NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

November 11, 2021

Steven E. Seitz
Director, Federal Insurance Office
Room 1410 MT
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

RE: FIO Insurance Sector and Climate-Related Financial Risks

Dear Director Seitz:

We write on behalf of the National Association of Insurance Commissioners (NAIC)[1] regarding your Request for Information (RFI) on the insurance sector and climate-related financial risks. We appreciate the Federal Insurance Office's recent focus on these issues. As the primary regulators of this sector, state insurance regulators are on the frontlines of climate-related natural catastrophe preparedness and response, protecting policyholders and maintaining well-functioning insurance markets. We have long been committed to monitoring and addressing how climate risks impact policyholders and the industry. For more than 150 years, from the first fire insurance policies influencing building codes, to today's record-breaking hurricane seasons driving population shifts, few financial regulators have more experience and insight into the macroeconomic effects of climate risk than insurance regulators. This focus is in our DNA and has been since the NAIC's first meeting[2] in New York in 1871 when discussions on storms and the evolving science around understanding climate were part of the agenda. When disaster strikes, long after the news coverage dies down and national attention turns elsewhere, insurance regulators remain on the ground helping policyholders rebuild and local communities recover in the wake of climate-related loss. This is a personal issue for NAIC members because they are part of the communities where these events are taking place; it impacts their neighbors, their friends, and their families.

[1] As part of our state-based system of insurance regulation in the U.S., the National Association of Insurance Commissioners (NAIC) provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. The U.S. standard-setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia, and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. For more information, visit www.naic.org.

[2] National Association of Insurance Commissioners. (1871). *Official Report of the Proceedings of the National Insurance Convention of the United States.* New York. https://naic.soutronglobal.net/Portal/DownloadImageFile.ashx?fieldValueID=4792

State insurance regulators, through the NAIC, have had a climate-specific working group for more than a decade, which last year evolved into our Climate and Resiliency Task Force. The Task Force serves as the coordinating NAIC body for discussion and engagement on climate-related risk and resiliency issues. This Task Force builds on existing efforts to address the economic consequences of natural disasters, including efforts to mitigate their toll. While the role of the climate in influencing the frequency and severity of natural disasters has received more specific attention over the last decade, our work is built on decades of expertise and experience in managing the economic fallout of these disasters.

While much work remains to be done with this evolving risk, we have laid the proper foundation to address it throughout our state-based regulatory system, focused on: 1) climate financial risk analysis; 2) availability and affordability of insurance; and 3) stakeholder risk awareness and engagement. We continue to advocate for resiliency and mitigation efforts that can reduce the risk of property loss, keeping people in their homes and businesses open. This is particularly important for those least likely to recover, communities that cannot afford to bear the burden of catastrophes. Key elements of this foundation include:

- The development and nationwide implementation of longstanding and well-established tools to address solvency concerns that incorporate exposure to climate-related catastrophes including the Own Risk and Solvency Assessment (ORSA), the Risk Based Capital (RBC) formula, and the NAIC's Financial Condition Examiner's Handbook.

- The collection of comprehensive data to allow for the proper regulatory analysis of climate risk including the detailed quarterly and annual financial data from over 4,500 insurers, representing more than 98 percent of the premiums written in the U.S., as well as the collection of annual climate risk disclosure data from over 1,300 companies with 80 percent of the U.S. market captured by direct written premium.

- Assessing the extent of climate-impacted investments within the insurance sector.

- Providing for the development of the private flood market through financial statement and market conduct data collection as well as outlining regulatory best practices to address the wide and growing flood insurance protection gap consistently affecting the National Flood Insurance Program (NFIP).

- Developing regulatory tools and conducting applied research to be used before, during, and after events to close the protection gap and assist states in responding to policyholder needs.

- Directly engaging with consumers and policyholders to raise risk awareness, improve preparation, and navigate the claims process when losses occur.

- Arranging forums for collaboration with state and federal agencies, insurance industry, consumer advocates, and community stakeholders to identify and coordinate resiliency solutions for vulnerable communities.

- Continuing consumer education and awareness on mitigation and risk reduction to improve availability and affordability of property insurance.

Our state-based insurance regulatory system has developed an extensive set of tools to assess and analyze insurer's solvency and liquidity, and it is accustomed to adapting to an evolving risk landscape and is well-positioned to address the challenges presented by climate-related risks for insurers' underwriting, investments, and solvency both today and in the future.

Similarly, the NAIC is accustomed to providing expertise and other resources to state regulators to support their effective regulation of the industry in a rapidly changing environment. As in other areas where specialized expertise is required, the NAIC is uniquely positioned to assist state regulators in developing their internal capacity for climate-related supervision and providing specialized NAIC staff support to those that may require it.

Climate Financial Risk Analysis

Insurance regulators are keenly aware of the challenges that climate risk can pose to the insurance sector. We recognize the sector is exposed to potential risks on the asset side of the balance sheet through their investments and on the liability side through the risks insurers underwrite. As part of our insurance solvency regulatory framework, we collect information from insurers to monitor their exposures to both their underwriting and investment portfolios. In 2008, the NAIC began a solvency modernization initiative to perform a critical assessment of the insurance solvency regulation framework, which resulted in several actions that put insurance regulators in a better position to regulate current and prospective risks faced by the insurance industry. Through the various tools described below, insurance regulators can effectively identify company exposures, determine vulnerabilities, and collaborate to resolve issues related to solvency.

Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) is a crucial tool we use to carry out our risk-focused surveillance as it provides information regarding insurer risk exposure, how they manage and control their risks and their financial resources available to cover unexpected losses. As part of the NAIC Solvency Modernization Initiative, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment Model Act [3] in 2012. The model requires insurers above a specified premium threshold to implement a risk management framework, prepare an ORSA, and file an annual report with their lead state supervisor. Insurers must identify and assess their exposure to all relevant and material risks with the potential to impact their current and prospective solvency position. In addition, insurers are required to stress their potential exposures and demonstrate that they have sufficient capital available to cover their risk exposures.

Given these requirements, insurers, particularly property and casualty carriers, routinely provide information in their annual ORSA filings to regulators on climate exposures relevant to their unique profile, whether related to increased exposure to catastrophic events or exposure to transition risk in their investment portfolios. The insurance sector has been acutely focused on climate related risk for decades, not only because of the risk posed to their customers but because it is an inherent part of their business model to assess and mitigate against risks they are underwriting. As a result, perhaps more so than any other sector, the insurance industry and its regulators have been on the leading edge of addressing and managing climate risks. Regulators

[3] *Risk Management and Own Risk and Solvency Assessment Model Act* (NAIC Model #505). https://content.naic.org/sites/default/files/inline-files/MDL-505.pdf

utilize this information to assess the insurer's risk management strategies in these areas and to identify risk exposures for ongoing monitoring in financial analysis and examination processes. Through the NAIC Climate and Resiliency Task Force, we are considering whether further modifications to ORSA are necessary to delineate climate-related risks more specifically.

Risk Based Capital

State insurance regulators continuously monitor the capital adequacy of insurers to ensure their ability to pay claims following catastrophic events. A fundamental tool for monitoring capital adequacy is the NAIC's Risk Based Capital (RBC) formula, which determines the minimum amount of capital an insurer should hold based on its risk profile. Regulators continually update RBC charges to address the evolving risk landscape. As such, the NAIC expanded the risks quantified in the RBC formula to include a specific charge for hurricane and earthquake catastrophe risk in 2017 to recognize increased exposure to catastrophic events. Prior to 2017, such risks were covered under a broader underwriting charge based on premiums written, as opposed to a more specific charge based on modeled catastrophic exposures. The catastrophe risk charge requires insurers to hold capital sufficient to cover their worst "1 in 100-year event" and requires insurers to disclose far worse events such as a "1 in 250-year event" and a "1 in 500-year event" both before and after reinsurance. This information is crucial for regulators in understanding the tail risk associated with these events and provides a pathway for communication between the regulator and the company regarding existing exposures. The RBC catastrophe charge is currently in place for hurricane and earthquake, and we are actively considering adding perils to include wildfire, flood, and convective storms.

Financial Condition Examiners Handbook

State insurance regulators examine insurers on a periodic basis to verify and validate their financial condition. The NAIC's *Financial Condition Examiner's Handbook* serves as a guide to assist regulators in establishing and operating effective examinations and is continuously revised to reflect updated guidance in support of new regulations and emerging risks. In 2012, regulators updated the handbook to include several references to climate risk, including a request for the company's view of climate risk in the planning questionnaire and the senior management interview section. Risk-focused examinations include prospective risks throughout all phases of the examination process, and climate is listed as a prospective risk within prospective risk testing. Several testing procedures are included in review of a company's investment and underwriting risks, in addition to their mitigation of risk. Regulators conduct independent review of the company's exposure (detail testing) and commonly consider climate risk in the evaluation of a company's reinsurance program. State insurance regulators, through the NAIC, are contemplating additional modifications to the examination process to include additional climate risks faced by the industry.

Financial Data Collection

On a quarterly and annual basis, the NAIC collects data from over 4,500 insurers, representing more than 98 percent of the premiums written in the U.S. The data is essential for the Insurance Regulatory Information System (IRIS) Financial Ratio Reports, financial analysis including risk-based capital and other solvency-related reviews of individual companies. The annual statement includes critical information on insurer investments which can be used to assess potential transition risk to the insurance industry. In 2021, this investment data served as the analytical foundation for the U.S. contribution to the International Association of Insurance Supervisors (IAIS) 2021 Global Insurance Market Report (GIMAR).[4] Through our data analysis, it was estimated that under 3 percent of total stocks and bonds held by the insurance industry in the U.S. in 2019 were in fossil fuel investments, a slight decrease from the prior year. It is also worth noting that the NAIC's Capital Markets Bureau monitors and analyzes developments and trends in the financial markets for state insurance regulators and regularly tracks and monitors the insurers' investment exposures.

Insurer Climate Risk Disclosure

Another important tool for monitoring climate-related risks is insurer climate disclosures which help insurance regulators assess and evaluate insurance industry risks along with insurer actions to mitigate climate risk. In 2010, the NAIC membership adopted the *Insurer Climate Risk Disclosure Survey* to identify trends, vulnerabilities, and best practices by collecting information about how companies assess and manage climate risk. The survey contains eight questions covering topics that include climate risk governance, climate risk management, modeling and analytics, stakeholder engagement, and greenhouse gas management. Since 2010, the survey has been administered by the California Department of Insurance, and for the past several years, it has included all insurers with at least $100 million in direct written premium, operating in any participating state. As of 2021, 15 states are participating in the survey with nearly 80 percent of the market captured by direct written premium.

As insurance companies increasingly move toward climate risk disclosures that are consistent across financial institutions and given the global shift toward adopting the Task Force on Climate-Related Financial Disclosures (TCFD) guidelines, for the past two years, the participating states have encouraged insurers to submit a TCFD report in lieu of the eight-question NAIC survey. The NAIC Climate and Resiliency Task Force has done an initial assessment to understand how the NAIC and TCFD disclosure frameworks align. The results of the assessment are being used to redesign the NAIC survey, maintaining valuable historical information while modernizing the questions to include more aggregable results. Redesigning the survey will enhance transparency regarding insurer management of climate risks and opportunities. The survey will not only provide a supervisory tool to assess how climate-related risks may affect the insurance industry, but it will help identify good practices and vulnerabilities and promote insurer management through shared learning for continual improvement. Finally, because the results are expected to remain public, the survey will enable better-informed collaboration and engagement on climate-related issues among regulators and interested parties.

Availability and Affordability of Insurance

As state insurance regulators, we ensure that premiums are not excessive, inadequate, or unfairly discriminatory, and that insurance companies remain solvent and are able to pay policyholder claims. Protecting policyholders is one of our fundamental principles while also facilitating a stable marketplace for insurance products. We strive to maintain this critical balance between insurer solvency and reasonable rates, which can be challenging in certain areas that insurers view as presenting a greater risk of loss. As losses continue to rise, insurers must have enough funds to

[4] https://www.iaisweb.org/news/iais-global-insurance-market-report-provides-first-quantitative-study-on-the-impact-of-climate-change-on-insurers-investments

pay claims, making it critically important that we do what we can pre-disaster to mitigate the potential impacts of catastrophes. As a society, we will not be able to exclusively insure our way out of climate-impacted economic consequences – mitigation and resilience to minimize the scope of loss is every bit as (if not potentially more) critical.

Approximately 38% of total economic losses in 2020 in the U.S. were uninsured[5] and climate-related risks have the potential to increase the coverage gap even further, particularly for flood insurance. State regulators, through the NAIC, are focused on how consumers can be better protected through insurance and the role of mitigation. While the majority of flood coverage is still purchased through the NFIP and we support a long-term NFIP reauthorization, insurance regulators have been advocating for growth in the private flood insurance market to help provide consumers with more choices for flood products. In 2019, the NAIC adopted "Considerations for State Insurance Regulators in Building the Private Flood Insurance Market"[6] to identify ways for state insurance departments to encourage growth in the availability of flood insurance through the private market. To assess growth in this market, several years ago the NAIC developed a requirement for insurers to include a line item in their annual financial statement highlighting their private flood insurance activity, and we continue to collect more granular data moving forward. We also collect information on exposures, claims, lawsuits, and complaints for private flood coverage through the Market Conduct Annual Statement.

Through separate data collection, the NAIC has supported states in their efforts to measure affordability and availability of residential coverage following extreme weather events. Collecting market data pre- and post-event helps states better understand how insurance prices and coverage options change relative to losses by geographic area.

Mitigation and Resiliency Efforts

While there is certainly value to ongoing regulatory efforts to assess insurer risk capture and mitigation efforts with respect to climate, as noted, insurers already have a strong self-interest to proactively address a material risk that impacts their customers and bottom lines. One area where the sector has significant potential to "move the needle" on climate is in mitigation and resiliency. Risk reduction and mitigation can protect consumers and reduce the losses paid by insurers – or otherwise absorbed through federal spending – helping to maintain solvent insurance markets while keeping rates more affordable. Through various presentations and forum discussions, the NAIC has studied state mitigation programs and economic incentives for improving community resilience.

In 2020, the NAIC's Center for Insurance and Policy Research (CIPR) conducted a study in partnership with the Insurance Institute for Business & Home Safety (IBHS) and Risk Management Solutions (RMS) exploring the economic benefits of wildfire resilience strategies in nine communities throughout California, Colorado, and Oregon. The NAIC hosted a building code, mitigation, and resiliency funding workshop in 2021 to educate stakeholders about the building code update and approval process, as well as to describe how building codes and

[5] Insurance Information Institute. (2021). *Facts and statistics: U.S. catastrophes*.https://www.iii.org/fact-statistic/facts-statistics-us-catastrophes

[6] https://content.naic.org/sites/default/files/inline-files/ConsiderationsofPrivateFlood_Final%20%28reduced%29.pdf

community rating systems can be integrated into insurance pricing. Using information from sources like the IBHS, ready.gov, the Federal Alliance for Safe Homes (FLASH), and Smart Home America, the NAIC developed a list of actions policyholders can take to reduce their risk of property loss. The information also included discounts required by state law, and programs designed to help justify cost reductions for insureds, such as the IBHS FORTIFIED roof program. We are collaborating with the insurance industry to identify economic incentives provided through insurance coverage and how mitigation actions play a role in the affordability and availability of insurance.

We are also working with consumer stakeholders to help promote mitigation to individual consumers. Individual resilience is only part of the solution. The most vulnerable communities may benefit more from whole-community protection. Underserved communities are the least likely to have adequate insurance and the least likely to be able to afford mitigation retrofits, which is why resiliency funding is essential. For this reason, the Climate and Resiliency Task Force is exploring community-based solutions and working with states to identify resiliency funding programs and public-private capital frameworks.

Innovation

The NAIC has also been exploring ways to close the protection gap through innovative products, such as parametric solutions. There are several ways parametric products can be designed. The features they all have in common are automated payments made without an adjustment process and based on a triggering event. Products may be designed as endorsements to property coverage, standalone policies sold direct-to-consumers and community-based products sold through government or non-governmental organizations. At least one disaster protection insurance policy using parametric features has been filed and approved for use in most states across the country.

The NAIC's Innovation and Technology Task Force has also provided forums to discuss insurtechs designed to address climate-related risk and coverage gaps. We have facilitated events where innovators can showcase their products and technologies to regulators, industry, and consumers. Some noteworthy insurtechs able to gain traction out of these events include individual property risk assessment organizations, geospatial imagery, drone technologies and parametric solutions for earthquake. By engaging insurtechs that offer products designed to fill coverage gaps, we are highlighting their relevance and societal benefit while helping state insurance regulators consider regulatory issues and address them as a community. Several parametric products are currently available through the non-admitted market. The NAIC has also been exploring and incentivizing community-based-solutions and discussing common concerns with international groups.

Disaster Recovery and Coordination

Availability and affordability of insurance is an issue to be addressed both before and after extreme weather events. The NAIC coordinates with state insurance departments across the country to help affected communities and support state efforts. Additionally, the NAIC created a Catastrophe Resource Center[7] to provide state regulators with resources for disaster preparation and response, as well as consumer assistance. This includes a State Disaster Response Plan,[8] developed by the

[7] https://content.naic.org/catastrophe-resource.htm
[8] https://content.naic.org/sites/default/files/inline-files/Final%20State%20Disaster%20Response%20Plan.pdf

NAIC, to help states work through challenges following a natural disaster. An NAIC Disaster Assistance Program is available to states, providing support for critical services such as conducting data calls, setting up consumer assistance call centers, and business continuity planning.

In addition to support services, states need access to information to help inform their decision-making regarding regulatory interventions. Regulators often make critical decisions quickly to protect consumers, such as prohibiting cancellations and non-renewals or claim intercedence. The NAIC developed a regulatory data collection tool to provide data and analytics to insurance regulators following natural disasters. This allows regulators to assess losses incurred by geographic region and how quickly claims are closed and paid following catastrophic events. States can also use the NAIC Complaints Database System to watch for trends in complaints, providing them with useful information on when to intercede in insurer claim management.

Technology

To better inform the work in all these areas, the NAIC has an initiative underway to enhance the level of information received regarding potential and emerging risks. In 2010, a *Catastrophe Computer Modeling Handbook*[9] was developed to explore the use of catastrophe models in insurance. The handbook was updated in 2020 to include questions regarding wildfire catastrophe models but additional information and tools are necessary to modernize the way regulators interact and obtain information from catastrophe modelers.

In September 2021, a proposal[10] was released to create a Catastrophe Model Center of Excellence (COE) within the NAIC's CIPR. If adopted, the COE will provide resources for state insurance regulators including, access to CAT modeling documentation; technical education and training; and applied research to proactively address regulatory climate risk and resilience priorities.

Stakeholder Awareness and Engagement

Consumer Outreach

In 2021, the NAIC, through the CIPR, conducted a survey to identify if consumers connect extreme weather events with climate-impacts and steps they would be willing to take to reduce their risk of loss. The survey results[11] showed that more than two-thirds of respondents were aware of actions they could take to protect their property from extreme weather events, but only half had made changes. Consumers can only effectively transfer their risk to insurers if they understand the coverage being purchased. The states and the NAIC have created resources, tools, and advice for consumers to better understand insurance. The NAIC has a consumer resource center[12] and an active social media presence to pass along helpful insurance insights to consumers. From comprehensive guides on selecting a homeowner or flood policy, interactive tools and campaigns, and practical guidance for submitting a claim, there are resources available for every consumer. To help consumers be more prepared before disasters strike, the NAIC introduced two campaigns

[9] https://www.naic.org/documents/prod_serv_special_ccm_op.pdf
[10] https://content.naic.org/sites/default/files/inline-files/CATModelCOE%20Proposal%20%282%29.pdf
[11] https://content.naic.org/article/news_release_naic_survey_shows_majority_homeowners_concerned_about_climate_related_threats.htm
[12] https://content.naic.org/consumer.htm

in the past few years, the award-winning "What the Flood!"[13] and "Go-Bag Disaster Prep." The NAIC also works with outside organizations such as FLASH to produce and promote consumer tools. The NAIC recently contributed to the creation of a Buyer's Guide to Resilient Homes,[14] developed by FLASH, to help prospective homebuyers identify resilient features of a home before their purchase. The resource includes checklists to identify resilient characteristics by peril as well as guidance regarding ongoing maintenance and potential retrofits to build resilience in existing homes.

Federal Partnerships

Building on a longstanding existing relationship between emergency managers and insurance regulators, the NAIC began hosting regular workshops with the Federal Emergency Management Agency (FEMA) in 2020 to help coordinate and collaborate on emergency management before disasters occur. Additionally in 2020, a Memorandum of Agreement (MOA) was executed between the NAIC and FEMA to allow for this collaboration to move forward in an enhanced way. Following these workshops, and the MOA execution, the NAIC formed a FEMA/NAIC Advisory Group to assist state regulators in engaging and collaborating with FEMA on an ongoing basis and providing a process for the oversight, prioritization and reporting of disaster-related regional workshops. This advisory group has been a valuable resource for states to communicate and discuss changes taking place under Risk Rating 2.0. We also appreciate our engagement with Treasury through the Financial and Banking Information Infrastructure Committee (FBIIC), which facilitates the sharing of information among federal and state financial regulators, particularly in response to incidents affecting the financial sector's infrastructure, including natural catastrophes. Finally, the President's Executive Order on Climate-Related Financial Risk directs the Financial Stability Oversight Council (FSOC) to examine and assess climate-related financial risk, and the NAIC and a designated state insurance commissioner have participated directly in those discussions.

International Engagement

The NAIC and its members actively participate in the IAIS to address climate related issues. Recent examples include assisting in the drafting of the IAIS *Application Paper on the Supervision of Climate-related Risks in the Insurance Sector* and becoming members of the recently formed IAIS Climate Risk Steering Group. As noted above, the NAIC contributed to an IAIS study providing the quantitative impact of climate-related risks on insurers' investments. The report showed that even in the worst-case scenario, North America's industry assets would likely only deteriorate by 4.5 percent and fossil fuels accounted for 1.6 percent of total assets held in North America[15] as of 2019. It is worth noting that North America fared better in terms of impact to total assets than all other regions (Europe, Asia, and Latin America) in the stress scenarios depicted in the report.

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[13] Association of Marketing and Communication Professionals (AMCP). MARCOM Award, 2020, https://enter.marcomawards.com/entry/what-the-flood/; and Public Relations Society of America (PRSA). PRism Award, 2020, What the Flood, https://kansascity-prsa.org/PRISM_2020_Winners

[14] https://buyersguidetoresilienthomes.org/wp-content/uploads/2021/09/9-7-21-Buyers-Guide-to-Resilient-Homes-Final.pdf

[15] https://www.iaisweb.org/news/iais-global-insurance-market-report-provides-first-quantitative-study-on-the-impact-of-climate-change-on-insurers-investments

In 2020, the NAIC became a member of the Sustainable Insurance Forum (SIF). The NAIC and its members are engaged with European colleagues on climate related matters through the EU-U.S. Insurance Dialogue Project. The project established two new workstreams relating to climate for 2021/2022 focusing on climate risk financial oversight and resilience, including innovative technology and modeling, as well as pre-disaster mitigation and adaptation efforts. Managing climate risk is increasingly a topic of conversation among insurance regulators globally and is therefore a feature of many of the regulator-to-regulator bilateral dialogues the NAIC facilitates for state regulators. As we engage with our international counterparts, there is a consistent theme that regulators expect insurers to manage climate risks through the existing enterprise risk management framework, and analyze how climate risk impacts insurers' existing risk factors such as credit risk, underwriting risk, market risk, etc. Insurers and consumers will continue to be impacted by climate risk and as global policy leaders emerge from the UN Climate Change Conference of the Parties (COP26) summit, it will be crucial that international insurance supervisors continue the open dialogue to keep pace with the challenges, leverage existing tools and work together to address climate related risks domestically and internationally.

Conclusion

There is considerable activity by state insurance regulators on this important topic in a variety of areas across a variety of venues, as we continue to improve regulation in the best interests of insurance consumers. We have a long history of managing the economic consequences of climate-related events, and a strong foundation of solvency and consumer protection tools that incorporate climate risk as an essential element.

We are considering enhancements to the NAIC Climate Risk Disclosure Survey to align with international standards and encouraging broader participation; reviewing innovative insurer solutions to address coverage gaps, climate risk, and resiliency; and considering pre-disaster mitigation and stakeholder engagement to incentivize risk reduction and improve community resiliency, particularly in vulnerable communities.

While some of these efforts are still developing and will undoubtedly evolve, and additional enhancements may prove necessary over time, we are confident the comprehensive approach we are taking will strengthen the insurance sector and help ensure policyholders are better protected from the devastating costs of climate risks. While we appreciate the FIO's charge to "assess climate-related issues or gaps in the supervision and regulation of insurers"[16] we hope both FIO and the Administration use this as an opportunity to recognize and further empower the critical work being done at the state and local level. We welcome the opportunity to continue to engage with the FIO and all stakeholders on these critical issues.

[16] *Exec. Order No. 14,030 § 3(b)(i), 86 FR 27967 (May 20, 2021), https://www.federalregister.gov/documents/2021/05/25/2021-11168/climate-related-financial-risk.*

Sincerely,

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