[Treasury to insurers: Divulge your climate risks](https://uphelp.org/treasury-to-insurers-divulge-your-climate-risks/)

E&E News

The Biden administration launched an unprecedented effort Tuesday to analyze how climate change is affecting property insurance costs and availability. The move comes as homeowners face soaring premiums in several states and dwindling insurance options.

The Treasury Department's Federal Insurance Office said it plans to collect detailed information about policies and claims from more than 200 large insurance companies and will assess "climate-related exposures and their effects on insurance availability."

The office does not regulate insurers — that's done by state agencies — but its analysis could identify states or areas within states where property-insurance markets are shaky and could collapse as climate change contributes to more-damaging natural disasters.

Treasury Secretary Janet Yellen said the information would help determine "how Americans are being affected by the increasing costs of climate change."

Three states — California, Florida and Louisiana — are already dealing with insurance crises as soaring claims have bankrupted some insurers and forced others to sharply increase rates.

In Florida, where homeowners' insurance costs are nearly triple the national average, Hurricane Ian is expected to augment losses that have forced six insurers in the state into insolvency this year.

The Federal Insurance Office's plan to collect information from insurers was opposed by a leading industry group but cheered by a consumer advocate.

"You don't need a massive data collection to know that climate-related losses have been increasing in recent years," Jimi Grande, senior vice president of the National Association of Mutual Insurance Companies, said in a statement.

The association, a trade group representing more than 1,500 insurers, said providing the information "will require an enormous amount of work" and that the effort has no "clear purpose or benefit."

Amy Bach, executive director of United Policyholders, a California-based consumer advocate, applauded the insurance office. The information could highlight how companies are reducing the coverage they offer homeowners "to shield themselves from increased risks and potential claim paying obligations associated with climate change," Bach said in an email Tuesday.

Another industry group, the American Property Casualty Insurance Association, said Tuesday that it was "only beginning our review" of the insurance office's plan.

The insurance office plans to require insurers to submit information about policies, claims, premiums and losses in each ZIP code in which they write property and casualty policies. The information would cover the five years from 2017 to 2021.

Having information at the ZIP code level can help the insurance office spot communities within a state where insurance is very expensive or not easily available and analyze the demographics of those communities and the impact of a localized disaster. The United States has about 42,000 ZIP codes.

The information will indicate "whether climate change may create the potential for any major disruptions of private insurance coverage in regions of the country particularly vulnerable to climate change impacts," the insurance office said.

The requirement will apply to 213 insurers, including every major national insurance company and 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.

Insurers in California have faced huge wildfire losses, including $20 billion from the wildfires of 2017 and 2018, which prompted them to raise rates or drop policies in high-risk areas. A regulation finalized Monday by the California Department of Insurance requires insurers to discount premiums for property owners who protect their buildings against wildfires (Climatewire, Oct. 18).

In Louisiana, 11 insurance companies have gone insolvent since July 2021 due to huge losses from Hurricane Laura in 2020 and Hurricane Ida in 2021, according to a recent state insurance department report.

In Florida, the insurance crisis has been caused partly by hurricane-related claims and by extensive litigation against local insurers from policyholders who challenge claims payments.

The Federal Insurance Office published its proposal Tuesday in the Federal Register and is inviting the public to comment over the next 60 days on its planned data collection.

The insurance office, created after the 2007-2008 financial crisis to monitor the availability of insurance and risks to insurance markets, has the authority to collect information from insurers.

President Joe Biden's executive order in May 2021 on climate-related financial risk directs the insurance office to assess the "potential for major disruptions" of insurance availability in markets that are vulnerable to climate change.