Treasury halts plan to seek property insurers' climate data

E&E News

The Biden administration has backed away from its plan to force property insurers to provide detailed information about the effects that climate change is having on their policies, premiums and business plans.

Treasury Undersecretary Nellie Liang said Thursday that the department will rely instead on a group of state insurance regulators that was planning a similar effort and has agreed to give Treasury some of the information it collects.

The agreement between Treasury and the National Association of Insurance Commissioners ends an impasse that began in 2021 after President Joe Biden ordered the department to analyze how climate change is affecting property insurers.

Climate change and inflation are causing tumult in the insurance industry by eroding profits, bankrupting small insurers and prompting large ones to withdraw from states that are prone to hurricanes or wildfires, or scale back their coverage.

Treasury's Federal Insurance Office, which monitors industry trends but does not regulate companies, launched its climate analysis to identify communities where property insurance was overly expensive or not available.

Some members of Congress responded with legislation to eliminate the office or bar it from collecting company information.

The agreement disclosed Thursday settles industry complaints that it would be time-consuming for companies to answer separate but similar questions from Treasury and from state insurance commissioners. It also will give the Federal Insurance Office, or FIO, the information that it had planned to collect itself.

“FIO will receive more data from a higher percentage of the market than if it did collection on its own,” Liang told reporters.

The insurance commissioners group plans Friday to send 82 questions to more than 400 property insurers aimed at finding geographic and chronological trends in coverage, financial exposure and deductibles for events such as heavy storms and high winds.

Insurance companies are being asked to answer questions for each ZIP code in which they write policies, a far more detailed geographic area for which insurance companies have traditionally used to unearth data about their operations. The U.S. has 41,000 ZIP codes with roughly 8,000 residents on average.

“For many or most states, they have not collected data at a ZIP code level. That would be new for most states,” Aaron Brandenburg, assistant director of data collection and statistical information for the commissioners group, told reporters Thursday.

A key consumer advocate and supporter of Treasury’s plan to collect insurer information applauded the agreement.

“I have personally been lobbying for a collaborative national data call for a couple of years now. To me, this is great news,” said Amy Bach, executive director of United Policyholders, a California-based consumer advocate on insurance.

Some consumer advocates and environmentalists had urged Treasury to handle the data collection instead of the insurance commissioners group, which they said had stalled on analyzing climate impacts.

But Bach said in an interview, “I have been less concerned about things like transparency of the data and more concerned that the data get gathered.”

The agreement also was hailed by the National Association of Mutual Insurance Companies, a major industry group that last month urged Treasury to “abandon” its effort and defer to insurance commissioners.

The agreement will protect state regulators "from federal intrusion on state-based insurance regulation," association Senior Vice President of Federal and Political Affairs Jimi Grande told E&E News in an email. States are the primary regulator of insurance companies of all types.

"Maintaining FIO's role as a resource, rather than a regulator, can help prevent the threat of unnecessary and duplicative collections," Grande said.

The data collection will be used to help insurance commissioners analyze broad trends in premiums and availability, not all of which are related to climate change.

"This is part of a long-term strategy to gain more insight into the health of property insurance markets," said Andrew Mais, Connecticut's insurance commissioner and president of the National Association of Insurance Commissioners.

Mais said the commissioners will "share anonymized subset of data" with Treasury. Neither Treasury nor the insurance commissioners said whether any data would be made public.

The commissioners group had led the opposition to Treasury's plan. The group has told Treasury its analysis could produce "fallacious results" about climate risk and that the information it collected "will not reflect the impact of climate risk on pricing or underwriting."

That led critics to accuse the commissioners group of delaying scrutiny of the insurance industry as damages rise from climate change.

The group's "foot-dragging on addressing the risks posed by climate change and its cozy relationship with the industry should raise concerns about the likelihood it will provide federal financial regulators, researchers, and the public with all the necessary data," Carly Fabian, insurance policy advocate for Public Citizen's Climate Program, said in an email.

"The success of the NAIC's efforts, and Treasury's reliance on them, hinges on an accessible data source that is updated regularly with data from every state," Fabian added.

Source: https://uphelp.org/treasury-halts-plan-to-seek-property-insurers-climate-data/ Date: May 13, 2024