AFR Americans for Financial Reform

April 17, 2024

The Honorable Patrick McHenry
Chair
House Committee on Financial Services
2129 Rayburn HOB
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Committee on Financial Services
4340 O'Neill HOB
Washington, DC 20515

Dear Chair McHenry and Ranking Member Waters:

We are writing to express our opposition to H.R. 5535, the "Insurance Data Protection Act," and the Congressional Review Act resolutions of disapproval against the Securities and Exchange Commission's Climate Financial Risk Disclosure Rule and the Climate-Related Financial Risk Management Principles from the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

According to financial regulators in the U.S. and around the world, climate-related financial risk represents a growing threat to consumers, financial institutions, and the financial system.[1] The accelerating property insurance crisis[2]—driven in large part by worsening climate impacts—is just the beginning, and these risks will spread to other parts of the financial system and continue to hurt consumers and the broader economy.

So far, U.S regulators have taken important but incredibly limited initial steps to measure and manage the accelerating financial risks caused by climate change.[3] The bills being considered by the committee on April 17, 2024 (descriptions and recommendations below) would 1) constrain the authority and severely limit the effectiveness of financial regulators as they attempt to deal with an active crisis in the insurance industry, and 2) nullify modest efforts to deliver higher quality climate-related risk data to investors and more effective bank risk management in the face of growing threats to bank safety and soundness.

Bills

- **H.R. 5535**, the "Insurance Data Protection Act," (Fitzgerald)
    - **Vote No.** Following years of heavy losses from climate-exacerbated hurricanes, fires, floods, and other disasters, property insurers in states across the country are raising rates, pulling out of markets, and going out of business, at a great

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[1] R. Care et. al., "Central bank and climate risks: Where we are and where we are going?" International Review of Economics and Finance, **92**, Apr. 2024. https://www.sciencedirect.com/science/article/pii/S1059056024000571#:~:text=Climate%20risks%20can%20impact%20the,policy%20and%20financial%20stability%20frameworks.

[2] Lucy Sherriff, "Climate change is fuelling the US insurance problem," *BBC*, 18 Mar. 2024. https://www.bbc.com/future/article/20240311-why-climate-change-is-making-the-us-uninsurable

[3] Alex Martin, "American exceptionalism on climate risk amplifies financial instability," *Green Central Banking,* 8 June 2023. https://greencentralbanking.com/2023/06/08/federal-reserve-exceptionalism-financial-instability/

cost to consumers and housing affordability nationwide. This dynamic will only continue to worsen over the coming years as climate impacts accelerate, but unfortunately financial regulators don't have comprehensive data to monitor these developments. The Federal Insurance Office needs to collect data to assess the depth, breadth, and speed of the crisis and coordinate with other regulators to protect the financial system and consumers. This bill would make that much more difficult, if not impossible, by 1) repealing the subpoena power of the Federal Insurance Office (FIO) so that it will not be able to collect information from insurers, 2) prohibiting the Office of Financial Research from using its subpoena power to collect information from insurers, and 3) prohibiting FIO sharing of any non-publicly-available data with other financial regulators, state regulators, or any other entities.

- **H.J.Res.####**, CRA res for SEC Climate Risk Disclosure Rule (Huizenga)
    - **Vote No.** The SEC climate rule is critical so that investors have the information they need to protect themselves from climate-related financial risk and accurately value the securities of public companies. The SEC was highly responsive to concerns raised by opponents and finalized an "incredibly modest"[4] disclosure rule that, while not requiring the full scope of information needed by investors, will provide an important baseline of disclosures. Further, the scope of the rule is well within the statutory authorities of the Commission, as confirmed repeatedly over 90 years since the Exchange Act became law.

- **H.J.Res. ####**, CRA for Federal Reserve Climate Risk Principles (Fitzgerald); **H.J.Res. ####**, CRA for FDIC Climate principles (Houchin); **H.J.Res. ####**, CRA for OCC climate principles (Donalds)
    - **Vote No.** The Federal Reserve, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation issued climate-related risk management principles that are a set of important but non-binding principles for how the largest banks should incorporate climate change into their risk management and governance. The principles don't direct, encourage, or discourage any specific lending or financial activities, but rather focus on the ways climate change can manifest as risk across the traditional risk stripes (e.g., credit, market, liquidity, and operational risk). Climate-related financial risks increasingly represent a safety and soundness risk for banks, and a threat to the financial system, so these principles are a critical step towards ensuring a stable banking system.

Sincerely,

Americans for Financial Reform
Sierra Club
Unlocking America's Future

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[4] Prof. Jill Fisch, Testimony before the HFSC committee, Apr. 10, 2024, https://docs.house.gov/meetings/BA/BA00/20240410/117092/HHRG-118-BA00-Wstate-FischP-20240410.pdf

[Others]