



December 20, 2022

Federal Insurance Office  
Attn: Elizabeth Brown  
Senior Insurance Regulatory Policy Analyst  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

**Re: Notice, Federal Insurance Office, Department of the Treasury; Climate-Related Financial Risk Data Collection (87 Fed. Reg. 64,134-64,141, October 21, 2022)**

Dear Ms. Brown:

The U.S. Chamber of Commerce (“the Chamber”) appreciates the opportunity to further respond to the Federal Insurance Office’s (“FIO”) request for comment on your proposed collection (“Proposal”) of climate-related financial risk data.

In the Chamber’s November 2021 response to FIO’s request for information (RFI)<sup>1</sup> on the insurance sector and climate-related financial risks, we noted the significant and ongoing engagement we have conducted with our members and other stakeholders for nearly a decade to promote initiatives to address climate challenges.<sup>2</sup> In addition, we noted that the insurance industry has been forward leaning in addressing the impacts of climate change, taking voluntary actions to address climate-related financial risk, including changes in underwriting, promoting resilience and pre-disaster mitigation for at-risk assets insured by commercial P&C, and changes in long-term investment strategy.<sup>3</sup> The Chamber is committed to market-centered solutions to these challenges and welcomes the opportunity to engage in constructive collaboration towards these ends.

The current Proposal reflects a significant, unprecedented new step in the push to address potential climate-related financial risk in the insurance sector. This is FIO’s first attempt to collect current and historical underwriting data directly from insurers in order to assess climate-related exposures and make judgments on how they affect insurance availability and affordability. However, as written, the Proposal poses an unreasonable burden to insurers, and the data requested is unlikely to result in

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<sup>1</sup> Federal Insurance Office Request for Information on the Insurance Sector and Climate-Related Financial Risk (86 Fed. Reg. 48814).

<sup>2</sup> U.S. Chamber of Commerce comments to the Federal Insurance Office (November 15, 2021) Found at: [http://www.centerforcapitalmarkets.com/wp-content/uploads/2021/11/U.S-Chamber-of-Commerce-Comments\\_InsuranceSectorClimateFinancialRisks\\_Treasury-PDF.pdf?#](http://www.centerforcapitalmarkets.com/wp-content/uploads/2021/11/U.S-Chamber-of-Commerce-Comments_InsuranceSectorClimateFinancialRisks_Treasury-PDF.pdf?#)

<sup>3</sup> Ibid.

meaningful conclusions about the effects of climate change on insurance affordability and availability.

### FIO's Limited Authority to Collect Data

The Dodd-Frank Act gave FIO limited authority to collect data from industry under certain conditions. Before collecting any data, however, FIO is required to “coordinate with each relevant Federal agency and State insurance regulator” and “any publicly available sources” to determine whether the information is available and may be obtained in a timely manner.<sup>4</sup> Under the Act, the Director of FIO may collect data from insurers if he or she determines that the information is not available. In the case of the current request, FIO states in the Proposal only that it attempted to coordinate with the states to determine “whether the regulator would be able to provide all of the requested data for any of the identified entities for all of the ZIP codes in which the entities operate within 30 days of being asked.”<sup>5</sup>

### FIO's Lack of Coordination with Regulators and Industry

The Chamber is concerned that FIO did not fulfill Dodd-Frank's coordination requirements before issuing the Proposal. This could cause the data collection to be unnecessarily complicated and burdensome for insurers to participate. In November 2022, shortly after the Proposal was issued, the National Association of Insurance Commissioners (NAIC) sent a letter to Treasury regarding the Proposal, noting that, “FIO has failed to demonstrate a good faith effort to engage with state regulators and has exhibited their intention to forgo a collaborative effort to identify and collect accurate and useful data.” In the letter, the NAIC expressed “deep concerns” with the data collection Proposal, specifically “that Treasury chose not to engage insurance regulators in a credible exercise to identify data elements gathered by either the industry or the regulatory community indicative of climate risk.”<sup>6</sup> The Chamber and its member companies are likewise concerned at this lack of collaboration between FIO and state insurance commissioners, particularly given some states have communicated a willingness to work with FIO on data requests of this nature.

The Chamber believes that this 30-day timeframe was inadequate—especially given FIO's own estimate that it could take industry 350 hours to produce the data—and does not believe this complex request from FIO constitutes a good faith effort to coordinate with state regulators. As the NAIC notes in its November letter, Treasury posed “intentionally and unnecessarily complex” hypothetical questions to state

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<sup>4</sup> 31 U.S.C. 313 (e)(4)

<sup>5</sup> 87 Fed. Reg. at 64139.

<sup>6</sup>National Association of Insurance Commissioners letter to Graham Steele, U.S. Treasury Assistant Secretary for Financial Institutions (November 22, 2022). Found at: <https://content.naic.org/sites/default/files/government-affairs-letter-fio-climate-related-financial-risk-data-comments-221122.pdf>

regulators on “whether wide ranging data could be collected in 30 days, in a format neither the regulators nor industry was likely to have on hand.”<sup>7</sup> To our knowledge, FIO did not conduct any other outreach, whether in written requests for feedback or in-person meetings. For a Proposal of this magnitude that will have wide-ranging effects for insurers and consumers, FIO should have engaged stakeholders before issuing the Proposal. The Chamber agrees with the NAIC’s statements and strongly encourages FIO to engage in a good faith manner with state regulators, consistent with Dodd-Frank’s requirement, before proceeding with this exercise.

### Purpose of the Data Collection

The Chamber is also concerned about the lack of clarity from FIO on why this Proposal is necessary and encourages FIO to issue a more clear purpose for data collection. FIO states that it is seeking to assess the effects of climate-related exposures on availability and affordability, but there does not seem to be a clear linkage between the data requested and the stated purpose. The Proposal also mentions that this is an initial step to “consolidate foundational knowledge that can be used in future years to develop more comprehensive approaches to address climate-related financial risks.”<sup>8</sup> This statement seems vague enough that it raises questions about FIO’s intentions. FIO is not a regulator of the insurance industry—indeed, insurance is primarily regulated at the state level—and we are concerned that FIO is seeking to collect data beyond what is required on statutory filings. FIO should be clear about what it plans to do with the data that it collects, ensure confidentiality, and avoid comparisons across insurers, being mindful that data collected from insurers at the ZIP code level may contain personally identifiable information or trade secrets.

In addition to these points, the Chamber addresses some of FIO’s specific requests for comments:

### Focus on Underwriting

#### *Availability*

FIO first requests feedback on insurers’ underwriting of homeowners’ policies to assess the impact of physical climate risks on the availability of insurance. FIO does not define exactly what “availability” means in this context, but this is a prerequisite before trying to determine if and how weather-related climate events impact availability. Availability is greatly influenced by a variety of factors unrelated to weather events, including the amount of competition in the insurance market in each

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<sup>7</sup> Ibid.

<sup>8</sup> 87 Fed. Reg. at 64135

state. Additionally, each state has different regulations that govern the business of insurance, and this varying set of regulations is a significant driver on availability across jurisdictions. The Chamber questions whether the proposed data collection would provide meaningful information about climate-related risks on insurance availability. As such, we have concerns that the conclusions that FIO may arrive at based on the data collected could lead them to make judgments on availability that are not grounded in sound actuarial principles.

### *Affordability*

FIO also proposes to use the data collection to assess affordability for policyholders. The Chamber questions how this proposed request will provide any clues on the affordability of homeowners' insurance. Regarding affordability, the Chamber noted in our 2021 letter to FIO on auto insurance affordability that we do "not believe any single statistic claiming to describe 'affordability' can accurately tell the entire story for the population it describes, and that there are unique circumstances that face every insurance market and every individual consumer."<sup>9</sup> That comment is also applicable to this Proposal. FIO is focusing on the effects of weather-related disasters, but the Chamber notes that insurance affordability is influenced by many factors, including how much coverage a customer desires, exposure to hazards, and applicant risk profile. Additionally, insurers offer different types of coverage from state to state, making it difficult to accurately measure affordability. And as mentioned above regarding availability, the regulatory environment in each state has a significant impact on insurance affordability.

### Selection of Insurance Lines

The Chamber believes that the current request is not likely to produce the intended results on availability or affordability and that expanding it to other lines would only increase burdens on insurers participating in the data collection without providing a meaningful benefit.

### Inclusion of Data Elements

Under the Proposal, companies would be faced with new, time-consuming burdens because they would be required to provide data that is not in line with current statutory filing requirements, such as the number of policy in force exposures; the amount of direct premiums written, renewed, or retained; and the dollar amounts for dwelling and personal property, replacement cost value, and insurance deductibles.

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<sup>9</sup> U.S. Chamber of Commerce Comments to the Federal Insurance Office (July 26, 2021). Found at: [http://www.centerforcapitalmarkets.com/wp-content/uploads/2021/07/210721\\_Comments\\_RFI\\_AutoInsurance\\_Treasury\\_Final.pdf?#](http://www.centerforcapitalmarkets.com/wp-content/uploads/2021/07/210721_Comments_RFI_AutoInsurance_Treasury_Final.pdf?#)

Additionally, some of the requests in the data template are confusing or problematic:

- FIO should clarify which lines of insurance would actually be included in any proposed collection. While the data call instructions indicate that the collection includes only homeowners' insurance, the accompanying template specifies Schedule P lines of business, which would include renter's and condo insurance.
- Regarding policy in force exposures, there is confusion on how insurers are supposed to count partial year policies. For example, if a customer purchases a policy on July 1<sup>st</sup> and pays in monthly installments, does that count as one policy, a half policy, or no policy (because premium has not been paid in full)?
- Limiting the direct premium information to dwelling and personal property and excluding other coverages that could also be included in a policy, could be difficult or impossible for insurers to provide. Some companies do not separate the information that way and in many cases do not split it out by peril at all. It would require estimations and educated guesses to comply. Using total homeowner premium would be more practical.
- It is unclear exactly what information FIO wants in terms of total amount of insurance deductibles. Insurers are not sure how to handle this request because hurricane and wind/hail policies may have separate deductibles, while other weather deductibles may end up in base policy deductibles. Additionally, insurance providers are confused about whether to submit maximums, minimums, average, or sum of data on insurance deductibles.
- Insurance providers are confused on what FIO is asking for in the data on cumulative claims reported and at what time periods. Claims practices vary from one insurer to the next, and insurers record claims differently. Industry would like more clarity from FIO regarding why it chose these specific data elements given our skepticism on the connectivity of some of these elements to climate risk.

The Chamber encourages FIO not to include any additional data points but to limit any proposed call to data that is already collected by state regulators. This could

significantly limit the compliance burden that would be imposed on the insurance industry.

The Chamber recommends that before FIO proceeds with such a large, nationwide collection that it narrows the geographic scope. A collection of this magnitude should not be entered into lightly, and if FIO is intent on proceeding with a data collection, it would be wise to run a test case on a smaller area before collecting data nationwide. Doing a limited test run and narrowing the scope of the collection to a few states and to specific fields that are currently required in statutory filings would be a more sensible route to see if the collection can provide FIO with data that has a direct instrumentality.

### Granularity of the Data Request

FIO has proposed to collect data at the ZIP code level rather than the state level as is required in statutory filings. The Chamber questions whether collecting data at this level of granularity is likely to provide any conclusive results on the broad impacts of climate change. The data on weather-related claims from broader geographic areas that is currently collected on statutory filings is already very volatile. Delving deeper to ZIP code data will likely increase this volatility and produce unreliable data points that would not provide FIO with any definitive conclusions. Some ZIP codes may contain a small number of policies and weather-related claims that provide little to no benefit to FIO. Additionally, FIO has indicated it wants to focus on the ten states identified as high climate risk, so requesting nationwide data would likely create statistical noise.

FIO should consider the administrative burden of the collection. This type of consultation is highly dependent on actuaries and finance teams, and their expertise will be essential in responding. The Chamber is skeptical of the estimated hourly rate FIO notes in the request for comment. Based on consultations with industry, we feel that the average wage rate of \$54.27 is low because it reflects an average wage rate for all insurance employees, not the actuaries and finance teams whose expertise will be necessary for the collection. We also believe the estimated 350 hours to provide all data to FIO is low given the sheer volume of this unprecedented data collection. As such, the \$4 million total cost of compliance estimated by FIO is likely too low.

Finally, the Chamber is concerned with the timeframe FIO has chosen. State-level data would be more reliable over a 5-year window because weather losses at the ZIP code level over such a short timeframe are unlikely to provide FIO with any relevant data points, as this period is too short to measure the impacts of climate change. Additionally, there is evidence that the weather events that FIO describes in the Proposal are not driving coverage and premium increases. Modeling shows that weather risks will change over time, and a 5-year window may not provide enough data

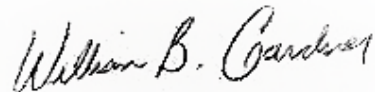
for a particular ZIP code because there may be no significant storm in the area during that timeframe. To gather any meaningful data on the effects of weather-related events, data would need to be collected over many decades at a broader level. We do not support such an endeavor as it would be an enormously unreasonable burden on insurers that would go beyond the scope of FIO's expertise and mandate.

### Conclusion

The Chamber believes that FIO should have made a good faith attempt at coordinating with state regulators and industry before issuing the Proposal. FIO should engage with state regulators and rely on the existing state-level data rather than moving forward with a new data collection.

The Chamber again thanks you for the opportunity to offer these comments, and we look forward to constructive engagement on this issue going forward.

Sincerely,

A handwritten signature in black ink that reads "William B. Gardner". The signature is written in a cursive style with a large initial "W".

Will Gardner  
Director  
Center for Capital Markets Competitiveness  
U.S. Chamber of Commerce