



# **U.S. Federal Insurance Office: Update on Climate-Related Work**

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**Federal Advisory Committee on Insurance**

**March 20, 2024**

## President Biden's Executive Order Tasking:

“The Secretary of the Treasury shall direct the Federal Insurance Office

- To assess **climate-related issues or gaps in the supervision and regulation of insurers**, including as part of the FSOC's analysis of financial stability, and to
- Further assess, in consultation with the States, the **potential for major disruptions of private insurance coverage** in regions of the country particularly vulnerable to climate change impacts.”

*--E.O. 14,030 (May 20, 2021)*

## FIO's 2022-2024 Priorities

### **Supervision and Regulation:**

1 Assess climate-related issues or gaps in the supervision and regulation of insurers, including their potential impacts on U.S. financial stability.

2 **Quantitative Analysis:** Assess the potential for major disruptions of private insurance coverage in U.S. markets that are particularly vulnerable to climate change impacts; facilitate mitigation and resilience for disasters.

3 **Stakeholder Engagement:** Increase FIO's engagement on climate-related issues, leverage the insurance sector's ability to achieve climate-related goals.

# FIO's Data and Analytical Efforts



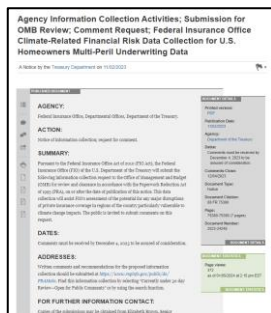
In August 2021, FIO issued a request for information with **several questions on climate-related data**. Responses highlighted the importance and current lack of granular, nationwide data on climate-related risk in the insurance industry.

On October 18, 2022, FIO issued a **proposed data collection** to assess climate-related financial risk across the United States and sought public comment.

On November 2, 2023, FIO issued a revised data collection and submitted its collection for OMB approval. FIO sought to collect data from property and casualty insurers regarding **current and historical underwriting data on homeowners' insurance**.

On January 4, 2024, OMB **approved FIO's data collection**.

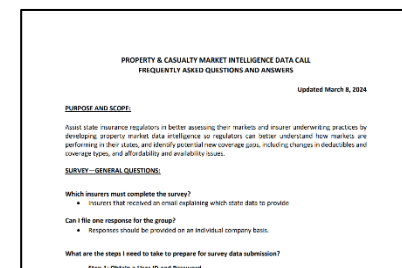
On March 8, 2024, FIO advanced its efforts to collect insurance data by launching a **first-of-its kind collaboration** with state insurance regulators and the NAIC.



[FIO Federal Register Notice](#)

NAIC Company Code	Company Name	Company Name	Company Name	Contact Name	Contact Phone Number	Contact Email Address	Reporting Year (2021, 2022)	State	Interstate	Policy Type	NAIC Code (OF, HOL, HOL, HOL, HOL, HOL)	Reporting Period (Date Range)

[NAIC Data Template](#)



[NAIC FAQs](#)

# Nationwide Coverage



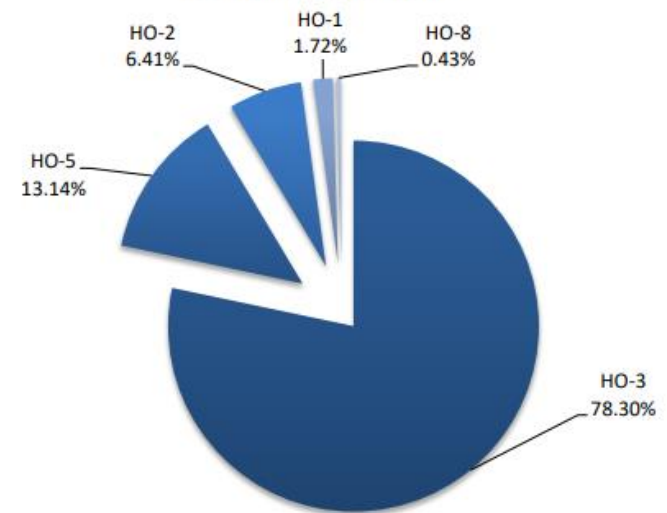
- ▶ The NAIC will collect data from more than 400 property insurers operating locally and nationwide that cover more than 80% of the U.S. property insurance market by premium volume.
- ▶ NAIC, [News Release: States Issue Property & Casualty Market Intelligence Data Call Covering Over 80% of U.S. Market](#), March 8, 2024.

## Policy forms in NAIC Data Collection

- DF: Dwelling Fire
- HO-1: Basic “named-perils” coverage on buildings and personal property.
- HO-2: Broad “named-perils” coverage on buildings and personal property; provides coverage for more perils than HO-1 package.
- **HO-3**: Provides “all-risks” coverage on buildings, broad named-peril coverage on personal property; most common package written
- **HO-5**: Provides “all-risks” coverage on buildings and personal property.
- HO-8: Repair cost coverage for a dwelling whose replacement cost greatly exceeds its market value. Personal property, theft and additional coverages provided are similar to coverages provided under an HO-1 policy.

**As part of the collaboration with the NAIC, FIO will receive data on HO-3 and HO-5 policies, which comprised over 90% of the Homeowners Owner-Occupied Written Exposures nationwide in 2020.**

Figure 1 - 2020 Percent of Homeowners Owner-Occupied Written Exposures Countrywide By Policy Form

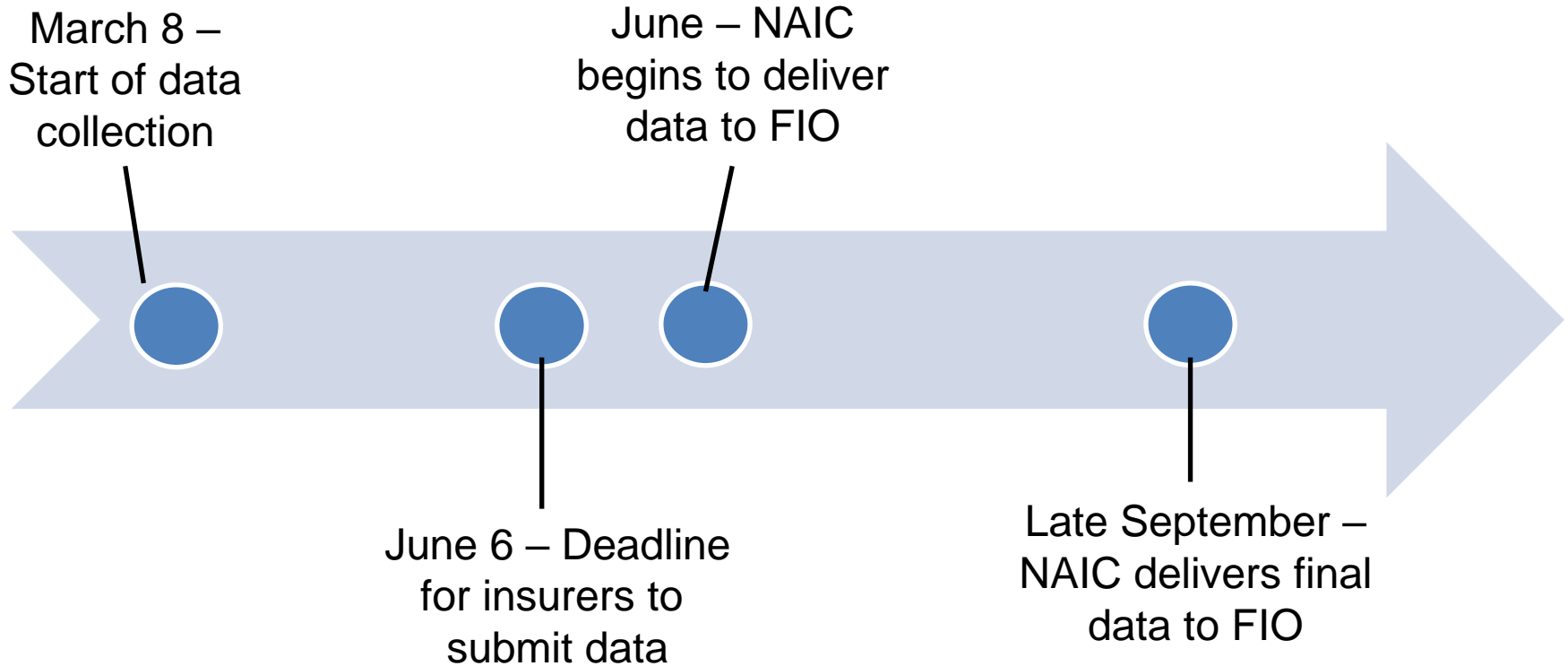


Source: NAIC Homeowners Report, 2022

FIO will receive the following:

- Data aligning with six of the data fields in FIO's data collection including
  - Total Direct Losses Paid
  - Number of Policy In-Force Exposures
  - Number of Policies Not Renewed or Retained
  - Total Dollar Value of Coverage for Dwelling, Other Structures, Personal Property, and Loss of Use
  - Cumulative Number of Claims Closed With Loss Payment
- Deductibles
- Disaggregation of policy nonrenewals

# Timeline and Next Steps



- In accordance with the agreements entered into by the state insurance regulators, the NAIC, and FIO, the NAIC will provide only anonymized information to FIO to address any potential confidentiality concerns.
- FIO is working with the NAIC on issues related to public dissemination of the data collected.
- FIO will use the data to conduct quantitative analysis as noted in its prior Federal Register releases.



# Key Metrics & Analysis

## Key Metrics for Analysis (Non-Exhaustive)

### Losses/Claims

Losses Per Policy
$\frac{\text{Losses Paid}}{\text{Policies}}$

Loss Ratio
$\frac{\text{Losses Paid}}{\text{Premiums}}$

Claim Severity
$\frac{\text{Losses Paid}}{\text{Claims with Payment}}$

Claim Frequency
$\frac{\text{Claims with Payment}}{\text{Policies}}$

### Premium/Exposures

Average Premiums	
$\frac{\text{Premiums}}{\text{Policies}}$	$\frac{\text{Premiums}}{\text{Total Coverage (\$1000)}}$

Exposure Trend (# of policies)
$\frac{\text{Policies year T}}{\text{Policies year T-1}}$

### Policies Not Renewed

Non-Renewal Rate
$\frac{\text{Count of Nonrenewals}}{\text{Policies}}$

The above illustrates some of the metrics that FIO may use to analyze trends in the data provided to FIO by the NAIC.

As noted in FIO's November 2023 FRN, the key metrics will be used to analyze trends over time in more and less climate-prone areas. In the time-series analysis, FIO will assess trends in underwriting, claims, and loss metrics, normalized on a per-policy, premium, or coverage basis to allow for comparison across ZIP Codes, for owner-occupied homeowners multi-peril (HO-3 & HO-5 forms) policies during the 2018-2022 period.