

# United States Senate

WASHINGTON, DC 20510

September 6, 2023

The Honorable Janet Yellen  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, D.C. 20220

Steven Seitz  
Director  
Federal Insurance Office  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, D.C. 20220

Dear Secretary Yellen and Director Seitz:

We write in advance of the Senate Banking, Housing, and Urban Affairs Committee’s upcoming hearing on “Perspectives on Challenges in the Property Insurance Market and the Impact on Consumers,” and to follow up on our previous August 2021 and March 2023 letters,<sup>1</sup> to once again urge the Department of the Treasury (Treasury) to take swift and aggressive action to tackle the climate crisis and protect consumers from climate-related risks. Despite recent climate disasters highlighting the risks of skyrocketing insurance costs and insurer retreat,<sup>2</sup> the Treasury Department’s Federal Insurance Office (FIO) has, to date, failed to collect comprehensive and transparent data about the impact of climate change on the insurance industry, leaving vulnerable communities, consumers, and the economy at greater risk from the climate crisis.

Withdrawals of insurers from natural disaster-prone states are a “preview of the threat that climate change poses to the long-term economic health of communities around the country.”<sup>3</sup> As the cost of covering climate change-related damage rises due to an “increase in the number and severity of major, destructive, and very costly climate events,”<sup>4</sup> insurers are ending coverage in many areas<sup>5</sup> and raising rates on homeowners and that are straining consumers’

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<sup>1</sup> Letter to Climate Counselor Morton re Climate Policy Strategy, August 2, 2021, <https://www.warren.senate.gov/imo/media/doc/Letter%20to%20Climate%20Counselor%20Morton%20re%20Climate%20Policy%20Strategy.pdf>; Letter to Treasury Secretary Janet Yellen re Climate Policy Strategy and Climate Counselor Position, March 9, 2023, <https://www.warren.senate.gov/imo/media/doc/2023.03.09%20Letter%20to%20Treasury%20re%20Counselor%20Morton%20&%20Climate%20Hub.pdf>.

<sup>2</sup> Better Markets, “The Unseen Banking Crisis Concealed Behind the Climate Crisis,” Dennis Kelleher, August 23, 2023, [https://bettermarkets.org/wp-content/uploads/2023/08/BetterMarkets\\_Report\\_Unseen\\_Banking\\_Crisis\\_Behind\\_Climate\\_Crisis\\_08-23-2023.pdf](https://bettermarkets.org/wp-content/uploads/2023/08/BetterMarkets_Report_Unseen_Banking_Crisis_Behind_Climate_Crisis_08-23-2023.pdf).

<sup>3</sup> New York Times, “California Bars Insurers From Dropping Policies in Wildfire Areas,” Christopher Flavelle, November 5, 2020, <https://www.nytimes.com/2020/11/05/climate/california-wildfire-insurance.html>.

<sup>4</sup> Better Markets, “The Unseen Banking Crisis Concealed Behind the Climate Crisis,” Dennis Kelleher, August 23, 2023, [https://bettermarkets.org/wp-content/uploads/2023/08/BetterMarkets\\_Report\\_Unseen\\_Banking\\_Crisis\\_Behind\\_Climate\\_Crisis\\_08-23-2023.pdf](https://bettermarkets.org/wp-content/uploads/2023/08/BetterMarkets_Report_Unseen_Banking_Crisis_Behind_Climate_Crisis_08-23-2023.pdf).

<sup>5</sup> New York Times, “Insurer’s Retreat in Florida Signals Crisis with No Easy Fix,” Emily Flitter, July 14, 2023, <https://www.nytimes.com/2023/07/14/business/farmers-homeowners-insurance-florida.html>.

budgets.<sup>6</sup> In May 2023, State Farm, the largest insurance company in the country, announced it would stop selling homeowners insurance in California.<sup>7</sup> In July 2023, Farmers Insurance announced that it would not be renewing nearly a third of its policies in Florida, due in part to the “rising costs of covering damage tied to floods, hurricanes, wildfires and other climate-related disasters.”<sup>8</sup>

Meanwhile, Hurricane Hilary, considered an “unprecedented weather event,” triggered California’s first ever tropical storm warning in August,<sup>9</sup> bringing heavy rain, dangerous flooding, and losses estimated to range from \$7 to \$9 billion.<sup>10</sup> Hurricane Idalia, which reached the American Southeast’s Atlantic coast late last month, damaged thousands of homes in Florida<sup>11</sup> and left up to \$20 billion worth of damage.<sup>12</sup> These extreme weather events that are only increasing in severity and frequency every year are life-changing events for residents’ finances and livelihoods.<sup>13</sup> Many rely on insurance for protection against these uncertainties, but the FIO has yet to release critical information or guidance on how climate change has, and will, impact insurance cost and availability.

Hundreds of thousands of consumers have been denied new homeowners’ policies in recent years, and “systemic factors make communities of color more vulnerable to climate change,”<sup>14</sup> meaning that this crisis will likely have a disproportionate impact on the wealth of households of color, widening the racial wealth gap. The growing practice of ‘blue-lining’ is on the rise, with lenders and insurers drawing lines of risk around neighborhoods that are “more susceptible to flooding or any other natural disasters.”<sup>15</sup> Research shows that “historically redlined neighborhoods suffer a far higher risk of flooding today” – placing them at further risk of

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<sup>6</sup> Insurance Business, “Car insurance rates up 17% for the first half of 2023,” Mika Pangilinan, July 27, 2023, <https://www.insurancebusinessmag.com/us/news/auto-motor/car-insurance-rates-up-17-for-the-first-half-of-2023-454140.aspx>.

<sup>7</sup> New York Times, “Insurer’s Retreat in Florida Signals Crisis with No Easy Fix,” Emily Flitter, July 14, 2023, <https://www.nytimes.com/2023/07/14/business/farmers-homeowners-insurance-florida.html>.

<sup>8</sup> *Id.*

<sup>9</sup> CNN, “‘We’re not built for this.’ Tropical Storm Hilary batters California with heavy rain and catastrophic floods,” Nouran Salahieh, Gene Norman, Christina Maxouris, and Dakin Andone, August 21, 2023, <https://www.cnn.com/2023/08/20/weather/hurricane-hilary-california-southwest-tropical-storm-sunday/index.html>.

<sup>10</sup> Insurance Journal, “Tropical Storm Hilary Damage and Economic Loss Estimate in Western U.S. is \$7B to \$9B,” August 21, 2023, <https://www.insurancejournal.com/news/west/2023/08/21/737221.htm>.

<sup>11</sup> CNN, “‘This is a life-changing event’: Floridians start an arduous recovery as Idalia keeps thrashing North Carolina,” Aya Elamroussi and Holly Yan, August 31, 2023, <https://www.cnn.com/2023/08/31/weather/florida-tropical-storm-idalia-damage-thursday/index.html>.

<sup>12</sup> CNN, “Hurricane Idalia’s price tag could reach \$20 billion, according to Moody’s Analytics,” Matt Egan, August 21, 2023, <https://www.cnn.com/2023/08/31/business/hurricane-idalia-price-tag/index.html>.

<sup>13</sup> CNN, “‘This is a life-changing event’: Floridians start an arduous recovery as Idalia keeps thrashing North Carolina,” Aya Elamroussi and Holly Yan, August 31, 2023, <https://www.cnn.com/2023/08/31/weather/florida-tropical-storm-idalia-damage-thursday/index.html>.

<sup>14</sup> Forbes, “How Communities of Color Are Hurt Most by Climate Change,” Kelly Anne Smith, Jun 7, 2021, <https://www.forbes.com/advisor/personal-finance/communities-of-color-and-climate-change/>.

<sup>15</sup> IET Capital, “Blue-lining: How Banks are Factoring Climate Change into Mortgage Decisions,” September 22, 2021, <https://ietcapital.com/2021/09/22/blue-lining-how-banks-are-factoring-climate-change-into-mortgage-decisions/>.

bluelining tomorrow – in part due to the lack of investment in resilient infrastructure in those communities.<sup>16</sup>

Even when insurance is available, the costs have soared beyond homeowners’ abilities to afford them. While the average price of home insurance has risen by 21% across the U.S. since 2015, states like Texas and Colorado that are more vulnerable to hurricanes or wildfires have seen increases reaching 40%.<sup>17</sup> In Florida alone, average insurance costs are 57% higher now compared to 2015.<sup>18</sup> Consumers and regulators need additional guidance from FIO to make informed decisions about their homes and their insurance plans.

You have previously noted the risks of this growing insurance “protection gap”<sup>19</sup> by describing the financial implications of insurers “raising rates or even pulling back from high-risk areas” which “has potentially devastating consequences for homeowners and their property values” and “can spill over to other parts of our interconnected financial system.”<sup>20</sup> However, efforts to require the disclosure of information from insurers related to climate change-related disasters have been piecemeal, leaving regulators with incomplete information when supervising and regulating firms, and leaving consumers in the dark on their risks.<sup>21</sup>

The FIO issued a proposal in 2022 to collect data from major insurers to better assess the impact of climate change on insurance availability and affordability, including in communities that are most vulnerable to the effects of climate change.<sup>22</sup> The “proposed data collection will assist FIO’s assessment of climate-related exposures and their effects on insurance availability for policyholders,” and help evaluate “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 also proposed to assess any “related effects on insurance affordability for policyholders.”<sup>23</sup> This data is critical information needed to assess climate risks

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<sup>16</sup> *Id.*; Bloomberg, “Redlined, Now Flooding,” Kriston Capps and Christopher Cannon, March 15, 2021, <https://www.bloomberg.com/graphics/2021-flood-risk-redlining/>.

<sup>17</sup> NPR, “How climate change could cause a home insurance meltdown,” Michael Copley, Rebecca Hersher, Nathan Rott, July 22, 2023, <https://www.npr.org/2023/07/22/1186540332/how-climate-change-could-cause-a-home-insurance-meltdown>.

<sup>18</sup> *Id.*

<sup>19</sup> Bloomberg, “Yellen Says Extreme Weather Exposes Gaps in Insurance Protection,” Christopher Condon, July 28, 2023, <https://www.bloomberg.com/news/articles/2023-07-28/treasury-s-yellen-says-extreme-weather-exposes-gaps-in-insurance-protection>.

<sup>20</sup> U.S. Department of the Treasury, “Remarks by Secretary of the Treasury Janet L. Yellen at the First Meeting of the FSO Climate-related Financial Risk Advisory Committee,” March 7, 2023, <https://home.treasury.gov/news/press-releases/jy1325>.

<sup>21</sup> Washington Post, “Insurers’ Failure on Climate Disasters Imperils Financial System,” Lilith Fellowes-Granda, July 11, 2023, [https://www.washingtonpost.com/business/2023/07/11/climate-disasters-should-put-insurers-under-federal-oversight/c9d58e38-1fdf-11ee-8994-4b2d0b694a34\\_story.html](https://www.washingtonpost.com/business/2023/07/11/climate-disasters-should-put-insurers-under-federal-oversight/c9d58e38-1fdf-11ee-8994-4b2d0b694a34_story.html).

<sup>22</sup> U.S. Department of the Treasury, “Treasury’s Federal Insurance Office Takes Important Step to Assess Climate-related Financial Risk – Seeks Comment on Proposed Data Call,” press release, October 18, 2022, <https://home.treasury.gov/news/press-releases/jy1030>.

<sup>23</sup> Federal Register, “Agency Information Collection Activities; Proposed Collection; Comment Request; Federal Insurance Office Climate-Related Financial Risk Data Collection,” U.S. Department of the Treasury, October 21, 2022, <https://www.federalregister.gov/documents/2022/10/21/2022-22880/agency-information-collection-activities-proposed-collection-comment-request-federal-insurance>.

and threats to the insurance market, and the comment period on this proposal closed in December 2022,<sup>24</sup> – but FIO has yet to move forward. FIO must now follow through and finalize the proposal, collect and analyze the data, and make its findings available to the public.

Given growing reports of decreased availability and rising insurance premiums, FIO must implement its proposed data call and examine the risks to consumers and the broader financial system. Collecting data from insurers and making it available to the public is essential to helping consumers make informed decisions. As Assistant Secretary for Financial Institutions Graham Steele stated, “[i]n order to conduct its assessment, FIO needs consistent, comparable, and granular data across the country.”<sup>25</sup>

As the impact of climate change on insurance costs and availability becomes clear, Treasury and FIO must pursue with added urgency all available measures to address the climate crisis and its threat to consumers and the stability of our economic and financial systems. In order to better understand Treasury’s plan to fulfill these goals, we ask that you provide answers to the following questions no later than September 30, 2023:

1. Please describe the current status of the FIO data call.
2. What specific data will be collected by FIO, and how will this data be used to assess and prevent risks from climate-related insurance cost increases?
3. The initial proposed data collection from FIO sought data from 2017-2021.<sup>26</sup> Given the delay in finalizing the proposal, the rapid pace of climate change, and the quickly increasing costs of climate change-related disasters, will FIO seek updated data from 2022 and 2023?
4. What is your timeline for completing this data collection and analyzing the data?
5. How does FIO plan to analyze and share the data with the public? How will this data be used to reduce the risks of cost increases for homeowners’ insurance or reduced availability of homeowners insurance?
6. Please describe how you plan to assess how climate change-related impacts on insurance will affect frontline communities – those that experience the “‘first and worst’ consequences of climate change”<sup>27</sup> and are “most often communities of color, Indigenous, and low-income.”<sup>28</sup>

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<sup>24</sup> U.S. Department of the Treasury, Federal Insurance Office, “Insurance Supervision and Regulation of Climate-Related Risks,” June 2023, p. 58, <https://home.treasury.gov/system/files/136/FIO-June-2023-Insurance-Supervision-and-Regulation-of-Climate-Related-Risks.pdf>.

<sup>25</sup> U.S. Department of the Treasury, “Remarks by Assistant Secretary for Financial Institutions Graham Steele at Event Hosted by the Brookings Institution’s Assessing Insurance Regulation and Supervision of Climate-Related Financial Risk,” June 28, 2023, <https://home.treasury.gov/news/press-releases/jy1583>.

<sup>26</sup> Federal Register, “Agency Information Collection Activities; Proposed Collection; Comment Request; Federal Insurance Office Climate-Related Financial Risk Data Collection,” U.S. Department of the Treasury, October 21, 2022, <https://www.federalregister.gov/documents/2022/10/21/2022-22880/agency-information-collection-activities-proposed-collection-comment-request-federal-insurance>.

<sup>27</sup> State of Vermont Agency of Administration, “Established Examples of Frontline Communities,” <https://aoa.vermont.gov/sites/aoa/files/Boards/VCC/Frontline%20%20Impacted%20Communities%205.4.21.pdf>.

<sup>28</sup> Care About Climate, “What is a frontline community?,” Gabrielle Gundry, February 11, 2021, <https://www.careaboutclimate.org/blog/what-is-a-frontline-community>.

7. Many large insurers are contributing to climate-related financial risks by underwriting and investing in carbon-intensive industries and fossil fuel projects.<sup>29</sup> Will FIO collect and share this information as part of its data call?

Sincerely,



Elizabeth Warren  
United States Senator



Chris Van Hollen  
United States Senator



Sheldon Whitehouse  
United States Senator

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<sup>29</sup> U.S. Senate Committee on the Budget, “Budget Committee Launches Investigation into Major Insurance Companies’ Climate Risk Evaluation, Fossil Fuel Support,” press release, June 9, 2023, <https://www.budget.senate.gov/chairman/newsroom/press/budget-committee-launches-investigation-into-major-insurance-companies-climate-risk-evaluation-fossil-fuel-support->; ERM, “New research shows insurance sector has significant exposure to fossil fuel assets despite vulnerability to climate change,” press release, August 8, 2023, <https://www.erm.com/news/new-research-shows-insurance-sector-has-significant-exposure-to-fossil-fuel-assets-despite-vulnerability-to-climate-change/>.