



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

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**Federal Advisory Committee on Insurance**

**June 2, 2022**

“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 Priorities

*Based on EO and 5,300 comments received to FIO's RFI last fall*

1

**Supervision and Regulation:** 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.

- 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

## 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

**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:



**U.S.–EU  
Insurance  
Dialogue Project**

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

➤ 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