


Treasury's Federal Insurance Office Releases Report Assessing Climate-Related Risk, Gaps in Insurance Supervision

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Report builds on broader efforts FIO is undertaking to assess impact of climate risk on insurance industry

Today, the U.S. Department of the Treasury's Federal Insurance Office (FIO) released a report entitled, [Insurance Supervision and Regulation of Climate-Related Risks](#) . The report, which is in response to President Biden's [Executive Order on Climate-Related Financial Risk](#), assesses climate-related issues and gaps in the supervision and regulation of insurers.

While the business of insurance in the United States is primarily regulated by the states, Congress established FIO through the Dodd-Frank Act in 2010 to serve an important role at the federal level. FIO is the only federal entity with a mandate focused on monitoring all aspects of the nation-wide insurance industry.

The report, which is one of several steps FIO is taking to assess climate related risk to the insurance sector, finds that there are important existing efforts to incorporate climate-related risk into state insurance regulation and supervision. While commendable, those efforts are fragmented across states and limited in several critical ways. The report encourages state insurance regulators and the National Association of Insurance Commissioners (NAIC) to build on their progress.

"I'm encouraged to see the progress that the National Association of Insurance Commissioners and some state insurance regulators have made on incorporating climate-related risk into regulatory and supervisory practices," said Secretary of the Treasury Janet L. Yellen. "This effort should be deepened and broadened so that it is both more fully integrated into oversight of insurers and adopted by more state insurance regulators. The Federal Insurance Office will continue to assess and support efforts by state insurance regulators and the National Association of Insurance Commissioners to address climate-related financial risks in the insurance industry."

Additional key findings of the report include:

- Climate-related risks, including physical, transition, and litigation risks, present increasingly significant challenges for the insurance industry. The oversight of climate-related risks is therefore an increasingly critical topic for state insurance regulators.

- State insurance regulators and the NAIC are increasingly focused on incorporating climate-related risks into supervision and regulation, but in most cases their efforts remain at a preliminary stage. The current regulatory framework provides state insurance regulators with tools they can adapt to better consider climate-related risks. Some are beginning to do so, but more state insurance regulators should prioritize these efforts.
- The NAIC and state insurance regulators should also prioritize the creation and use of new and effective climate-related risk tools and processes, such as the development of scenario analysis and increasing their use of the NAIC’s Catastrophe (CAT) Modeling Center of Excellence.
- More work is needed by state and federal regulators and policymakers, as well as by the private sector and the climate science and research communities, to better understand the nature of climate-related risks for the insurance industry, their implications for insurance regulation and supervision, and for the stability of the financial system—including for housing markets and the banking sector.

The report makes 20 policy recommendations on improving supervision of climate-related risks. A summary of these recommendations can be found on pages 2-6, while more details on insurance supervision of climate-related risks and support for the recommendations are provided on pages 13-55.

Today’s report is part of broader efforts FIO is undertaking to assess climate-related risks to the insurance industry. [In October](#), FIO issued a proposed data collection from certain homeowners insurers on historical and current underwriting data at a ZIP Code level. This proposed data collection – the first quantitative assessment of its kind – would provide consistent, granular, and comparable insurance data to help assess how insurance coverage is being affected by climate-related risks. FIO is also expanding its engagement with the NAIC, state insurance regulators, and other insurance stakeholders as well as international counterparts, such as the International Association of Insurance Supervisors. Since its first annual report in 2013, FIO has highlighted the devastating impact that climate-related catastrophes can have on insurers, policyholders, and other stakeholders.

The full report is available [here](#) . For more information on FIO, see [here](#).

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