Bach Talk: An insured future depends on bold public/private innovation

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By Amy Bach, Executive Director, United Policyholders

So far 2024 has brought more bad news for property owners, public officials, lenders and home builders on the insurance availability and affordability fronts with non-renewals, scant options and high premiums. Front page news across the country. Rate increases and insurers' dramatically decreased appetite for insuring property risks have been plaguing California, Florida and Louisiana for years. Now those marketplace problems are manifesting in North Carolina, Arizona and many other states.

Underlying causes include unregulated reinsurance prices, projections and realities related to climate change and increasingly severe and frequent weather events, inflation's impact on labor and materials, and an explosion in risk prediction tools, models, aerial images and scoring systems.

The unprecedented shifts we're seeing in the property insurance marketplace were predicted. I was quoted in 2014 as saying; "A publicly traded insurance company in the face of climate change is not a sustainable business model for the end user, the consumer." ("This Changes Everything: Capitalism vs. the Climate", Naomi Klein, Knopf Press, 2014). From a business perspective, it's logical that insurers are limiting underwriting in riskier areas and raising rates in order to maintain profitability. And we want them to be able to meet their claim-paying obligations to their existing customers. But we have a very strong national interest in supporting disaster-resilient households, communities and financial institutions.

Clearly, the role that property insurance plays in homeownership and institutional and individual financial security compels us to innovate as a nation to keep the private sectors expertise and capacity in play, but have government play a larger role in pooling and insuring risk and expediting mitigation.

One of the biggest challenges we face are the divergent political views on government vs. private industry's role and competence that brought us Affordable Care Act instead of a single payer system. It's increasingly clear that the provision of financial capacity to recover from natural disasters can't be left exclusively to publicly traded and privately held for-profit corporations, and there are already many hybrid public/private property insurance entities. The National Flood Insurance Program, (NFIP), the Terrorism Risk Insurance Program are examples of hybrid Federal Government/private market property insurance. State examples are Citizens Property Insurance in Florida and Louisiana, the California Fair Plan, and the Texas and Alabama Windstorm Associations that insure properties for risks and in regions private companies don't want to cover. Nevertheless, efforts to create a national non- profit property insurance program face steep political headwinds.

As dropped and desperate property owners across the nation grapple with insurance challenges, United Policyholders is working hard on short and long term solutions. Short term, we've updated our buying tips, our guidance for "dropped" homeowners and for those with no options beyond a state-supported insurer of last resort, and we're continuing to provide ongoing shopping help webinars featuring insurance experts who have their finger on the pulse of current options. We've amped up our work streams aimed at helping property owners mitigate flood, hurricane and wildfire risk to avoid damage and improve their insurability.

Long term, we are presenting at conferences and hearings and brainstorming with state and federal officials, insurance and banking regulators, the Federal Insurance Office, insurer representatives, and colleagues in the non-profit sector aimed at addressing what does not feel like a temporary crisis. We recently consulted on and lent our support to Congressman Adam Schiff's INSURE Act, an important and innovative multi-layered proposal to build a new national all-risk insurance option, increase mitigation efforts and moderate the impact of reinsurance pricing on availability and affordability.

In the months ahead, we will continue to refine and advance concepts, including:

– Allowing Homeowner Associations (HOAs) to form risk pools that include parametric products for smaller claims and higher layers of insurance protection for catastrophic losses.

– Building science-based, public risk models for state insurance regulators to use when evaluating rate filings that are based on models developed for and by insurance companies.

– Provide government supported insurers of last resort with state and/or federal loan guarantees that would provide them with a measure of high risk exposure claims paying capacity to reduce the amount of reinsurance they must buy.

– Establishing a national standard for minimum, essential coverages that a residential insurance policy must provide.

– Adoption of NAIC (National Association of Insurance Commissioners) and/or NCOIL (National Conference of Insurance Legislators) model laws that mandate rating plan adjustments to reward risk reduction (mitigation), and require transparency and consumer appeals related to risk scores.

Innovating Climate Risk by Marsh McLennan at NAIC before the Climate and Resilience Working Group.

Thanks for your attention!