Insurance Sector and Climate-Related Financial Risk: Federal Insurance Office

Federal Advisory Committee on Insurance

June 2, 2022
FIO’s Climate-Related Priorities

“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)

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<th>FIO’s 2022 Priorities</th>
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<td><strong>Supervision and Regulation:</strong> Assess climate-related issues or gaps in the supervision and regulation of insurers, including their potential impacts on U.S. financial stability.</td>
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<td><strong>Quantitative Analysis:</strong> 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.</td>
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<td><strong>Stakeholder Engagement:</strong> Increase FIO’s engagement on climate-related issues, leverage the insurance sector’s ability to achieve climate-related goals.</td>
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Based on EO and 5,300 comments received to FIO’s RFI last fall
FIO Climate Report

- Issue the report by **year-end 2022**

- Focus on an **assessment of climate-related issues or gaps in the supervision and regulation of insurers**, including their potential impacts on U.S. financial stability. Areas that may be covered include:

  - Microprudential regulation
  - Systemic risks and macroprudential regulation
  - Market conduct and consumer protection, including an analysis of state, federal, and international climate-related disclosure requirements for insurers
  - Initial, qualitative analyses on at-risk insurance markets
  - Mitigation and resilience initiatives
**Quantitative Analysis**

**Transition risk**

- **Insurers’ investment portfolios**
  - U.S. insurance sector directly owns over $7 trillion of invested assets
  - Finalizing analytical approaches for assessing portfolio alignment and potential transition risk for asset portfolios

**Physical risk**

- **Underwriting liabilities from P&C insurers’ current exposures**
  - Will assess impact on protection gaps and insurance availability, particularly in at-risk markets

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**High-quality, granular data** needed to deliver on E.O. 14030 including assessing insurance availability and affordability for vulnerable communities

FIO continues to assess use of **collection and dissemination authorities** for the insurance sector to help fill potential data gaps
Stakeholder Engagement

- Engaging with colleagues domestically and internationally on issues such as macroprudential analyses, supervision, and scenario analysis:

- Planning stakeholder roundtable discussions on topics related to the insurance sector and climate-related financial risk.

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- [NAIC logo]
- [Sustainable Insurance Forum logo]
- [IAIS logo]
- [NGFS logo]
- [U.S.–EU Insurance Dialogue Project logo]
FACI Climate Subcommittee

➢ First meeting on **May 26**

➢ **Subcommittee Charges:**

  ▪ Technical discussions and presentations on data, analytical tools, and risk selection methodologies

  ▪ Periodic discussions with FIO staff on data, modelling, and quantitative analysis

  ▪ Work will support FIO’s efforts to conduct analyses of climate-related risk within the insurance sector