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[As disaster losses mount, US insurers continue betting on adaptation](https://uphelp.org/as-disaster-losses-mount-us-insurers-continue-betting-on-adaptation/)

Sustainable Views

A landmark Californian bill that could have shifted some wildfire costs on to oil and gas producers was quietly killed in committee
Californian governor Gavin Newsom this month signed a package of bills to help with wildfire recovery and prevention in the wake of the devastating 2025 Los Angeles fires.

Absent from the package, though, was Senate bill 222. That bill was designed to make it easier for insurers to recoup some of their costs — through court action — from the fossil fuel industry, which has long been accused of helping to drive the increased frequency and severity of such disasters.

California's SB 222, which would have been unprecedented nationally if passed, was voted down in a committee hearing last April. A week later, a hearing for a related bill to create a climate superfund — an approach other states have passed or are considering despite legal challenges — was postponed until an undetermined time in 2026.

SB 222's sponsors pointed to the strong-arm tactics of the oil and gas industry in galvanising business and labour opposition.

The legislative analysis also listed three major insurance associations: the American Property Casualty Insurance Association, the National Association of Mutual Insurance Companies, and the Personal Insurance Federation of California.

The PIFC's members include State Farm, Liberty Mutual, Allstate, Mercury, Nationwide and Progressive — carriers with clear exposure in the recent LA fires. Moody's Risk Management Solutions projected insured losses from the 2025 LA fires to reach about $30bn, with other modellers' estimates running higher.

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Source: https://uphelp.org/as-disaster-losses-mount-us-insurers-continue-betting-on-adaptation/ Date: June 24, 2026

The insurance industry’s struggle with the doubling of insured catastrophe losses over the past 30 years is well documented, with carriers raising premiums 30–50 per cent or more in recent years, or pulling back from high-risk, highly regulated markets such as California.

The Swiss Re Institute has estimated that insured losses could double again over the next decade, putting enormous pressure on the industry to find solutions.

The insurance trade groups cited in the analysis declined or did not respond to requests for comment on why they opposed a bill intended to alleviate that pressure.

Those working with the industry say insurers would rather avoid costly, uncertain litigation in today’s polarised political environment and in a still-evolving field of climate attribution science.

Research from that field — such as World Weather Attribution’s finding that climate change increased the likelihood of the LA fire-weather conditions by roughly 35 per cent — has not yet been successfully used in a US court to hold fossil fuel companies responsible for a specific natural disaster.

A complicated relationship

Industry experts also say insurers’ continued relationship with fossil fuels complicates their position. Reports from Ceres and other advocacy groups indicate that insurers hold hundreds of billions of dollars in fossil fuel-related assets and write tens of billions of dollars in fossil fuel underwriting business.

These exposures could open insurers to liability claims of their own at worst, and complicate business relationships or impair investment portfolios at best.

The advocacy group Insure Our Future estimates annual fossil fuel underwriting premiums at more than $20bn in 2022. While that sum is far smaller than recent natural catastrophe loss estimates, groups argue it remains a powerful lever given the sector’s dependence on project underwriting.

“We believe the most influence over fossil fuels is from underwriting,” says Insure Our Future senior strategist Risalat Khan. “They provide a specialised service, so they have a lot of power. At the same time they are seeing massive losses. Still, the short-term incentive cycles are driving a lot of insurance positioning.”

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US insurers keep focus on adaptation instead

Some industry representatives say their carbon-reduction efforts now emphasise renewable energy investments and underwriting for new emissions-reducing technologies.

They also acknowledge formidable barriers to scaling those investments, as reflected in the much lower premium volumes for renewables and new technologies compared with fossil fuels.

One Insure Our Future report found premiums from underwriting renewable energy projects were still less than one-third of those from fossil fuel projects.

One way insurers can steer clear of the politics of mitigation — and address mounting losses — is by focusing on climate adaptation.

“The solution right now is helping people so their houses don’t burn to the ground,” says Nancy Wallace, a professor of finance and real estate at University of California Berkeley’s Haas School of Business, who lost her home in the 1991 Oakland Hills fires. “That is something we can do something about. Climate change, unfortunately, is firmly in place.”

Adaptation can further benefit insurers by reducing the odds and severity of losses that show up in claims. One study after Hurricane Sally in 2020 found “fortified” homes were 55–75 per cent less likely to suffer losses, and when damages did occur, severity was 15–40 per cent lower. Experts note that adaptation measures can also reduce year-to-year variability, helping carriers price more accurately.

Adaptation can also expand insurers’ businesses. A report by Oliver Wyman estimates that adaptation could add more than $70bn annually to insurers’ growth through new products, new customers and re-entry into high-risk regions.

The costs and limits of adaptation

When root problems are not fixed, surface problems tend to multiply, and become more expensive to manage. Federal data illustrates the trend: the National Oceanic and Atmospheric Administration’s accounting of billion-dollar disasters shows they have risen from about three a year in the 1980s to 27 in 2024 alone. In the 1990s, wildfire damage totalled roughly $1.4bn — less than the $1.8bn seen last year.

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State Farm, which made headlines after the LA fires when homeowners discovered policies had been cancelled shortly before the fire, won a 17 per cent emergency rate increase in May and has an additional 11 per cent pending.

As part of efforts to keep insurers in the state, Californian regulators also plan to let companies justify increases using forward-looking catastrophe modelling instead of 20-year historical loss averages — given the changing environment — potentially paving the way for further rises.

Those increases are expected to create socio-economic hardship for uninsured or underinsured and lower-income households. The Center for Climate Integrity estimates State Farm's rise translates to more than $1,000 a year for homeowners. "Insurance premiums that can be attributed to climate change are pretty significant for households in some parts of the country," says Catherine Wolfram, a professor of economics and energy at MIT and an author of the report.

Those rising costs have immediate implications for wider communities trying to rebuild and recover after disaster. Amy Bach, executive director of advocacy group United Policyholders, says there appeared to be a higher-than-usual share of "severely underinsured" households in the January LA wildfires compared with typical wildfire events.

"We are worrying about lower-income households in both areas being able to rebuild due to inadequate insurance," Bach says. "The lower income the area, the fewer people rebuild."

Meanwhile, supporters of more urgent mitigation worry that if insurers are not encouraged to enlist fossil fuel companies in funding solutions, it could simply enable both industries to expand their profits.

Insurer Verisk projects continued strong growth in 2025 despite the early-year California fire losses, as premium growth continues to outstrip losses.

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