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Treasury Department Seeks Public Input on Insurance Sector and Climate-Related Financial Risks

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Overall, the RFI solicits input on 19 questions to help inform the scope and potential outcomes of FIO's three climate-related priorities. Recognizing that "high-quality, reliable, and consistent data" is needed to effectively accomplish these priorities, the RFI also seeks input on climate-related data availability—including the types of data FIO might collect and publish to improve insurers' risk assessments and public disclosures.

Responses can be submitted at regulations.gov. Example information requests include:

- How should FIO assess the efforts of insurers through their underwriting activities, investment holdings and business operations to meet the United States' climate goals, including reaching net-zero emissions by 2050?
- What are the key factors for the insurance sector in developing standardized, comparable and consistent climate-related financial risk disclosures? What are the advantages and disadvantages of current proposals to standardize such disclosures (e.g., Task Force on Climate-Related Financial Disclosures or the National Association of Insurance Commissioners' Insurer Climate Risk Disclosure Data Survey)?
- What are the key structural issues inhibiting the ability of insurance supervisors to assess and manage climate-related financial risk in the insurance sector (e.g., accounting frameworks, other standards)?
- What actions have insurers taken to incorporate mitigation and resilience considerations into their business operations in response to the threat of increased economic losses from climate-related disasters? To what extent, if any, are models

(proprietary models, open-source or third-party) used in the underwriting process to consider climate change impacts?

The RFI responds to President Biden's May 20 Executive Order on Climate-Related Financial Risk—which directed the first two of FIO's aforementioned climate-related priorities—and serves as the first step in FIO's effort to create an "insurance-specific focus within Treasury's broader climate work." FIO's inquiry also marks the latest federal agency effort focused on evaluating and/or mitigating climate change risks to sectors they monitor or regulate. Such agency efforts range from the Federal Energy Regulatory Commission's (FERC) proceeding on climate-related weather impacts to the nation's power grid, to the Securities and Exchange Commission's (SEC) inquiry into mandatory climate-related disclosures for public companies.[1]

Given states' primary jurisdiction over the insurance sector—FIO's jurisdiction is limited to a monitoring and information-gathering role—the RFI unlikely will result in the types of sweeping federal actions contemplated by the SEC. Still, stakeholder comments could influence FIO's international engagement via its representation of the United States in the International Association of Insurance Supervisors, or help shape FIO's planned issuance of "recommendations on individual actions that can be taken by various insurance sector stakeholders (such as state insurance regulators, insurers and policyholders) to address climate-related financial risks and facilitate the U.S. insurance sector's transition to a more sustainable future." Ultimately, those recommendations could subsequently influence states' regulation and supervision of the insurance sector.

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[1] We have written extensively on SEC's inquiry and related SEC initiatives focused on environmental, social and governance (ESG) issues, which can be found on our Speaking Sustainability blog.

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