



December 20, 2022

Steven E. Seitz
Director, Federal Insurance Office (FIO)
Room 1410 MT
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Re: FIO Climate-Related Financial Risk Data Collection Comments

Dear Director Seitz,

Thank you for the opportunity to comment on FIO's proposed Climate-Related Financial Risk Data Collection plan.

As a national consumer advocacy organization, the U.S. Public Interest Research Group (U.S. PIRG) is concerned about climate-related financial risks, including premium spikes and loss of coverage, posed to homeowners insurance policyholders.

We have grassroots members across the country and also have active state PIRGs in four of the ten states FIO has identified as potentially most vulnerable to climate-related weather disasters. Those states are California, Illinois, North Carolina and Texas.

We support FIO's plan to collect data from the largest property & casualty (P&C) insurers, in response to President Biden's Executive Order on Climate-related Financial Risk to assess the impact of climate change on the availability and affordability of homeowners insurance. We also have recommendations for your consideration.

Homeowners at risk

Assessing financial risks related to the underwriting of homeowners insurance is the first step toward addressing them. Risks include:

- Severe weather stoked by climate change could result in property owners' deaths, injuries, property loss, property damage or diminished property values.¹
- Insurance companies could then, as they often do, hike premiums to pass on the higher costs of claims to their customers, tightening household budgets and freezing more people out of the market entirely.²

- Those who have insurance could lose it altogether.³

FIO's plan for nationwide collection of 2017-2021 homeowners insurance policy data – including claims, premiums, losses, deductibles, and coverage limits – at least by ZIP Code will help provide accurate, consistent, comparable, and useful data to better identify and understand these risks to insurance affordability and availability at the state-wide, regional, and national levels. It will also help assess impacts on vulnerable communities.

Such data collection should also be conducted annually on an ongoing basis to monitor risks and any actions taken to manage risks, as climate-related weather events and associated financial risks continue into the future.

Recommendations

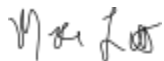
We would also like to make the following recommendations:

- Accessibility of data for research purposes: The data collected by FIO should be made available in disaggregated form so researchers can analyze it for impacts and trends.
- Management of climate-related financial risks: FIO should urge state insurance regulators to require insurers to manage climate-related risks by reducing or ending their underwriting of and investments in new fossil fuel projects. By underwriting fossil fuel-related projects, many insurance companies are perpetuating processes that lead to climate change and its related weather events.⁴ In turn, those disasters lead to rising premiums,⁵ not only for their own customers but those of other insurance companies too.
- Assessment of risks to small businesses: FIO should also look at impacts on commercial multi-peril insurance for businesses. Small businesses face many of the same risks as insurers' home-owning customers. Climate change-related weather events put properties at risk, increase the costs of claims and increase the likelihood of premium hikes for business customers as well.⁶

Thank you for taking steps to collect data that will serve as the foundation for managing climate-related financial risks.

Please consider us a willing partner for strengthening such efforts, and feel free to reach out to Mike Litt at mlitt@pirg.org.

Sincerely,



Mike Litt

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Endnotes

1. Environmental Protection Agency (EPA), *Climate Change Indicators: Weather and Climate*, accessed at <https://www.epa.gov/climate-indicators/weather-climate>, 15 December 2022. See also The Federal Reserve, *Financial Stability Report – November 2020: Near-Term Risks to the Financial System*, November 2020.
2. Anna Skinner, "Climate Change Is Costing Americans as Insurance Rates Headed for a Spike," *Newsweek*, 8 September 2022.
3. For example, Business Insider reported that many insurance providers are leaving Florida or canceling policies for reasons including weather-related risks. See Alani Asis, "Between scams and climate change, homeowners insurance costs in Florida are skyrocketing, but there are 5 things you can do to lower your bill," *Business Insider*, 13 May 2022.
4. According to the United Nations, fossil fuels are the biggest contributor to global warming. Effects of global warming include more severe and frequent storms and wildfires that start more easily. See United Nations, *Causes and Effects of Climate Change*, accessed at <https://www.un.org/en/climatechange/science/causes-effects-climate-change>, 15 December 2022.
5. See note 2.
6. According to Swiss Re, the second largest global reinsurer, "Climate-related risks are expected to result in a 22% increase in global property premiums, or up to USD 183 billion, over the next 20 years as weather-related catastrophes will likely become both more intense and frequent." See Swiss Re, *Global property & casualty insurance premiums expected to more than double to USD 4.3 trillion by 2040*, *Swiss Re Institute forecasts* (press release), 6 September 2021, <https://www.swissre.com/press-release/Global-property-casualty-insurance-premiums-expected-to-more-than-double-to-USD-4-3-trillion-by-2040-Swiss-Re-Institute-forecasts/66cbcf70-d69f-4e5e-8d87-1b389dbf9491>. See list of largest reinsurers at A.M. Best, *Top 50 Global Reinsurers - 2022 Edition*, 2022.