

DEPARTMENT OF THE TREASURY

Agency Information Collection Activities; Proposed Collection; Comment Request; Federal Insurance Office Climate-Related Financial Risk Data Collection

AGENCY: Federal Insurance Office, Departmental Offices, Treasury

ACTION: Notice and request for comments.

SUMMARY: Pursuant to the Federal Insurance Office Act of 2010 (FIO Act), the Federal Insurance Office (FIO) of the U.S. Department of the Treasury (Treasury) intends to request approval from the Office of Management and Budget (OMB) for the collection of information from certain property & casualty (P&C) insurers regarding their current and historical underwriting data on homeowners' insurance, as described below.¹ The proposed data collection will assist FIO's assessment of climate-related exposures and their effects on insurance availability for policyholders, including 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. FIO will also seek to assess any related effects on insurance affordability for policyholders. The Paperwork Reduction Act of 1995 (PRA) requires federal agencies to publish a notice in the Federal Register concerning each proposed collection of information before submission to OMB, and to allow 60 days for public comment in response to the notice. This notice complies with that requirement.

1. FIO Act, 31 U.S.C. 313(c)(1)(A)-(B).

DATES: Submit comments on or before 60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER.

ADDRESSES: Submit comments electronically through the Federal eRulemaking Portal: <http://www.regulations.gov>, or by mail to the Federal Insurance Office, Attn: Elizabeth Brown, Senior Insurance Regulatory Policy Analyst, Elizabeth.Brown@treasury.gov, (202) 597-2869 or Silab Mohanty, Senior Insurance Regulatory Policy Analyst, Silabhadra.Mohanty@treasury.gov, (202) 945-7062, Room 1410 MT, Department of the Treasury, 1500 Pennsylvania Avenue NW, Washington, DC 20220. Because postal mail may be subject to processing delays, it is recommended that comments be submitted electronically. If submitting comments by mail, please submit an original version with two copies. Comments concerning the proposed data collection forms and collection process should be captioned as “FIO Climate-Related Financial Risk Data Collection Comments.” Please include your name, group affiliation, address, email address, and telephone number(s) in your comment. Where appropriate, a comment should include a short Executive Summary (no more than five single-spaced pages).

FOR FURTHER INFORMATION CONTACT: Elizabeth Brown, Senior Insurance Regulatory Policy Analyst, Elizabeth.Brown@treasury.gov, (202) 597-2869, or Silab Mohanty, Senior Insurance Regulatory Policy Analyst, Silabhadra.Mohanty@treasury.gov, (202) 945-7062 (these telephone numbers are not toll-free). Persons who have difficulty hearing or speaking may access these numbers via TTY by calling the toll-free Federal Relay Service at (800) 877-8339.

SUPPLEMENTARY INFORMATION:

Background

Under the FIO Act, FIO’s authorities include monitoring all aspects of the insurance sector, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance sector or the U.S. financial system. FIO’s authorities also include monitoring “the extent to which traditionally underserved communities and consumers, minorities (as such term is defined in section 1204(c) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1811 note)), and low- and moderate-income persons have access to affordable insurance products regarding all lines of insurance, except health insurance.”² In carrying out its duties, FIO is authorized to collect data and information on and from the insurance sector, including through the use of subpoenas. FIO is also authorized to analyze and disseminate data and information and issue reports on all lines of insurance, except health insurance.³

On May 20, 2021, President Biden issued an Executive Order on Climate-related Financial Risk, Exec. Order No. 14030 (EO 14030).⁴ As part of its Government-wide instruction to study and take actions in response to climate-related financial risks, EO 14030 emphasizes the important role that the insurance sector can play. In this regard, it states the Secretary of the Treasury shall task FIO “to assess climate-related issues or gaps in the supervision and regulation of insurers, including as part of the [Financial Stability Oversight Council’s] analysis of financial

2. FIO Act, 31 U.S.C. 313 (c)(1)(B).

3. FIO Act, 31 U.S.C. 313 (d)-(e).

4. Executive Order on Climate-related Financial Risk, Exec. Order No. 14030, 86 Fed. Reg. 27,967 (May 20, 2021), <https://www.federalregister.gov/documents/2021/05/25/2021-11168/climate-related-financial-risk> (EO 14030).

stability, and to further assess, in consultation with States, the potential for major disruptions of private insurance coverage in regions of the country particularly vulnerable to climate change impacts.”⁵ On August 31, 2021, FIO outlined its priorities with regard to climate-related financial risk in a request for information (RFI) on the Insurance Sector and Climate-Related Financial Risks.⁶ In the RFI, FIO cited the need for consistent, comparable, and granular data to work on its climate-related priorities.⁷ FIO’s climate-related work will be part of sequential and capacity-building efforts. The initial steps are intended to consolidate foundational knowledge that can be used in future years to develop more comprehensive approaches to address climate-related financial risks.

Overview of Analysis

In response to EO 14030, one of FIO’s climate-related priorities is to assess the potential for major disruptions of private insurance coverage in U.S. markets particularly vulnerable to climate change impacts.⁸ FIO intends to further this work by proposing to collect data from certain U.S. insurance entities to analyze property & casualty (P&C) insurers’ current and historical weather-related exposures from physical risks. Physical risks refer to “the harm to people and property arising from acute, climate-related disaster events such as hurricanes, wildfires, floods, and heatwaves as well as longer-term chronic phenomena such as higher

5. See Section 3(b)(i) in EO 14030. EO 14030 at 27,968.

6. Federal Insurance Office Request for Information on the Insurance Sector and Climate-Related Financial Risks, 86 Fed. Reg. 48,814 (August 31, 2021), <https://www.federalregister.gov/documents/2021/08/31/2021-18713/federal-insurance-office-request-for-information-on-the-insurance-sector-and-climate-related> (FIO RFI).

7. FIO RFI at 48,815.

8. FIO RFI at 48,815.

average temperatures, changes in precipitation patterns, sea level rise, and ocean acidification.”⁹

Physical risks can affect both the asset and liability side of an insurer’s balance sheet.¹⁰ On the asset side, insurers may be impacted by impairments and market declines in the value of investments held in securities of companies exposed to the physical effects of climate change and in real estate-related collateral, such as commercial property loans or agricultural-related assets. On the liability side, increases in the frequency, severity, and geographical distribution of weather-related events due to climate change could lead to higher direct losses from property damage, as well as indirect losses such as from business interruption and higher reinsurance costs. Additionally, severe weather-related events may create a potential protection gap for policyholders, which is generally understood to be the difference between the amount of insurance that is economically beneficial and the amount of insurance actually purchased, i.e., when the policyholder is uninsured or underinsured.¹¹

FIO is proposing to collect data relating to insurers’ underwriting metrics and related insurance policy information. The proposed data is needed in order for FIO to identify and more accurately assess the financial impact of weather-related events on insurers’ exposures and underwriting over time. FIO’s analysis would assess insurance availability and its effects on policyholders, particularly in regions of the country with the potential for major disruptions of private insurance coverage due to climate-related disasters. This proposed data collection would

9. Financial Stability Oversight Council, *Report on Climate-related Financial Risk* (2021), 12, <https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf> (*FSOC Climate Report*).

10. When an insurer underwrites a policy and receives premiums, it undertakes a potential obligation to settle valid claims. The estimate of the insurer’s obligation to pay future claims is reflected as a liability on the insurer’s balance sheet.

11. *See, e.g.*, The Geneva Association, *The Global Insurance Protection Gap: Assessment and Recommendations* (2014), 7, https://www.genevaassociation.org/sites/default/files/research-topics-document-type/pdf_public/ga2014-the_global_insurance_protection_gap_1.pdf.

also allow FIO to analyze the affordability of insurance, both nationwide and in regions of the country with the potential for major disruptions of private insurance coverage due to climate-related disasters. FIO's analysis would not focus on measuring the impact on earnings or capital to assess profitability or solvency of individual insurance companies.

FIO's proposed data collection leverages the format of data regularly reported on the annual statutory filings submitted by U.S. insurers to the insurance regulators in the 50 states, the District of Columbia (D.C.), and the five U.S. territories (collectively, State Insurance Regulators). However, FIO's proposed collection differs from statutory filings in three important areas: (1) the collection of data at a more granular level (i.e., aggregated by ZIP Code rather than at a U.S. state level), (2) the collection of underwriting data primarily on an Accident Year basis (rather than Calendar Year basis), and (3) the proposed inclusion of certain, limited data elements not collected on statutory filings (e.g., replacement values, deductibles, and coverage limits). Further explanation regarding FIO's proposed data collection and the specific data items being request is provided below.

Proposed Scope of Data Collection

FIO's proposed data collection attempts to limit the burden of data collection on the insurance industry while also providing FIO with sufficient data to achieve its assessment of climate risks as set forth in this notice. Below, this section describes the rationale and main elements of FIO's proposed data collection, which include: (1) a focus on insurer underwriting, (2) insurance lines of business, (3) insurers, (4) data elements, (5) reporting framework, (6) reporting period, (7) geographic granularity, (8) geographic scope, and (9) reinsurance impact.

Summary

FIO's proposed analysis of physical risk would focus on P&C insurers' underwriting. For its analysis, FIO proposes to collect insurance underwriting data from insurers constituting the top writers (by premiums written on a national basis) in the homeowners' multi-peril line of business, as well as insurers with the greatest market share in certain states that are potentially vulnerable to climate-related disasters.¹²

FIO proposes to collect data from: (1) nationwide insurers writing above a premium threshold of \$100 million in 2021 homeowners' insurance premiums; and (2) additional insurers in order to achieve an 80 percent market share threshold in each of 10 states that are potentially the most vulnerable to climate-related disasters (Potential Climate-Vulnerable States). (See also discussion of U.S. state selection in "Insurers" below.) These two categories collectively cover 213 insurance entities (the Representative Sample Insurers) who are domiciled in 34 states: Alabama, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, and Wisconsin.¹³

12. FIO is using the term "climate-related disasters" to refer to the type of weather-related events (such as wildfires, floods, hurricanes, etc.) that may be produced or exacerbated by climate change, as distinct from non-weather related, natural events (such as earthquakes and tsunamis). References to "catastrophic events" may include both weather-related and non-weather-related events; similar (or synonymous) terms used by the insurance industry include "natural catastrophes" and "natural disasters."

13. An insurance company is said to be "domiciled" in the state that issued its primary license. Once licensed in one state, the company may seek licenses in other states and most insurers write policies in multiple states.

FIO proposes collecting underwriting data for the Representative Sample Insurers. This data would include information regarding claims, premiums, and losses that correspond to data fields reported by U.S. insurers to State Insurance Regulators in annual filings, as well as additional data elements not collected on statutory filings (e.g., premium renewals, replacement values, deductibles, and coverage limits). FIO proposes requesting five years of underwriting data, 2017 through 2021 (Reporting Period), on an Accident Year reporting basis to evaluate underwriting trends, including before and after periods corresponding to weather-related events. Finally, and in line with its statutory authorities, FIO proposes collecting data at a ZIP Code level for all U.S. ZIP Codes applicable to the Representative Sample Insurers in order to conduct a granular, nationwide assessment.

Data would be collected from insurers in a specified Excel template to be provided by FIO (Template). A copy of the proposed Template is available at <https://home.treasury.gov/system/files/311/FIO-Proposed-Climate-Data-Call-Template.xlsx> and instructions for filling out the template are available at <https://home.treasury.gov/system/files/311/FIO-Proposed-Climate-Data-Call-Instructions.pdf>. Under the proposed collection, each of the Representative Sample Insurers would need to aggregate and report the data requested by the template at a ZIP Code level for all of the policies that they have written nationwide during the Accident Year Reporting Period.

Underwriting Focus

Insurers face climate-related impacts and risks on both sides of their balance sheets: underwriting and investments. Consistent with the FIO Act and with FIO's direct tasking under EO 14030, this data collection focuses on obtaining data necessary to analyze the climate-related

impacts on insurers' underwriting, including any effects on whether coverage is available to policyholders. Recent data and events indicate that insurers' underwriting is directly impacted by the physical risks of weather-related events. For example, by one estimate, U.S. insured losses from weather-related events totaled \$92 billion in 2021 (with uninsured losses reaching an additional \$77 billion).¹⁴

Insurance Lines of Business

Multiple lines of insurance may be impacted by climate-related risks, such as commercial multi-peril, standalone fire, and flood policies. FIO's proposed data collection focuses on homeowners' multi-peril insurance because this is the largest personal line of business impacted directly by weather-related events and is the most relevant in determining potential effects on policyholders.¹⁵ Multi-peril policies provide coverage for more than one hazard and can bundle together several property and liability insurance lines of business. Homeowners' multi-peril is often offered by insurers as an all-in-one insurance coverage package and may include coverage for property damage from a variety of perils (including wind, hail and fire, loss of use, theft, mold, explosion, and vandalism; however, flood is typically excluded).

Insurers

FIO's selection of insurers was based on two considerations: (1) a premium threshold of \$100 million in 2021 homeowners' insurance premiums for nationwide insurers and (2) the

14. "Facts + Statistics: U.S. Catastrophes," Insurance Information Institute, <https://www.iii.org/fact-statistic/facts-statistics-us-catastrophes>. Losses include those from severe convective storms, wildfires, drought, heatwaves, flooding, winter storms, and tropical cyclones.

15. See, e.g., Shanthi Ramnath and Will Jeziorski, "Homeowners Insurance and Climate Change," *Chicago Fed Newsletter*, September 2021, <https://www.chicagofed.org/publications/chicago-fed-letter/2021/460>.

proposed inclusion of certain insurers in order to achieve an 80 percent market share threshold in the Potential Climate-Vulnerable States. FIO aims to capture a representative share of the U.S. market, particularly in Potential Climate-Vulnerable States, while minimizing the collection burden by focusing on the larger insurers.

FIO's proposed premium threshold of \$100 million or more in direct premium written is consistent with the threshold used by 14 states and D.C. to designate insurers required to complete the National Association of Insurance Commissioners (NAIC) Climate Risk Disclosure Survey.

To determine the Potential Climate-Vulnerable States for purposes of this proposed data collection, FIO used the Federal Emergency Management Agency (FEMA) data from the National Risk Index (after reviewing existing sources of climate vulnerability data). FEMA's National Risk Index is a publicly available dataset on natural hazards and social vulnerability, with accompanying information on methodology and data sources, that combines historical county level risk data across 18 hazard types, though it does not include projections of future risk due to climate change.¹⁶ The National Risk Index's detailed, county level data makes it possible to filter out risks from non-climate-related events. The National Risk Index also provides information on the Expected Annual Loss, which is a variable representing the average economic loss in dollars resulting from natural hazards each year that is calculated for each hazard type and quantifies loss for buildings, people, and agriculture.¹⁷ The National Risk Index has been used in both the Climate Mapping for Resilience and Adaptation tool released in September 2022 and by

16. "Learn More," FEMA National Risk Index, <https://hazards.fema.gov/nri/learn-more>.

17. The National Risk Index uses the term Expected Annual Loss; FIO understands that FEMA's definition may differ from the way insurers determine expected annual loss within their own business.

the National Oceanic and Atmospheric Administration as part of its Billion Dollar Disaster tool.¹⁸ In addition, insurance stakeholders have noted the value of the National Risk Index as a useful tool.¹⁹ The NAIC also cited the National Risk Index as a resource for understanding risks.²⁰

FIO aggregated the National Risk Index's Expected Annual Loss data across 15 hazards that were determined to be in scope.²¹ Figure 1 shows the 10 states with the highest Expected Annual Loss from those 15 climate-related hazards based on FIO's use of the National Risk Index. FIO identified the 10 Potential Climate-Vulnerable States as an additional selection mechanism to ensure sufficient market coverage and to support more comprehensive geographic coverage. The results indicate that potential climate impacts are geographically dispersed throughout the United States.

18. "Climate Mapping for Resilience and Adaptation," U.S. Global Change Research Program, <https://resilience.climate.gov/>; "U.S. Billion-Dollar Weather and Climate Disasters," National Centers for Environmental Information, National Oceanic and Atmospheric Administration, last updated October 11, 2022, <https://www.ncei.noaa.gov/access/billions/>.

19. Insurance stakeholder comments on the National Risk Index appeared in response to a FEMA Request for Information on "FEMA Programs, Regulations, and Policies," which sought feedback to ensure they are meeting FEMA's mission. *See, e.g.*, Comment from Reinsurance Association of America (June 23, 2021), <https://www.regulations.gov/comment/FEMA-2021-0011-0168>; Comment from Insurance Institute for Business and Home Safety (July 19, 2021), <https://www.regulations.gov/comment/FEMA-2021-0011-0204>.

20. "Reduce Your Risk Against Climate-Related Losses," NAIC, December 30, 2021, <https://content.naic.org/article/reduce-your-risk-against-climate-related-losses>.

21. FIO included the following 15 hazards that may experience impacts from climate change: avalanche, coastal flooding, cold wave, drought, hail, heat wave, hurricane, ice storm, landslide, lightning, riverine flooding, strong wind, tornado, wildfire, and winter weather. Many, but not all, of these hazards may be covered under homeowners' multi-peril policies (coastal and riverine flooding are typically covered through separate policies). FIO excluded earthquakes, volcanic activity, and tsunamis from its analysis because they are not considered to be impacted by climate change based on review of both the *Fourth National Climate Assessment*, <https://nca2018.globalchange.gov/>, and IPCC's *Sixth Assessment Report*, <https://www.ipcc.ch/assessment-report/ar6/>.

Figure 1: Top 10 Potential Climate-Vulnerable States

1	Texas	6	New Jersey
2	California	7	Missouri
3	Florida	8	Illinois
4	Louisiana	9	Iowa
5	North Carolina	10	Oklahoma

Source: “National Risk Index,” FEMA, <https://hazards.fema.gov/nri/>; FIO analysis

FIO proposes collecting nationwide data from additional insurers operating in each of these states that do not meet the first consideration in order to capture at least an 80 percent market share within each of these 10 states.

Data Elements

The Template requests underwriting income and claims data elements. While some of the data elements in FIO’s proposed collection are reported by insurers either to statistical agents and/or in the Exhibit of Premiums and Losses (State Page) and Schedule P of their annual statutory filings, not all of the fields are reported in one consistent template, using the same accounting methodology, and at the level of granularity proposed for this data collection. Annual statutory filings are done at a national or state level (depending on the element), while the proposed Template seeks these data elements aggregated at a ZIP Code level to more accurately assess localized trends and vulnerable communities, including minority and low- and moderate-income populations.

FIO’s proposed data collection includes financial information from elements that also may appear in annual statutory filings, including: insurer identifying information (Template cells C5 through C9), total year-end net admitted assets (as of 12/31 for year of reporting) (Template cell C10), total year-end policyholder surplus (as of 12/31 for year of reporting) (Template cell C11), and premiums, claims, and losses data (Template cells H15 through R15).

FIO's proposed data collections also includes additional fields that are not in statutory filings, including: (1) the number of policy in-force exposures (Template cell D15), (2) total dollar value of coverage for dwelling and/or other structures and personal property (Template cell E15), (3) total dollar value replacement cost value (Template cell F15), (4) total dollar amount of insurance deductible (Template cell G15), and (5) amount of direct premiums written renewed or retained (Template Cell P15). The data for these fields will help FIO assess how trends in underwriting and exposures have changed over time, as well as help provide information on potential protection gaps.

FIO's proposed data collection will only assess exposures that are directly impacted by weather-related events. Therefore, this data collection aims to only include data associated with weather-related hazards, including, but not limited to, convective storms, drought, hail, hurricanes, ice, sleet, snow, tornados, wildfires, and windstorms, but would explicitly exclude:

1. Liability exposures (i.e., the proposed data collection will include only property-related exposures);
2. Flood insurance policies by the National Flood Insurance Program (NFIP) and private insurers because FEMA, which administers the NFIP, is conducting its own similar analyses using its publicly available data, and flood damage is typically not covered by standard homeowners' multi-peril policies which are the focus of this proposed data collection; FIO plans to further coordinate with FEMA on flood insurance data analysis; and
3. Earthquake coverage, intentional losses caused by the policyholder or his agents (such as arson), acts of terror, or war since these are not considered weather-related events.

FIO is not proposing at this time to collect data by type of peril. While loss events may include the impact of multiple perils, there may not currently be consistency in how insurers maintain or allocate loss data by peril.

Finally, FIO recognizes that the impact of weather-related events may also cause an increase in claims related to additional living expenses. FIO will focus this proposed data collection on claims associated with physical damage to capture the most direct physical risk impact of weather-related events. While FIO acknowledges that additional living expenses claims can account for an increasing portion of weather-related losses, this form of coverage is not always a standard part of homeowners' insurance policies. Therefore, the inclusion of this expense in the analysis could distort metrics reflecting the direct impact of weather-related events. FIO may consider the inclusion of additional elements, including such expenses, in subsequent analyses.

Reporting Framework

FIO proposes to use Accident Year reporting for its data collection.²² In Accident Year reporting, underwriting financial data is arranged such that the premiums earned in a given year can be compared with losses associated with claims that occurred in that same year. In this reporting method, the claims and any subsequent changes in reserves are attributed back to the period in which the loss event occurred and not when the loss is reported or paid. Many insurers and State Insurance Regulators use Accident Year underwriting financial data to facilitate

22. Accident Year reporting is one of two common methods in the United States of reporting and analyzing insurance underwriting data; the other is Calendar Year reporting. Under Calendar Year reporting, an insurer may earn premium or incur a loss from an event at one point in time but may recognize those losses when claims are reported and settled at another point in time such as in a subsequent year. As a result, an insurer's Calendar Year experience may be considered less reflective of its underwriting experience for that particular year.

actuarial analysis for the purposes of rate-making (or setting policy premiums), reserving, and analyzing losses. In its data collection, FIO proposes seeking Accident Year underwriting-related financial data to monitor the development of claims from the same occurrence throughout the Accident Year.

Reporting Period

FIO proposes asking for five years of data (2017 through 2021), primarily on an Accident Year reporting basis to evaluate underwriting trends, including before and after periods corresponding to weather-related events. FIO also considered capital planning cycles and potential time lags in the collection of claims from weather-related events when considering the time horizon for the proposed data collection. Additionally, 2017 was a year of record natural catastrophe losses in the United States, when three of the 10 costliest natural catastrophes occurred.²³ Therefore, starting from 2017 should provide information regarding how underwriting metrics have changed over time in response to significant catastrophe losses while reducing the burden of data reporting by focusing the scope of collection on the last five years of data.

Geographic Granularity

FIO considered multiple geographic levels at which insurance data could be collected for this proposed data collection. At the broader end of the range, FIO considered collecting data

23. Natural catastrophes in this estimate are defined as natural disasters, which are significant, destructive events with atmospheric, geological, and hydrological origins (e.g., hurricanes, earthquakes, and floods), that cause at least \$25 million in insured losses; or 10 deaths; or 50 people injured; or 2,000 filed claims or homes and structures damaged. Hurricanes Harvey, Irma, and Maria occurred in 2017 and they were three of the ten costliest natural catastrophes in the United States, based on data provided by Aon. See “Facts + Statistics: U.S. Catastrophes,” Insurance Information Institute, <https://www.iii.org/fact-statistic/facts-statistics-us-catastrophes>.

from insurance companies at the national or state level. In the middle of this spectrum, FIO considered a range of options including collection by ZIP Code, county, public use microdata area, or census tract. At the narrower end of the spectrum, FIO considered that collecting data related to specific latitude and longitude coordinates or building addresses could help pinpoint specific policies. This section outlines why FIO’s proposed data collection includes collection at a ZIP Code level.

State-wide information collected on statutory filings would not provide a sufficient level of granularity for FIO’s data analysis. First, the physical risk assessment related to weather-related events is complicated and many weather-related events, especially secondary perils, have localized effects, with risk levels and loss impacts differing widely within a state. Collecting more granular data than at a state level would allow FIO to assess the effects of such localized events on insurance markets. For example, one industry source found that secondary perils caused more than 70 percent of insured losses from all natural catastrophes (\$81 billion) in 2020.²⁴ Secondary perils are high-frequency, low-to-medium severity weather-related events that may generate small-to-mid-sized losses, such as severe convective storms.²⁵ The different occurrences of weather-related events can lead to different potential exposures across a given state. For example, data collected by the California Department of Insurance shows that the

24. Swiss Re Institute sigma, *Natural Catastrophes in 2020: Secondary Perils in the Spotlight, But Don’t Forget Primary-Peril Risk* (2021), 4, <https://www.swissre.com/dam/jcr:ebd39a3b-dc55-4b34-9246-6dd8e5715c8b/sigma-l-2021-en.pdf>.

25. See, e.g., Steve Evans, “US Severe Weather & Convective Storm Losses Near \$20bn in 2021: Aon.” *Artemis*, November 15, 2021, <https://www.artemis.bm/news/us-severe-weather-convective-storm-losses-near-20bn-in-2021-aon/>. Severe convective storms are caused by warm, moist air rising from the earth, which results in a range of conditions including drenching thunderstorms with lightning, tornadoes, hail, or destructive straight-line winds. See, e.g., Insurance Information Institute, *Severe Convective Storms: Evolving Risks Call for Innovation to Reduce Costs, Drive Resilience* (May 2020), 3, https://www.iii.org/sites/default/files/docs/pdf/convective_storms_wp_050520.pdf.

percentage of dwelling units in high or very high wildfire zones ranges from less than one percent to more than 82 percent when assessed at a county level.²⁶

Second, insurers generally price policies based on the risk in a localized area and such risk assessment may not be uniform for an entire state. Collecting ZIP Code data will allow FIO to understand local differences in U.S. state insurance markets, such as those reflected in premiums, terms and conditions, coverage, and availability. For example, a report by the Massachusetts Insurance Division shows differences across Massachusetts in the percentage of insurance coverage for policyholders from private markets rather than the residual market, the application of mandatory deductibles for wind coverage, and the nonrenewal rate.²⁷ Additionally, the California Department of Insurance notes a selective pull back from new business and renewals in “certain parts” of the wildland-urban interface.²⁸

Third, in order to fulfill its statutory mandate to assess both the availability of insurance products and the affordability of such products for vulnerable communities, including minority and low- and moderate-income populations, FIO plans to consider pairing underwriting data with demographic data. Demographic data such as socioeconomic status and average home prices can be readily obtained at a ZIP Code level. Existing statutory annual statement filings with state level data assist State Insurance Regulators in the prudential regulation of insurance companies and are not primarily intended to assess trends regarding whether such products are available or

26. California Department of Insurance, *The Availability and Affordability of Coverage for Wildfire Losses in Residential Property Insurance in the Wildland-Urban Interface and Other High-Risk Areas of California: CDI Summary and Proposed Solutions* (2017), Appendix C, <http://www.insurance.ca.gov/0400-news/0100-press-releases/2018/upload/nr002-2018AvailabilityandAffordabilityofWildfireCoverage.pdf> (CDI Wildfire Coverage Report).

27. Massachusetts Division of Insurance, *Annual Home Insurance Report for Calendar Year 2020* (n.d.), 10, 27, 32, <https://www.mass.gov/doc/the-2020-massachusetts-market-for-home-insurance/download>.

28. *CDI Wildfire Coverage Report*, 2.

affordable. Analyzing ZIP Code information will allow FIO to understand variations in the availability of insurance within a given state and whether the available insurance within that state is affordable. These issues could potentially be obscured by state level averages.

Fourth, using ZIP Code information could be less burdensome for insurers as they may collect ZIP Code information as part of the insured property address when underwriting homeowners' multi-peril policies, making it easier for them to aggregate data at a ZIP Code level for FIO's proposed data collection.

Fifth, ZIP Codes have unique, numerical identifiers, making them easier to analyze than other sub-state boundaries such as counties, and are more stable over time. Historically, county demarcations have changed more frequently than ZIP Code demarcations.²⁹

Finally, the use of ZIP Code level data by seven states in certain circumstances (California, Florida, Illinois, Massachusetts, Missouri, Tennessee, and Texas) demonstrates the appropriateness of and the potential benefits of this level of analysis for FIO's climate-related financial risk analyses. The California Department of Insurance collected and analyzed data from fire, homeowners' multi-peril, and private personal auto insurers in California for all ZIP Codes in order to report on those communities that were considered "underserved."³⁰ The business overview of Citizens Property Insurance Corporation, the homeowners residual market insurer in Florida, notes total insured value by ZIP Code and the Florida Office of Insurance

29. "Substantial Changes to Counties and County Equivalent Entities: 1970-Present," *U.S. Census Bureau*, last updated October 8, 2021, <https://www.census.gov/programs-surveys/geography/technical-documentation/county-changes.html>.

30. California Department of Insurance, *2015 Commissioner's Report on Underserved Communities: Experience Years 2010 – 2014* (2015), i, <http://www.insurance.ca.gov/0400-news/0200-studies-reports/0800-underserved-comm/upload/CRUC2015ReportFinal-2.pdf>.

Regulation provides ZIP Code data in some instances, such as after Hurricane Michael.³¹ Illinois requires that insurers report ZIP Code level data for certain lines of business, including homeowners' multi-peril.³² The Massachusetts Division of Insurance uses data collected from certain ZIP Codes to understand differences in premiums, claims and losses, and cancellations and non-renewals.³³ The Missouri Department of Insurance "requires insurers writing personal lines insurance to file data by ZIP code, including exposures written, premium written, loss paid count and losses paid. Data is collected on an annual basis."³⁴ Tennessee conducted a catastrophic claims data call in 2016 concerning the November 2016 wildfires in Gatlinburg as well as two catastrophic claims data calls concerning the impact of tornadoes that struck the state in 2020.³⁵ Each of these three data calls required insurers to report claims by ZIP Code. Additionally, Texas initiated a data call following Hurricane Harvey that required insurers to report several data elements by ZIP Code, including number of reported claims, number of

31. Citizens, *Corporate Analytics Business Overview* (March 31, 2022), 1, <https://www.citizensfla.com/documents/20702/93064/20220331+Business+Overview.pdf/24a9e673-b3e0-c8af-31ca-43f8ca81e24d?t=1652146197003>; "Hurricane Michael Claims Data," *Florida Office of Insurance Regulation*, <https://www.flor.com/Office/HurricaneSeason/HurricaneMichaelClaimsData.aspx>.

32. Illinois Department of Insurance, *Instructions for Part 4203 – Insurance Data Reporting Requirements: Subpart A: Cost Containment Reporting* (n.d.), 11, https://insurance2.illinois.gov/regulatory_filings/DataCall/ReportingInstructions.pdf.

33. Massachusetts Division of Insurance, *Statistical Supplement to the 2020 Report on the Massachusetts Market for Home Insurance* (n.d.), 20, 48, 91, <https://www.mass.gov/doc/the-2020-massachusetts-market-for-home-insurance/download>.

34. "Statistical Reports," Missouri Department of Insurance, <https://insurance.mo.gov/reports/>.

35. Tennessee Department of Commerce and Insurance, "TDCI Gathers Insurers' Data For Wildfire Claims Map," news release, December 2, 2016, <https://www.tn.gov/commerce/news/2016/12/2/tdci-gathers-insurers-data-for-wildfire-claims-map.html>; State of Tennessee, *Data Call Catastrophic Claims Template, 2016*, https://www.tn.gov/content/dam/tn/commerce/documents/insurance/posts/Ins_TN_Wildfire_Reporting_Data_Call.xlsx; Tennessee Department of Commerce and Insurance, *Notice of Catastrophic Claims Data Call Related to the March 2nd & 3rd Tornadoes* (March 5, 2020), https://www.tn.gov/content/dam/tn/commerce/documents/insurance/bulletins/030520_Claims_Data_Call.pdf; Tennessee Department of Commerce and Insurance, *Notice of Catastrophic Claims Data Call Related to the April 12th & 13th Tornadoes* (April 21, 2020), https://www.tn.gov/content/dam/tn/commerce/documents/insurance/bulletins/042120_April_12-13_Tornadoes_Data_Call.pdf.

claims closed with payment, and the total amount of paid losses.³⁶ These non-exhaustive examples illustrate that insurers are likely to have experience producing and submitting ZIP Code level information.

Geographic Scope

FIO is proposing to collect data from Representative Sample Insurers for all U.S. ZIP Codes in which they operate, for a number of reasons. First, consistent with FIO's statutory authorities, it would allow FIO to develop a nationwide understanding and assessment of how U.S. markets are being affected by climate-related events. Additionally, an individual U.S. state may have localized areas of potential risk to weather-related events that are obscured by state average metrics. Second, nationwide data allows FIO to compare relevant data for insurance markets that are in geographic areas with varying degrees of exposure to weather-related events. Nationwide data will also provide a national reference group that may allow FIO to control for trends such as rising home replacement costs that can cause disruption in insurance markets but are not directly tied to climate impacts.

Reinsurance Impact

FIO is excluding the impact of reinsurance from this proposed data collection. Allocating reinsurance data for the various types of reinsurance (including treaty and facultative) to policy and ZIP Code level would require a consistency of assumptions across reporting insurers which is not currently available. To avoid potential double counting, all reporting will focus only on direct business written by insurers without considering the effects of reinsurance. FIO

36. Texas Department of Insurance, *Hurricane Harvey Data Call: Data through September 30, 2018* (April 25, 2019), <https://www.tdi.texas.gov/reports/documents/harvey-dc-04252019.pdf>.

recognizes that the availability of reinsurance affects the availability of insurance for policyholders. Similarly, FIO recognizes that how reinsurance is priced will affect how much policyholders will pay for insurance and impacts insurers' financial results.

Estimate of Burden for Representative Sample Insurers

FIO estimates that the number of Representative Sample Insurers required to provide information under this data collection will be approximately 213. FIO also estimates that it will take each Representative Sample Insurer between approximately 100 to 350 hours total to provide all of the data that the proposed data collection seeks for the five years (2017 to 2021).

The overall estimated annual burden would be between approximately 21,300 and 74,550 hours (213 Representative Sample Insurers x 100 hours and 213 Representative Sample Insurers x 350 hours). At a blended, fully loaded hourly rate of \$54.27,³⁷ the total cost for all Representative Sample Insurers to comply with the proposed data collection would be between approximately \$1,155,951 and \$4,045,829.

The majority of Representative Sample Insurers belong to insurance groups. As a result, such insurers may experience synergies and efficiencies when completing the Template. Thus, the total number of hours that it may take all Representative Sample Insurers to collect, process, and complete the Template may be less than the number of hours that FIO has estimated here.

37. Based on data from "Insurance Carriers and Related Activities: NAICS 524," U.S. Bureau of Labor Statistics, <https://www.bls.gov/iag/tgs/iag524.htm>, the average wage rate for all insurance employees was \$40.47 in June 2022, and the total benefit compensation in the 1st Quarter of 2022 was 34.1 percent, which is a benefit multiplier of 1.341. Therefore, a fully-loaded wage rate for insurance employees is \$54.27, or $\$40.47 \times 1.341$.

Efforts to Collect Data from Other Sources

The FIO Act requires FIO to coordinate with State Insurance Regulators, relevant federal agencies, and publicly available sources in accordance with procedures set forth in the Act before FIO seeks to collect the data directly from insurers.³⁸ FIO has determined that the data it seeks is either not available or cannot be obtained in a timely manner from State Insurance Regulators, relevant federal agencies, or publicly available sources, and therefore proposes to use its data collection authorities under the FIO Act.

On June 30, 2022, FIO began the coordination process with the states with an email to each of the State Insurance Regulators in all 50 states, D.C., and the U.S. territories. This email described the data FIO would be seeking and requested from each State Insurance Regulator a response as to whether the regulator would be able to provide all of the requested data for any of the identified entities for all of the ZIP Codes in which the entities operate within 30 days of being asked. FIO continued its engagement and coordination over the next two months. FIO received answers from 49 states, D.C., and the five U.S. territories. These jurisdictions indicated that they could not provide all of the information described in the Template for any of entities identified for every ZIP Code in which those entities operated. FIO had multiple engagements

38. 31 U.S.C. 313(e)(4) provides that “Before collecting any data or information under paragraph (2) from an insurer, or affiliate of an insurer, the Office shall coordinate with each relevant Federal agency and State insurance regulator (or other relevant Federal or State regulatory agency, if any, in the case of an affiliate of an insurer) and any publicly available sources to determine if the information to be collected is available from, and may be obtained in a timely manner by, such Federal agency or State insurance regulator, individually or collectively, other regulatory agency, or publicly available sources. If the Director determines that such data or information is available, and may be obtained in a timely manner, from such an agency, regulator, regulatory agency, or source, the Director shall obtain the data or information from such agency, regulator, regulatory agency, or source. If the Director determines that such data or information is not so available, the Director may collect such data or information from an insurer (or affiliate) only if the Director complies with the requirements of subchapter I of chapter 35 of title 44, United States Code (relating to Federal information policy; commonly known as the Paperwork Reduction Act), in collecting such data or information. Notwithstanding any other provision of law, each such relevant Federal agency and State insurance regulator or other Federal or State regulatory agency is authorized to provide to the Office such data or information.”

with one state that did not directly answer the question posed by FIO. This state indicated that it could facilitate the collection of the data but did not indicate that it currently had the data to provide to FIO. FIO has determined that the requested data from this state cannot be obtained in a timely manner upon request by FIO. Based on the responses received from the State Insurance Regulators, FIO has determined that the data described in the Template is either not available or cannot be obtained in a timely manner from any of the states, D.C., or the five U.S. territories.

With regard to relevant federal agencies and publicly available sources, FIO understands that no federal agency currently collects the ZIP Code level data described in the Template for all of the relevant entities. While some insurance policy level data is available from statistical agents that aggregate data obtained by State Insurance Regulators from insurance companies, such data is generally available only after paying a significant fee. Additionally, while statistical agents do collect some ZIP Code level data, that data is not uniformly collected in every state. Moreover, this data is not collected in a standardized format and, in some instances, lacks elements necessary for FIO's analysis of climate-related risk. Therefore, FIO cannot obtain comparable and sufficiently granular nationwide data for its analysis through statistical agents.

Submission of Data

Entities classified as Representative Sample Insurers would submit data using the provided Template. Such insurers would be expected to submit the completed Template through a secure web portal provided by FIO within a specified time period, such as 60 days. Treasury intends to provide training and additional resources throughout the data collection period to facilitate the proper completion of reporting templates. Reporting under this data collection would be mandatory for all Representative Sample Insurers.

Given the sensitivity of the requested data, Treasury expects to provide appropriate levels of confidentiality to respondents. The FIO Act requires FIO to maintain the privacy or confidentiality of submissions of non-publicly available data and information to FIO.³⁹ Under the FIO Act, submissions pursuant to this possible data collection will not constitute a waiver of, or otherwise affect, any privilege arising under federal or state law to which the data or information is otherwise subject.⁴⁰

All data collection is expected to be done through a secure portal maintained by Treasury, and Treasury will not publish confidential firm-specific data from individual submissions. FIO may publish aggregated analyses of the submitted information.

Request for Comments

To ensure efficient and accurate completion of the forms, FIO is requesting public feedback on the content of the proposed data collection outlined in this Notice and Request for Comments and on associated matters. In particular, FIO seeks comments on the following issues:

1. Focus on Underwriting: FIO proposes to focus this data collection on insurers' underwriting for homeowners' policies to assess the impact of physical risk on the availability of insurance coverage for policyholders as well as whether the available insurance coverage is affordable for policyholders. Please provide your views on FIO's focus on insurers' underwriting.

39. FIO Act, 31 U.S.C. 313(e)(5).

40. FIO Act, 31 U.S.C. 313(e)(5).

2. *Selection of Insurance Lines:* FIO proposes collecting information on homeowners' multi-peril policies. Should FIO consider data collection for any other lines of business? To what extent should FIO's assessment include NFIP policies and private flood insurance policies?

3. *Selection of Insurers:* FIO proposes selecting insurers that meet either of the following criteria: (1) insurers writing \$100 million or more in annual homeowners' insurance premiums in 2021 or (2) additional insurers that would allow FIO to capture at least 80 percent in each of the 10 Potential Climate-Vulnerable States identified above. Please provide your views on the appropriateness of these thresholds and whether they should be modified.

4. *Inclusion of Data Elements:* The data template includes elements related to insurers' policies, claims, premiums, and losses. Are there any additional data elements you would propose to include? Are there any data elements you would propose to exclude? How should FIO's analysis consider other potential elements such as additional living expenses or reinsurance?

5. *Use of Accident Year Information:* FIO proposes collecting ZIP Code level information in the Template on an Accident Year basis, rather than Calendar Year basis. Please provide any additional comments on FIO's proposed use of an Accident Year reporting framework for its proposed data collection.

6. *Selection of Reporting Period:* FIO proposes collecting data for each year from 2017 through 2021. Please provide your views on the appropriateness of this reporting period and whether it should be modified by FIO.

7. *Collection at ZIP Code level:* Please provide your views on FIO's proposal to collect data at a ZIP Code level.

8. *Collection across all Jurisdictions:* FIO is proposing to collect nationwide data for identified insurers to allow for a nationwide understanding and assessment of U.S. insurance markets that may be affected by climate-related events. Please provide your views on FIO's proposal to collect nationwide data from certain insurers.

9. *Methodology for Selection of Potential Climate-Vulnerable States:* FIO used the FEMA National Risk Index to select the ten states that potentially may be vulnerable to climate-related disasters. Please provide your views on FIO's use of the National Risk Index to select the Potential Climate-Vulnerable States. Are there other data source(s) that FIO should consider in this methodology?

10. *Burden Estimate:* Please provide your views on whether FIO's burden estimate is accurate and whether there are further ways to minimize the burden of this proposed data collection.

11. *Annual Collection:* Please provide your views on whether FIO should collect this information from U.S. insurers on an annual basis.

12. *Analysis of Availability:* Please provide your views on how FIO should assess the impact of climate-related risks on the availability of insurance.

13. *Analysis of Affordability:* Please provide your views on how FIO should assess the impact of climate-related risks on the affordability of insurance.

14. *Additional Comments*: Please provide any additional comments that may be relevant to FIO's proposed data collection and analyses.

Procedural Requirements

Paperwork Reduction Act. The collection of information contained in this Request for Comments will be submitted to the Office of Management and Budget (OMB) for review as a revision to OMB Control Number 1505-NEW under the requirements of the Paperwork Reduction Act, [44 U.S.C. 3507\(d\)](#). Comments should be sent to Treasury in the form discussed in the **ADDRESSES** section of this Request for Comments. Comments on the collection of information should be received within 60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER.

Comments are being sought with respect to the collection of information in the proposed FIO climate-related data collection. *Treasury specifically invites comments on*: (a) whether the proposed collection of information is necessary for the proper performance of the functions of FIO, including whether the information shall have practical utility; (b) ways to enhance the quality, utility, and clarity of the information collection; (c) whether the burden estimate is accurate; and (d) whether there are ways to minimize the burden, including through the use of automated collection techniques or other forms of information technology.

Dated: Oct 14, 2022
Steven E. Seitz,
Director, Federal Insurance Office