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Senior Insurance Regulator Policy Analyst  
Room 1410 MT  
Department of the Treasury  
1500 Pennsylvania Ave NW  
Washington, DC 20220

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

Dear Ms. Brown,

Tens of billions in [losses from Hurricane Ian](#) have drawn national attention to a growing affordability crisis in coastal insurance markets. Even before the storm hit, [400,000 Florida consumers](#) had lost their private homeowner's insurance as major insurers withdrew from the state and [six smaller insurers](#) went under. More than [1 million](#) consumers now rely on the state's expensive insurer of last resort. As they face difficult choices about how to pay for increasingly expensive insurance premiums, Florida's consumers will find cold comfort in knowing their state is not alone. Despite attempts by Florida's Chief Financial Officer to [deflect](#) blame onto "[woke](#)" [insurers](#) or the state's [supposedly unique litigation costs](#), consumers across the country are experiencing a similar affordability crisis as insurers raise costs, cut coverage, and delay payments in response to the increasing frequency and severity of climate-related disasters.

In neighboring Louisiana, [eight insurers](#) have failed this year, abruptly forcing consumers in vulnerable communities to find new policies, if they can. The number of consumers relying on the state's expensive insurer of last resort has [tripled in two years](#), and these consumers could now face a [75% rate increase](#) next year. In response to record wildfires, California has had to issue emergency moratoriums on insurance non-renewals every year for the past four years to prevent [dramatic non-renewals increases](#). The [2.4 million policyholders](#) currently protected by this year's moratorium could be at risk of losing their insurance once the moratorium lapses. If these trends continue across coastal regions and the West, the combination of a climate crisis and an insurance industry retreat could create an affordability crisis that threatens Americans' homes, life savings, and the economies of already vulnerable regions.

On behalf of Public Citizen, a national public interest advocacy group, and more than 500,000 members and supporters, we welcome the opportunity to comment on the Federal Insurance Office's (FIO's) Proposed Climate-Related Financial Risk Data Collection. We agree with FIO on the need for consistent, comparable, and granular data to advance its climate-related priorities,

and we applaud FIO for proposing to collect data on the impact of climate change on the availability and affordability of insurance. To truly meet this goal, FIO must collect all relevant information about insurance, and not limit its collection based on industry pushback.

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. Pursuant to that same order, the Financial Stability Oversight Council [recognized](#) that climate change poses a threat to financial stability and has given clear direction for all participating agencies to respond to that threat.

To meet these goals, FIO will need to examine a broader set of insurance lines and dwelling types. FIO should expand the current proposed collection to capture data on all residual market facilities, on climate-related perils that may be excluded from multi-peril homeowners insurance, such as wildfire and wind, and on additional insurance lines like renters insurance.

Once the data are collected, FIO should publish the collected data in disaggregated form and in a format accessible for further analysis by academic or independent researchers. It should also provide detailed recommendations on how to maintain access to affordable insurance. The Treasury Department should properly prioritize and support FIO for this data collection effort, as well as future annual collections, reports, and recommendations to match the scale of a growing crisis.

**I. This data collection is necessary and appropriate to help regulators, policymakers, and the public understand the full extent of the crisis and evaluate proposed solutions.**

Regulators, legislators, researchers, and advocates need data to examine the full extent of the crisis and evaluate proposed solutions. The insurance industry and state insurance regulators have not made efforts to make this information available. FIO was created specifically to fill this gap and has the statutory authority to do so.

Although granular and timely market data is publicly available in other areas of the financial system, such as the mortgage data made available through the Home Mortgage Disclosure Act, it is not available for the insurance industry. As [highlighted](#) by the state attorneys general of Connecticut, Maryland, Massachusetts, and New York, there is currently a “dearth of information available from insurers or states assessing or evaluating the availability of insurance to vulnerable communities, how climate change may impact the availability of insurance to such communities, and the potential implications of those impacts for state and federal programs.”

Current data-collection systems are falling far short of providing the necessary information. The principal source of market regulation data in most states is collected through an [opaque statistical agency system](#) created four decades ago, in an era when regulators approved all homeowners insurance rates. Rather than publish a public database of information, the independent statistical agents who collect the information typically provide summary reports and can refuse to provide company-specific data even to regulators.

By guarding an obscure system that keeps information on premiums and claims confidential, the industry has successfully avoided or weakened investigations into suspected racial bias in decisions on premiums and processes for paying claims. A [national study](#) by ProPublica and Consumer Reports on racial bias in auto insurance found that some minority neighborhoods pay higher auto insurance premiums than white areas with similar payouts on claims. But the study could only cover four states because these were the only states to provide zip-code level data.

Even regulators are hampered by their own system. When the National Association of Insurance Commissioners (NAIC), the national body for insurance regulators, attempted to collect data on auto insurance affordability, some statistical agencies [refused](#) to provide company-specific data to the regulators who appointed them, citing contractual obligations with insurers. Even less data is available for homeowners insurance, and the lack of data now prevents regulators, legislators, academics, and advocacy groups from examining the impact of climate change and evaluating potential solutions to protect access for minority and low-income communities.

Some states have done state-level studies, such as the Texas Department of Insurance post-Hurricane Harvey [data call](#) and the California Department of Insurance [study](#) of the impact of wildfires on the affordability and availability of insurance. However, these studies are limited to the insurers licensed in these states and limited to singular perils or disasters.

State regulators have never conducted a comprehensive review of the data. The NAIC recognized that regulators and insurers would need to provide more information on climate impacts over a decade ago and established a Climate and Resiliency Task Force. Since then, however, the Task Force's only major effort has been a climate risk [survey](#) that does not collect information about climate change's effect on the availability or affordability of insurance.

FIO was created specifically to address gaps such as these in the existing state regulatory system. In the Dodd-Frank Act, Congress recognized that marginalized communities often lack reliable access to affordable insurance, and it addressed this problem by tasking FIO with monitoring the extent to which underserved communities can access affordable insurance.<sup>1</sup> To accomplish this task, Congress gave FIO authority to require an insurer or its affiliates to submit data and information, including by the use of subpoenas if necessary. The proposed data collection is a

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<sup>1</sup> FIO Act, 31 U.S.C. 313 (c)(1)(B).

proper, much-needed use of this authority. FIO should proceed with the data collection and expand it.

**II. To meet the goal of evaluating access to affordable insurance for traditionally underserved, minority, and low- and moderate-income communities, FIO should collect data on additional types of insurance.**

FIO is authorized to analyze and disseminate data and information and issue reports on all lines of insurance, except health insurance.<sup>2</sup> By limiting the data collection only to homeowners multi-peril insurance lines, the proposal would capture climate-related effects on access to insurance for a relatively wealthy and white population, not the underserved communities that FIO has a specific mandate to monitor. [Data from 2021](#) shows that white U.S. households have higher rates of homeownership than any other racial or ethnic group, at 75%, while Black and Hispanic households have the lowest rates at 46% and 50% respectively. The proposal would also exclude consumers in the highest-risk areas who cannot find coverage in the voluntary market or who need additional single-peril coverage. And by focusing exclusively on residences, it would miss additional climate-related financial impacts on insurance consumers.

**1. Insurers of last resort**

**To cover the highest-risk consumers and identify those who cannot afford private insurance, the proposed collection should cover state residual markets.** State Fair Access to Insurance Requirements (FAIR) plans pool high-risk consumers whom insurers charge higher prices for more limited coverage. These programs have grown rapidly as major insurers have withdrawn from markets and smaller insurers have gone bankrupt. Between January 2022 and the date of Hurricane Ian, [six insurers](#) in Florida and [eight](#) in Louisiana had already failed. As the remaining insurers raise prices, more and more consumers have been forced onto state “insurer of last resort” programs. Citizens Property Insurance Corporation, the insurer of last resort in Florida, is projected to exceed [1.5 million homes](#). Louisiana’s insurance commissioner has [admitted](#) that the state faces an insurance crisis “comparable to, perhaps, even in some respects greater than the aftermath of Katrina and Rita.” The number of policyholders relying on Louisiana’s insurer of last resort has [tripled in two years](#), and consumers now face a possible [75% increase](#) in premiums.

Consumers use these more expensive and more limited plans when they cannot access insurance in the rest of the market. The number of consumers relying on FAIR plans would be a clear metric for determining the availability of insurance, and the costs they pay for these plans are important data on affordability. Excluding them will provide a skewed picture of the availability and affordability of insurance coverage for homeowners.

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<sup>2</sup> FIO Act, 31 U.S.C. 313 (d)-(e).

FIO should also analyze the federal residual market using data from FEMA. Flood is the most common and costly peril. While FEMA also has efforts underway to address affordability and accessibility, these should be linked to FIO's analysis. The cost of flood insurance is part of the overall picture of whether insurance is affordable and available for underserved communities. This linkage is especially important because many homeowners who would benefit from flood insurance do not carry it due to its high cost, rendering them more vulnerable to climate disasters.

## 2. Additional climate-related perils

**FIO should also address perils that may not be fully covered by multi-peril homeowners insurance like wind and fire.** In coastal counties of Texas, wind insurance is available separately through the Texas Windstorm Insurance Association, and FIO should include this program. By only including the homeowners insurance policies that exclude wind coverage and omitting separate wind coverage, the collected data on insurance in these counties would be misleading. The average cost of a windstorm policy with the Texas Wind Insurance Association is \$1,750 per year on top of a standard homeowner insurance policy. Data from Verisk Analytics, that covers all states except Texas, Alaska, and Puerto Rico show that wind and hail are the most frequent climate-related homeowners loss. Wind and hail cause 45% of losses, and the average wind claim is more than \$11,000. Consumers in areas prone to wind events need to pay for expensive additional coverage or risk serious damage to their homes.

FIO should collect data on standalone fire insurance and examine the extent to which insurers are responding to risk by eliminating coverage for wildfires in homeowners insurance. The number of homes at risk from wildfires is projected to reach 80 million over the next thirty years, affecting one in five single-family homes. As wildfires become more frequent and intense, multi-peril homeowners coverage is increasingly insufficient, as insurers may limit coverage for wildfires or exclude coverage entirely, forcing consumers to obtain standalone fire insurance. House Financial Services Chair Maxine Waters recently introduced the Wildfire Insurance Coverage Study Act, which requires studies on homeowners insurance coverage and commercial property insurance coverage for damage from wildfires. FIO should treat the trends and issues outlined in that bill as a baseline.

**The proposed collection should also cover additional residence types, with a focus on underserved communities.** Low-income and minority consumers are more likely to rent than white wealthier consumers. FIO should expand the proposed collection to cover a wider range of policy types whose costs are more likely to affect the finances of underserved communities, such as condominium unit insurance, insurance for condominium associations, and renters insurance. A lack of affordable renters insurance could push some low-income consumers out of the rental

market, while those able to rent without it could lose everything they own if their rental property is affected by a climate disaster.

FIO should also evaluate the use of force-placed insurance, an alarming practice in which lenders force consumers to pay for more expensive and limited coverage when their policy has lapsed or if it has been canceled and the borrower has not obtained new insurance. While there have been numerous [investigations](#) by states, this issue will be particularly relevant in the context of climate risk, as banks have previously sought to [justify](#) the use of force-placed insurance by claiming that it is necessary due to greater risks from perils like hurricanes.

**Access to affordable insurance for cars and businesses is also crucial to communities seeking to rebuild from climate disasters.** Without access to a car, for which insurance is legally required, many Americans' job prospects decline significantly, and a lack of access to cars has historically put minority communities at a [deadly disadvantage](#) for evacuating during disasters. FIO has already committed to continually monitor the affordability of auto insurance and should take this opportunity to evaluate whether climate change could impact auto insurance.

Small businesses are essential to keeping vulnerable communities financially afloat amidst disasters. Excluding commercial insurance lines would make the data collection more limited than existing state studies, such as [California's 2018 study on wildfire risk](#) and [Maryland's 2012 study on insurance availability and affordability in coastal areas](#). FIO should work toward evaluating commercial multi-peril insurance required for businesses as part of a cumulative effort.

### **III. FIO should collect data granular enough to examine disparities in access and sufficient to cover multiple ways that insurers shift risks to consumers.**

**Granular data, at least at a zip-code level or, preferably, at the census tract level, are necessary to assess both the impacts of physical climate risks and whether vulnerable communities disproportionately bear those costs.**

Due to a history of redlining and underinvestment, climate risks like [flooding](#) and wildfires disproportionately impact minority and [low-income communities](#). A 2018 [study on race and wildfire risk](#) found that census tracts that were majority Black, Hispanic or Native American experience 50% greater vulnerability to wildfire compared to other census tracts. A [similar study](#) of the 98 counties with the highest total acreage burned by wildfires between 2016 and 2020 found that 60% had a poverty rate exceeding the official national poverty rate. A [2021 study](#) by Redfin found that in dozens of American cities, formerly redlined neighborhoods have a larger share of homes endangered by flooding than neighborhoods that weren't targeted by the racist 1930s housing policy.

The insurance industry makes little effort to hide that low-income and minority communities pay more for insurance. Instead, the industry justifies disparities by claiming that higher costs are based on greater risk, while simultaneously refusing to provide the granular data necessary to evaluate whether disparities exist even at the same level of risk. The Consumer Federation of America has produced [numerous studies](#) showing that minority and low-income consumers pay higher car insurance premiums, and the insurance industry has justified those differences based on claims that minority neighborhoods have more accidents. However, the limited evidence available suggests this is unlikely to be the case. When ProPublica and Consumer Reports evaluated zip code level data on auto insurance from the four states that made it available, they [found evidence](#) that insurers charge significantly higher premiums in predominantly minority zip codes on average than in similarly risky non-minority zip codes.

The limited evidence available on homeowners insurance also highlights disparities in how claims are paid. The Center on Race, Inequality, and the Law and the law firm Fairmark Partners [conducted](#) a nine-month study with 800 State Farm claimants that measured the number of interactions that measured how many times claimants had to meet with company representatives, how much paperwork they had to fill out, and how long they had to wait before receiving their payment. The study found that Black consumers had to meet with company representatives more often, file additional paperwork, and wait longer on their claims.

**FIO should collect data on cancellations and claims delays, which also affect the availability and affordability of insurance coverage.** Homeowners who survive climate disasters only to have their policies canceled are left with their financing at risk, requiring them to quickly try other insurers. If they are rejected several times, they must get a policy through the state's insurer of last resort. If they do not secure insurance in enough time, they can be forced to pay for more expensive "force-placed" insurance chosen by their lender or default on their mortgage. To protect hundreds of thousands of consumers in the aftermath of wildfires, California's insurance commissioner has had to [enact a temporary moratorium](#) after wildfires every year for the last four years, but those consumers will be at risk again when the moratorium ends. The proposed collection includes data on the number of policies that are not renewed at the end of the policy term. To inform strategies for moratoriums on cancellations, it should also include the number of policies that were canceled during the policy term.

**FIO should also collect data on claims delays.** While the proposed collection includes claims closed without payment, FIO should collect information on the amount of time it takes for claims to be paid. Long delays can effectively become denials, and these are particularly harmful to vulnerable communities that already lack the credit access to fund repairs or the funds to pay both a mortgage and rent while they wait for their claim to be approved and paid. These delays can also lead to further damage. For example, a relatively small roof leak, if left unattended,



could lead to more extensive water damage over time and increase the extent and cost of repairs later on. As described in our [comment](#) on FIO's 2021 Request for Information, one consumer from St James Louisiana was offered a small sum to address a leaking ceiling by their insurer. The claim payment was not enough to repair the damaged roof before Hurricane Ida hit, leading to flooding and a much more expensive repair. If sufficiently granular data on delays are not available in the Market Conduct Annual Statements filed by insurers with the NAIC, FIO should collect this information from insurers.

**FIO should collect data from from 2017 to 2021 and update the data annually.** Five years of historical data, covering Hurricane Harvey, Maria, and Irma, as well as a series of devastating fires in California, would help evaluate trends over time and examine the impact of major climate disasters. Climate disasters already occur with increasing frequency and intensity and at a rate that is consistently [faster than scientists expect](#). Consumers' ability to afford insurance is already changing dramatically year-to-year or, in some cases, in just weeks or months [after a disaster](#). FIO should also collect nation-wide data as proposed. Climate-related impacts will not be limited to a single state, region, disaster, or peril. Even insurance commissioners in states like Vermont, with no exposure to the most visible climate disasters like hurricanes and wildfires, are [discovering](#) that physical climate impacts like warmer weather will affect their insurance market.

The proposed data collection would allow FIO to examine non-renewals, claims denials or low payments, lower coverage limits, higher deductibles, and premium increases, all of which may change in newly affected zip codes as the crisis worsens. Annual and national data can help consumers, regulators, and legislators better understand the relationship between climate disasters and rising insurance impacts, and develop an early warning system about the consequences of physical climate impacts.

The additional burden of continuing this collection annually will be minor. Once insurers update their processes and queries to obtain the data requested in the proposal, it should not require significant effort to run additional queries annually with updated dates.

#### **IV. FIO should use the collected data and resulting analysis to inform recommendations to regulators and legislators on how to protect vulnerable communities.**

Once the data are collected, FIO should publish the collected data in the most granular form that meets FIO's statutory mandates, for instance, fields collected at a zip code level. Publishing the data would allow academic and independent researchers to produce further analysis to examine particular trends or evaluate proposed solutions. Currently, the robust research and literature on insurance affordability that is needed in the context of climate change is absent, and academic literature instead still reflects what one academic referred to as the [unusual](#) "[unavailability of data on insurance unavailability](#)."



The NAIC has opposed the idea of publishing data because of the possibility that the data will pick up on factors other than climate change, such as inflation and differences in building codes. This argument is outlandish. FIO should not keep researchers and the general public in the dark regarding the most significant factor impacting insurance availability and affordability, climate change, merely because there may be quirks or complications regarding how to interpret the relevant data. Collecting and publishing comprehensive, nationwide data at the zip code level will allow for sophisticated analyses that properly account for precisely the types of factors that the NAIC identifies. The piecemeal, state-level, status quo approach is significantly more vulnerable to idiosyncrasies that make it harder to isolate climate-related impacts.

FIO should concurrently publish a report highlighting high-risk areas and work with the Federal Advisory Committee on Insurance and other stakeholders to recommend solutions for the threats those communities face. FIO should also highlight the broader risks that rising insurance costs and falling availability pose to the mortgage market and to financial stability via FIO Director's advisory role on the Financial Stability Oversight Council. Consumers who cannot afford their insurance will be at risk of defaulting on their mortgage. Because climate risks are concentrated in certain regions, rising costs and falling availability could lead to a foreclosure crisis, which could in turn threaten the tax base needed to fund basic mitigation and increase risks for community and regional banks. In New York City, officials have already [warned](#) about the risk of a foreclosure crisis in the majority-minority community of Canarsie. In 2020, a [report](#) from the Commodity Futures Trading Commission warned that "sub-systemic" shocks like this one could create a "systemic crisis in slow motion."

FIO should also encourage insurers and their state regulators to use the tools they have to address the interplay between the climate crisis and insurance markets. This should include incentivizing resilience by requiring insurers to provide discounts to homeowners' who take steps to mitigate physical risks to their homes. Worsening climate change impacts will only further threaten the availability and affordability of insurance in vulnerable areas. Insurers are intensifying these problems, eroding their own markets and harming their consumers by underwriting and investing in high-emitting projects like fossil fuel development.

In particular, FIO should address how insurers [continue](#) to fuel the climate crisis by investing in and providing insurance to the fossil fuel industry. The most recent data on insurers investments shows that in 2019, ten of the top North American underwriters of the fossil fuel industry had at least [\\$59.7 billion](#) collectively invested in fossil fuels. The [2022 Scorecard](#) from the Insure Our Future coalition shows that American insurers are lagging behind international peers in phasing out fossil fuels. Such continued investment fuels the climate crisis, which in turn threatens availability and affordability of insurance for climate-vulnerable communities.

Two states have taken steps that highlight the role of fossil fuel investment and underwriting. Guidance from the New York Department of Financial Services [encourages insurers](#) to manage climate-related financial risk by reducing their investments and underwriting of fossil fuels. Connecticut's state legislature has also [passed a bill](#) requiring the Insurance Commissioner to incorporate state emissions reduction targets into insurance supervision and regulation. California's [Sustainable Insurance Roadmap](#) acknowledges that the insurance sector must transition its investments to align with net-zero and that climate risks could lead to solvency issues, although the California Department of Insurance has not taken steps to encourage or require insurers to reduce their emissions. Other states have been unwilling to acknowledge this link. In Florida, as hundreds of thousands of consumers lost insurance this year ahead of Hurricane Ian, the state's insurance regulator has focused on climate denial, [attacking "woke" insurers](#) for sustainability measures.

FIO should recommend that regulators encourage or require insurers to stop harming insurance markets and insurance consumers by investing in and underwriting projects that are not aligned with science-based emissions limits and projects that do not obtain the free, prior, and informed consent of impacted Indigenous Peoples. Washington State has taken the first step by [urging the insurance industry](#) in Washington to work with Indigenous groups on adopting policies of consent on projects that affect Tribal nations.

FIO should also recommend that the Financial Stability Oversight Council and Office of Financial Research continue to investigate the effects of insurer responses to the climate crisis on financial stability, a problem highlighted in the recent FSOC annual report.

## **Conclusion**

The proposed data collection and report represents an important step toward evaluating a growing crisis for insurance consumers and providing recommendations for solutions. But to capture the risks facing vulnerable communities, FIO should collect additional data. Moreover, it should use what it learns to make concrete recommendations on how to protect these communities. We look forward to working with you on next steps.

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Thank you,  
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