

Are Home Insurers Abandoning Communities Vulnerable to Climate Change?

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The U.S. Department of the Treasury makes an unprecedented move to find out if home insurers are abandoning communities vulnerable to climate change

Dozens of environmental and consumer groups are rallying behind the Biden administration's plan to collect information from property insurance companies to determine if they are abandoning communities that are vulnerable to climate change.

The groups submitted comments praising the Treasury Department's unprecedented plan to require 213 large insurers to present detailed information about their homeowners insurance policies and claims.

Treasury's Federal Insurance Office will analyze the data to determine whether climate change and increasing damage from weather events are making property insurance scarce or unaffordable in vulnerable U.S. communities (Climatewire, Oct. 19, 2022).

Supporters of the plan include the Environmental Defense Fund, the Natural Resources Defense Council and Public Citizen, which wrote a letter signed by 75 groups including Consumer Watchdog, Friends of the Earth, Greenpeace and the Sierra Club.

"We agree with FIO's assessment that consistent, comparable, and granular data are needed to evaluate how climate change is harming insurance consumers," Public Citizen wrote, referring to the insurance office by its abbreviation.

Public Citizen and other supporters urged Treasury to expand its planned data collection to include more types of insurance such as renters coverage and flood insurance. They also want the department to collect information about insurance policies that are canceled before they expire.

The groups' support comes as Treasury faces opposition from the insurance industry, state insurance regulators and the U.S. Chamber of Commerce, all of which called the data collection burdensome and potentially misleading (Climatewire, Dec. 9, 2022).

Opponents include influential groups such as the National Association of Insurance Commissioners, the American Property Casualty Insurance Association, the National Association of Mutual Insurance Companies, the Insurance Information Institute and the National Association of Professional Insurance Agents.

"The compliance burden cannot be overstated," the American Property Casualty Insurance Association wrote in a recent comment to the Federal Insurance Office.

The office plans to start collecting information this year from certain insurers about homeowners coverage, claims, premiums and losses in each ZIPcode in which they write policies. The information is aimed at showing where insurance is expensive or unavailable, in addition to the demographics and vulnerability of those neighborhoods.

The office does not regulate insurers—that's done by state agencies—but its planned analysis could identify states and communities where property insurance markets are at risk of collapse as climate change intensifies weather-related damage.

The analysis responds to an executive order by President Joe Biden on climate risk and comes as property insurers in three states—California, Florida and Louisiana—have faced catastrophic losses and bankruptcies due in part to claims from extreme weather events. The insurance office invited public comments when it announced its plan in October.

The Environmental Defense Fund said the analysis would be a "crucial step towards better understanding climate-related risks to the availability and affordability of insurance for U.S. households, as well as to the stability of the insurance industry and financial system."

United Policyholders, a California-based consumer advocacy organization, said it is "imperative" that the insurance office analyze how companies are leaving households vulnerable to climate disasters by scaling back coverage and increasing deductibles.



An analysis of changes to residential policies “will be enormously helpful in assessing how insurers’ adaptations to climate change in the form of coverage reductions are impacting people’s ability to restore damaged real property,” United Policyholders said.

The Federal Insurance Office plans to collect information from every major national insurance company and from smaller insurers in 10 states most vulnerable to climate disasters. Those states are California, Florida, Illinois, Iowa, Louisiana, Missouri, New Jersey, North Carolina, Oklahoma and Texas.