumers and policy types impacted by climate change, including condominium, co-op and mobile homeowners, as well as renters. It also excludes the impact of climate change on businesses and auto insurance. While FIO has committed to analyze some publicly available information about residual markets, the absence of residual markets in the data collection will

leave out the policyholders who have been unable to find other insurance, meaning those who are likely most vulnerable to climate change.

As insurers transfer costs to policyholders by charging higher deductibles and by delaying or underpaying claims, the removal of data on deductibles and lack of data on claims closed without payment also significantly limits FIO's ability to examine how climate change is impacting insurance markets. Higher deductibles can dramatically impact a policyholder's ability to recover and receive a claim payout, particularly for marginalized communities without large savings or sufficient access to credit, and consumers may not realize the full effect of these changes until after a disaster.^{xiii} Additionally, several investigations into illicit strategies for delaying, underpaying, or denying claims show the need for further analysis, yet a lack of data on unpaid claims or delays will prevent FIO from expanding this focus to the national level.^{xiv}

Conclusion

The public cannot afford to wait for disasters to reveal further gaps in coverage, and this collection is essential to enable consumers, regulators, and legislators to understand the relationship between climate disasters and the growing insurance crisis. We urge OMB to approve FIO's data collection swiftly.

Once the data are collected, FIO should make the data accessible for further analysis by academic or independent researchers in the most granular form that meets FIO's statutory mandates. FIO should also provide detailed recommendations on how to maintain access to affordable insurance and recommend that the Financial Stability Oversight Council and Office of Financial Research investigate the effects of insurer responses to the climate crisis on financial stability.^{xv} Given the limitations of the current data collection, FIO should also plan to expand the policy forms and data fields over time to ensure that the full extent of climate impacts, particularly those impacting marginalized communities, can be accurately addressed.

Please contact Carly Fabian at cfabian@citizen.org with any questions.

Sincerely,

Public Citizen
Americans for Financial Reform
Better Markets
Center for Economic Justice
Coal Action Network
Connecticut Citizen Action Network
Consumer Watchdog
Earth Action, Inc.
Ekō
Green America
Greenpeace USA
Indigenous Environmental Network

Invest Vegan
 MN Interfaith Power & Light
 Mothers Rise Up
 National Association for Latino Community Asset Builders
 National Coalition for Asian Pacific American Community Development (National CAPACD)
 National Consumer Law Center
 National Fair Housing Alliance
 Rainforest Action Network
 Revolving Door Project
 Rise Economy
 Sierra Club
 Stand.earth
 Texas Campaign for the Environment
 The Center for NYC Neighborhoods, Inc.
 The Phoenix Group
 The Vessel Project of Louisiana
 Zevin Asset Management
 350Brooklyn
 7 Directions of Service
 Dr. Mark Blythe, Brown University

ⁱ Jacob Bogage, “[Home insurers cut natural disasters from policies as climate risks grow](#),” (September 2, 2023).

ⁱⁱ Justine McDaniel, “[Citing climate change risks, Farmers is latest insurer to exit Florida](#),” Washington Post (July 12, 2023); Public Citizen, [Insurance Giant AIG to Limit Homeowners Insurance Sales; Home insurers cut natural disasters from policies as climate risks grow](#) (June 8, 2023).

ⁱⁱⁱ Brianna Sacks, “[Insurers slashed Hurricane Ian payouts far below damage estimates, documents and insiders reveal](#),” (March 11, 2023). Consumer Watchdog, “[Up In Smoke: How Insurance Companies and the Insurance Commissioner Burn Wildfire Victims](#),” (July 11, 2022); The New York Times, “[New Suit Uses Data to Back Racial Bias Claims Against State Farm](#),” Emily Flitter (Dec. 14, 2022).

^{iv} Gregory Squires, Sally O’Connor, and Josh Silver, “[The unavailability of information on insurance unavailability: Insurance redlining and the absence of geocoded disclosure data](#),” Housing Policy Debate Vol. 12, 2001; Zac Taylor and Manuel Albers, [Climate Gentrification: Risk, Rent and Restructuring in Greater Miami](#), 112 *Annals AM. Ass-n Geographers* 1685; Daniel Schwarcz, “[Transparently Opaque: Understanding the Lack of Transparency in Insurance Consumer Protection](#),” 61 *UCLA L. Rev.* 394 (2014); Madison Condon, [Climate Services: The Business of Physical Risk](#), 55 *Arizona State Law Journal* 147 (2023), p. 206

^v David Arkush and Carly Fabian, “[Like a Bad Neighbor, State Farm is Gone](#),” *San Francisco Chronicle*, July 12, 2023; *Sierra Sun Times*, “[At healing, U.S. Senator Elizabeth Highlights Heightened Risk from Climate-Related Disasters, Calls for Transparency, Oversight from Insurance Industry and Regulators](#).”

^{vi} FIO Act, 31 U.S.C. 313 (c)(1)(B).

^{vii} White House, [Executive Order on Climate-Related Financial Risk](#) (May 20, 2021).

^{viii} Stephan Kahl, “[Insured Losses Hit \\$120 Billion as Extreme Weather Spreads](#),” *Bloomberg* (January 9, 2023); Christopher Condon and Bloomberg, “[Janet Yellen sees a ‘protection gap’ between insurance and climate change— just 60% of 2020’s \\$165 billion in losses got covered](#)” *Fortune* (July 30, 2023).

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- ^{ix} First Street, Environmental Defense Fund, Federal Reserve, and Resources for the Future, “[US Housing Market Overvalued by \\$200 Billion Due to Unpriced Climate Risks](#),” (February 16, 2023).
- ^x Department of the Treasury, [Submission for OMB Review, Federal Register Notice](#), p. 21.
- ^{xi} Ibid, p. 14.
- ^{xii} National Association of Insurance Commissioners, “[NAIC to Issue Data Call to Help Regulators Better Understand Property Markets](#),” (August 12, 2023).
- ^{xiii} [Testimony of Sharon Lewis](#), Executive Director of the Connecticut Coalition for Economic and Environmental Justice before the U.S. House Financial Services Housing and Insurance Subcommittee “Factors Influencing the High Cost of Insurance for Consumers” (November 2, 2023).
- ^{xiv} Brianna Sacks, “[Insurers slashed Hurricane Ian payouts far below damage estimates, documents and insiders reveal](#),” (March 11, 2023). Consumer Watchdog, “[Up In Smoke: How Insurance Companies and the Insurance Commissioner Burn Wildfire Victims](#),” (July 11, 2022); The New York Times, “[New Suit Uses Data to Back Racial Bias Claims Against State Farm](#),” Emily Flitter (Dec. 14, 2022).
- ^{xv} Public Citizen, “[Groups Call on FSOC to Take Action on Insurance](#),” (November 1, 2023)