November 1, 2023

Mr. Andres Marin DeBedout
Chief Information Officer
Tower Hill Insurance Group

Dear Mr. DeBedout:

We write to obtain information and documents concerning Tower Hill Insurance Group's and any subsidiaries' plans to address increased underwriting losses from climate-related extreme weather events and other disasters such as tropical cyclones, intense precipitation events, droughts, heatwaves, sea level rise, and wildfires.

In March of this year, the Senate Budget Committee held a series of hearings examining the costs and economic risks associated with increasing losses to coastal properties, to properties in the wildland-urban interface (WUI), and in mortgage and insurance markets.[1] Witnesses at these hearings included a variety of insurance industry executives, economists, actuaries, and other experts. The Committee heard testimony, among other things, that:

- Climate-related losses have already grown substantially and are projected to continue to rise;
- As climate-related risks increase, insurance premiums will increase and/or insurers will pull out of at-risk markets;
- As insurance becomes increasingly expensive and/or unavailable, property values in affected markets will decline;
- Insurance unavailability will cause affected properties to become unmortgageable; and
- A widescale decline in coastal and WUI property values would present a systemic risk to the U.S. economy, similar to what occurred in the 2007-2008 mortgage meltdown.

At the time of these hearings, there was already ample cause for concern. Since March, that concern has only grown, as events seem to be bearing out many of the warnings issued by the various experts who testified before the Committee. To wit:

[1] A video of each hearing as well as witness testimony is available at the following webpages: https://www.budget.senate.gov/hearings/rising-seas-rising-costs-climate-change-and-the-economic-risks-to-coastal-communities; https://www.budget.senate.gov/hearings/a-burning-issue-the-economic-costs-of-wildfires; https://www.budget.senate.gov/hearings/risky-business-how-climate-change-is-changing-insurance-markets.

- Many insurers have ceased writing new policies in California due in part to increased losses associated with wildfires;[2]

- The insurance industry exodus from Florida has accelerated;[3]

- Premiums in Florida are projected to increase by 40 percent or more this year;[4]

- Increased premiums and decreased availability are beginning to disrupt the Florida real estate market;[5]

- Insurers continued to exit or reduce exposure to the Louisiana market;[6]

- Reinsurers in Iowa exited the state after a string of extreme weather events;[7] and

- The National Oceanic and Atmospheric Administration (NOAA) announced that, as of October 10, there had already been 24 extreme weather disasters in the United States with costs of $1 billion or more, the most in recorded history.[8]

The Committee is increasingly concerned about the potential economic consequences of an eventual widescale decline in property values caused by increasing exposure to climate risks and the attendant increase in insurance premiums and decrease in insurance availability. Should such a situation come to pass, the effects on households—and federal revenues and spending—would be quite damaging and long-lasting, as we saw during and after the 2008 financial crisis.

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[2] Michael R. Blood, "California insurance market rattled by withdrawal of major companies," *The Associated Press* (June 5, 2023), https://apnews.com/article/california-wildfire-insurance-e31bef0ed7eeddcde096a5b8f2c1768f.

[3] Jordan Valinsky, "Farmers Insurance pulls out of Florida, affecting 100,000 policyholders," *CNN Business* (July 12, 2023), https://www.cnn.com/2023/07/12/business/farmers-insurance-florida/index.html#:~:text=Farmers%20Insurance%20will%20stop%20offering,to%20change%20their%20insurance%20provider.

[4] "Addressing Florida's Property/Casualty Insurance Crisis," Insurance Information Institute, https://www.iii.org/sites/default/files/docs/pdf/triple-i_trends_and_insights_florida_pc_02152023.pdf.

[5] *See*, *e.g.*, Tarik Minor, "Property insurance crisis disrupting Florida real estate market as buyers struggle to get policies," *News4Jax* (June 16, 2023), https://www.news4jax.com/money/2023/06/16/property-insurance-crisis-disrupting-florida-real-estate-market-as-buyers-struggle-to-get-policies/; Deborah Acosta, "Home Insurance Is so High in This Florida Town, Residents Are Leaving," *The Wall Street Journal* (Oct. 17, 2023), https://www.wsj.com/real-estate/home-insurance-is-so-high-in-this-florida-town-residents-are-leaving-bb00c96f.

[6] Zack Budryk, "Insurers pull back as US climate catastrophes intensify," *The Hill* (June 27, 2023), https://thehill.com/policy/energy-environment/4068383-insurers-pull-back-as-us-climate-catastrophes-intensify/.

[7] Tyler Jett, "Natural disasters threaten small insurers, leaving Iowans with high premiums and fewer choices," *The Des Moines Register* (July 21, 2023), https://www.desmoinesregister.com/restricted/?return=https%3A%2F%2Fwww.desmoinesregister.com%2Fstory%2Fnews%2F2023%2F07%2F31%2Fiowa-rural-insurers-threatened-recent-derechos-natural-disasters-big-firms-leave-farmers-mutual%2F70477775007%2F.

[8] "Billion-Dollar Weather and Climate Disasters," NOAA (Consulted on Oct. 19, 2023), https://www.ncei.noaa.gov/access/billions/.

To that end, we are requesting that you answer the following questions and provide the Committee with the relevant documents by November 17, 2023. All of the below questions and document requests are directed at both Tower Hill Insurance Group and any subsidiaries it may have:

1. Does your company currently consider the risk of climate-related extreme weather events, sea level rise, and/or wildfires when determining property and casualty insurance premiums for homes, rental units, automobiles, commercial properties, and/or crops? If so, please describe how these factors are considered.

2. Does your company currently consider the risk of climate-related extreme weather events, sea level rise, and/or wildfires when determining whether to offer property and casualty insurance policies for homes, rental units, automobiles, commercial properties, and/or crops in particular states, counties, cities, or regions? If so, please describe how these factors are considered.

3. Does your company currently utilize climate modeling data? If so, please describe the modeling data you utilize. Please summarize what the modeling says about climate-related risks (including windstorm, precipitation, drought, heatwaves, sea level rise, wildfire) going forward in the markets in which you provide insurance.

4. Has your company considered or is your company considering exiting or restricting coverage in any market(s)? If so, which market(s)? Please provide all documents relating to deliberations about such matters.

5. Has your company considered or is your company considering entering into any market(s) in which it is not currently present? If so, which market(s)? Please provide all documents relating to how climate-related risks in the market(s) under consideration played a role in your decision-making process.

6. Have climate-related losses threatened your company's solvency? Have you conducted any modeling to determine how future climate-related losses might affect your company's solvency? Please provide all documents relating to your company's deliberations concerning climate-related losses and solvency.

7. What is your company forecasting about premium rates over the next five years in each of the markets in which it operates? Please provide all documents related to deliberations over future premium rates.

8. Please provide a list of all counties (or county equivalents) in the United States in which your company did not renew 25 or more homeowners policies (including umbrella policies, multi-peril policies, or other policies to provide property and casualty coverage to a dwelling) or did not renew such policies for more than 10 percent of all such policies underwritten by your company in such county. Please provide the number of such policies not renewed in each such county and the percentage of total such policies underwritten in such county non-renewals represent. Please provide this information for 2018, 2019, 2020, 2021, 2022, and 2023.

Thank you for your attention to this important issue. We welcome further engagement with you on this topic.

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The Senate Committee on the Budget has jurisdiction over Budget Act and budget process legislation, including concurrent resolutions on the budget and legislation changing the content or consideration of budget resolutions. In fulfilling its responsibilities, the Committee has broad authority to investigate the budgetary effects of existing and proposed legislation, as well as matters that affect the content or determination of amounts included in or excluded from the congressional budget or the calculation of such amounts, among other things. An attachment to this letter provides additional instructions for responding to the Committee's request. If you have any questions regarding this request, please contact Majority Staff at (202) 224-0642.

Sincerely,

Sheldon Whitehouse Chairman Senate Committee on the Budget	Ron Wyden United States Senator