

# Climate Change Is Coming For Your Insurance

## The Lever

As Hurricane Ida approached New Orleans on a sticky August morning in 2021, Janet Tobias listened to the news, trying to decide if she should evacuate. While she packed, family members called to report they were stuck in fleeing traffic. Fueled by abnormally warm waters in the Gulf of Mexico, the storm strengthened rapidly. As it began to pour, Tobias, who is in her sixties, decided she'd have to take her chances at home.

By the time the Category 4 storm made landfall, it was one of the strongest to ever hit Louisiana. It tore through the bayous, lashing boats ashore and splintering telephone poles. Tobias was terrified. Then the power went out. Alone in the darkness, all she could hear was the roar of the wind. "I never been that scared," she says.

When the dim morning light finally broke, Tobias found she'd been comparatively lucky: Her porch railing was torn off, and eight windows were shattered.

In the days and weeks to come, her insurer, Americas Insurance Company, was slow to respond to her \$5,000 claim. Like many other companies drawn to Louisiana by its generous government subsidies, Americas Insurance had grown rapidly, increasing its portfolio in the state by 552 percent over a decade. But in Ida's aftermath, Tobias was one of more than half of its policyholders to file claims — and Americas Insurance didn't have nearly enough liquidity to cover the \$230 million in damages.

Soon, it joined 11 other insurance companies that had recently failed in Louisiana, on top of more than a dozen that have exited the state since 2020. These bankruptcies left more than 40,000 people at the mercy of a state-backed program that took over their claims. Some have now been waiting on critical home repairs for four years.

In the wake of Ida and several other destructive hurricanes, a sixth of the state's insurance market became insolvent.

“It absolutely created a crisis,” says Ben Riggs, executive director of Real Reform Louisiana, a nonprofit seeking accountability from the insurance industry. The companies that remained hiked their rates: Tobias eventually found a new insurer for her trim, white house, but her bill jumped from \$2,000 to \$11,000 a year — a hike she’s struggling to pay.

As climate change lengthens hurricane seasons and strengthens storm surges, extreme weather is wreaking havoc on homes nationwide. According to a recent report from major global reinsurer Swiss Re Institute, natural disasters now cost the United States \$97 billion a year. Homeowners’ insurance rates have gone up 35 percent nationally since 2021, and insurers themselves are warning that risk reduction is the only way forward.

For communities across the country, Louisiana’s insurance crisis is a hint of what’s to come: Altogether, close to one in five residents in the state lost their homeowners insurance last year. Given past storms, many don’t have to imagine just how much damage the next hurricane could inflict. Now, they’re living with the constant uncertainty of knowing that when it does, they’ve lost their safety net.

Officials in the hardest-hit states say the answer is to deregulate insurance markets. Louisiana’s new insurance commissioner, Tim Temple, has encouraged a slate of new legislation that would weaken residents’ ability to sue insurers over unpaid claims and make it easier for insurers to drop homeowners.

Temple, a Republican who previously made his fortune in the insurance industry, says a business-friendly environment is key to the state’s economic recovery. “It’s time for an insurance renaissance,” he said.

In response to an interview request, Temple’s office sent The Lever a detailed statement noting that “The goal of the legislation supported by Commissioner Temple is to provide a more positive claims experience for policyholders so there is less of a reason to litigate.”

Meanwhile, critics argue the answer is stronger regulatory oversight, not less — and some argue that the industry is now exploiting the crisis to push for weaker consumer protections.

“When there’s no government-led direction, you’re at the whim of the market,” says Camille Manning-Broome, president and CEO of the Center for Planning Excellence. “And the market is saying, ‘If you stay here, you’re not going to have these things, and your house isn’t worth anything.’”

Louisiana is no stranger to losses. Hurricane Katrina was the worst claims event in history, and as its floodwaters receded, national firms like Allstate and State Farm reduced the number of policies they wrote in the Gulf and along the Atlantic coast.

“Insurers — and society as a whole — will need to reconsider the potential for mega-catastrophes,” warned Willis Towers Watson, a global insurance firm, in 2005. “Insurers, investors, regulators, and policymakers need to adjust to this new reality.”

As the industry contracted, many Louisianans turned to the state’s insurer of last resort, Citizens Property Insurance Corporation, tripling its rolls. Thirty-six states offer these kinds of taxpayer-backed programs, which offer insurance to people unable to find coverage through the private market. These state programs have grown exponentially as private insurers flee risky areas.

That means states are now holding more than \$1 trillion in liabilities, according to Bloomberg Businessweek. Florida’s last-resort program, for example, has become the largest insurer in the state. It’s exposed to \$525 billion in potential claims; if there’s another storm like Ida, it’s projected to go half a billion dollars into debt.

While last-resort programs help make insurance more available, they’re not necessarily affordable; by law, Louisiana’s Citizens’ policies are priced at least 10 percent above the highest market rate in each parish. The state has tried to reduce its last-resort program, paying \$29 million to more than 18 companies willing to take over Citizens’ policies.

At first, the approach worked. But many of the policies went to insurance brokers known as managing general agents that critics say are often poorly managed. At the same time, the Louisiana newspaper Times-Picayune reported that a lot of the policies transferred from Citizens were for low-lying or coastal properties, concentrating risk.

As the system grew more tenuous, Galen Hair, a New Orleans trial attorney, started to see a systematic underpayment of claims. “It was kind of a race to the bottom,” he says, with insurers refusing to pay for oblique reasons, like if a homeowner hadn’t moved in the exact day their policy started.

This kind of mismanagement — along with four hurricanes hitting Louisiana in less than a year in 2020 — left many insurers insolvent. As the list of bankruptcies grew, so did regulators’ questions about their

business practices.

When state officials looked into Tobias' insurer, Americas Insurance Company, they found that it had "misled, manipulated and deceived" regulators. Another, Southern Fidelity Insurance Co., paid \$5.7 million for a hunting lodge that served as a residence for its chief executive until just before the company was liquidated. (He now runs another insurance agency, where his profile says his "knowledge is simply unmatched in the industry.")

"Companies came in and made money on the backs of taxpayers of Louisiana, and then left instead of paying out claims," says Jesse Keenan, an urban planning professor at Tulane School of Architecture specializing in climate. Overall, about 75 percent of the 130,000 policies transferred from the state's last-resort insurer went to companies that later became insolvent — leaving taxpayers with a \$600 million bill.

Facing a gaping hole in the market, in 2023, Louisiana threw another \$45 million in subsidies to insurance companies. It didn't help, says Keenan: "At this point, they're just giving money away."

In the meantime, landlords started reporting they couldn't find commercial insurance for their rentals. And those who found insurance faced steep rate increases — costs that Liz Russell, the state director of the nonprofit Environmental Defense Fund's Louisiana chapter, says many landlords passed on to their tenants. Statewide, the median monthly rent went up by 13.8 percent last year.

"This crisis is not at a distance," Russell says. "Anyone I talk to — myself, friends, family, neighbors, colleagues — have immediate experience with this in their daily lives."

Financial systems have long been built around climate stability. But warming temperatures are upending our ability to look at the past to make educated decisions about future risks — and what it will cost to handle them. In addition to unprecedented hurricanes, in the last two years, Louisiana also faced a crippling drought, deadly tornadoes, and a new hazard in the form of record-breaking wildfires.

"It's not this slow adaptation" where a new normal gradually emerges, says Manning-Broome of the nonprofit Center for Planning Excellence — who was also dropped by her insurer, forcing her onto a last-resort plan. "How are these systems going to operate in a highly unpredictable space that could get more unpredictable each year?"

In the midst of all this upheaval, Louisiana's new insurance commissioner Tim Temple has proposed focusing on business-friendly solutions. Most states don't have elections for their insurance commissioner, but Louisiana does. In the months leading up to the 2023 election, Temple lent himself nearly \$1 million for his campaign and threatened to sue the only other candidate, Democrat Rich Weaver, over his residency status.

"My campaign doesn't have the money to defend me and run a campaign," Weaver told a local news station before dropping out.

Temple's ties to the industry stretch back to his father's founding role in the Amerisafe Insurance Company, later becoming the first chairman of the Louisiana Workers' Compensation Corporation. Temple himself worked his way up from a broker to an executive, managing and owning the types of businesses he now regulates. He's also still vested in a family trust in his father's name, from which he makes more than \$200,000 a year.

When Temple announced a first, failed candidacy in 2019, he noted "Louisiana has never had an insurance commissioner from the insurance industry." He claimed his background and industry experience would help him oversee the industry, saying, "Insurance has been my life."

But although Temple claims to be "self-funded," during his 2023 campaign he accepted donations from insurers, including \$12,000 from the Louisiana State Farm Agents and Associates. When State Farm announced in March it was reducing its coverage in California, Temple urged lawmakers to pass regulatory rollbacks, referencing the company in a public statement that claimed "overregulation is driving insurers away."

Temple's background is emblematic of a revolving door between the insurance industry and its regulators, says Michael DeLong, a researcher at the Consumer Federation of America. As a result, while officials are in office, "They think of what's best for the industry, and don't really consider consumer perspectives," says DeLong.

As Commissioner, one of Temple's first moves was to lift caps on insurance companies' gains, saying, "Businesses have to make a profit." He also supported a bill that passed in 2023 that allowed insurers to raise rates more than once a year.

Then, in a special legislative session this winter, Temple pushed for a package of bills to make it harder for policyholders to sue.

One, introduced by Republican State Sen. Kirk Talbot, would weaken a law that allows homeowners to collect additional penalties if the insurer had deliberately avoided paying what it owed during a disaster. Temple testified in support of the bill, seated between two insurance executives.

Talbot, who is a board member of Louisiana's last-resort insurer and whose top donors come from the insurance industry, previously sponsored a bill that forced policyholders to pay court and attorney fees if they sue the state insurer of last resort — even if they win their case. Real Reform's Riggs says that the law, which passed in 2023, makes it so "home and small business owners are never made whole."

In its emailed statement to The Lever, Temple's office noted, "Sen. Talbot's bill adds clarity to Louisiana's claims process, which is not well-defined in statute. The clarification would make it easier for policyholders to demonstrate when an insurer has not followed the law as it relates to claims processing."

A second recent proposal that Temple supported would make it easier for insurance companies to drop homeowners, removing a rule that barred companies from canceling policies that have been in effect for more than three years.

"There's no law that says insurance companies have to do business in our state," Temple said in February. Both of the bills have passed out of the Senate Insurance Committee and are now working their way through the legislature.

Critics of Temple's efforts say similar attempts to deregulate the state's insurance markets have backfired. In 2020, lawmakers restricted residents' ability to sue auto insurers, after the state's largest business lobbying group said it would generate savings for companies that would trickle down to policyholders. In fact, auto rates have steadily increased.

In Florida, lawmakers similarly enacted bills to make it harder to sue insurance companies through a practice called tort reform, which has also failed to deliver lower rates there. The Florida Office of Insurance Regulation released a report earlier this winter that undercut Republican Gov. Ron DeSantis' rhetoric that specious lawsuits were largely responsible for the state's soaring premiums. It found that

litigated claims accounted for only about 3.5 percent of total premiums paid in Florida.

Back in Louisiana, Democratic lawmakers have proposed alternative insurance solutions focused on mitigating risk. Their goal is to strengthen building codes and make the process of fortifying existing homes more affordable. For example, State Sen. Royce Duplessis has proposed expanding the Louisiana Fortify Homes Program, a novel effort that has been offering grants of up to \$10,000 to help residents repair or upgrade roofs.

Instead of building on the program's initial success, Republican Gov. Jeff Landry initially reduced funding for the popular program from \$30 million to \$5 in his proposed 2025 budget. Landry, who has received more than \$213,000 from the insurance industry, has blamed the state's crisis on "an unprecedented number of lawsuits" that he says are "clogging our state and federal courts."

Temple previously expressed "mixed feelings" about the home-fortification program, telling a local reporter, "I don't think the government needs to be in the business of helping people build homes." But this spring, he and Landry ultimately agreed to put \$20 million toward the program's next round of funding.

Temple's office told The Lever that he "is supporting changes to how the program is structured, including changing the funding source from the state general fund to the insurance industry and making the program permanent."

Advocates say lawmakers should also require insurers to lower rates for homeowners working to lower their risk. Andreanecia Morris, executive director for the community development organization HousingNOLA, says that if people are going to invest in an expensive new roof, "their insurance company needs to guarantee a fixed percentage reduction in their rates."

Meanwhile, New Orleans Rep. Matthew Willard (D) proposed a bill last month that would have reduced the 10 percent premium surcharge on Citizens' policies. While the surcharge is designed to protect private businesses from unfair competition, Morris notes in many places, Citizens' is now the only insurer available.

"Who are you protecting if no one's writing in this area?" Morris asks. But Willard's bill failed, while Temple's industry-friendly legislation advanced.

That's all by design, says Real Reform's Riggs. How Louisiana will respond to its current crisis, he says, is "a result of insurance lobbies' powerful and continued presence in the legislature."

In the interim, hundreds of thousands of Louisiana residents are still waiting to be paid by the Louisiana Insurance Guaranty Association, the state agency that took over claims from the insolvent insurers.

The Louisiana Insurance Guaranty Association, says Tom Filo, the lawyer of a recently filed class-action lawsuit, has not only failed to promptly help these stranded homeowners, "but has breached its statutory obligations to hundreds, if not thousands, of Louisiana policyholders."

The program's entire purpose, the lawsuit alleges, "is to promptly pay an insured's covered claims if the insurer goes insolvent." Yet some of his clients, including conservative state Sen. Jeremy Stine (R), have been waiting since 2020 for critical repairs.

Part of the problem, Filo says, is that the agency isn't subject to bad-faith penalties for delays, the way non-state-backed insurers are. (Talbot's proposed bill aims to remove this penalty altogether.) To make matters worse, Hair, the New Orleans-based trial attorney, says that the state agency is "hiring some of the same adjusters that messed the claims up to begin with, and using the same defense attorneys."

The situation has grown so dire that some people, like state Rep. Mandie Landry, a Democrat from New Orleans, worry the federal government may need to step in.

Landry has suggested adding homeowners' insurance to the National Flood Insurance Program, which is backed by the federal government. A transition to such a federal system would face its own challenges: Though it's how the majority of Americans obtain flood insurance, the beleaguered and debt-ridden program has faced years of criticism over its underestimation of growing flood risks. Recent efforts to improve its calculations have been plagued by lawsuits — including one backed by Louisiana's own state attorney.

Landry's not the only one who thinks the federal government should be playing a bigger role. The U.S. is one of the only developed countries that exempt insurance businesses from federal regulation, including antitrust laws. Oversight of matters like rates is left to individual states, and the insurance industry has lobbied for decades to keep things that way.



This winter, U.S. Rep. Adam Schiff (D-Calif.) suggested creating a \$50 billion federal reinsurance program that would cap insurers' liability during a catastrophe, in exchange for companies offering comprehensive policies that cover all natural disasters, and expanding federal regulation of the market.

"Insurance companies are shifting the costs to consumers who struggle to purchase disaster coverage," Schiff said in a statement.

But when the Federal Insurance Office attempted to collect climate-related financial data from insurance companies last year, the National Association of Insurance Commissioners balked, calling it burdensome "federal overreach." Tim Temple has opted Louisiana out of the effort, while Texas and Florida are considering limiting what data they share — leaving huge holes in any national assessment of how markets are faring in the hardest-hit places.

While extreme weather is undoubtedly increasing damages, some watchdogs warn insurance companies are also taking advantage of the climate crisis to boost profits.

"We worry that they are exploiting climate change to push for deregulation," says Amy Bach, the executive director of United Policyholders, a nonprofit that works for consumer advocacy around insurance.

Shares of Allstate, for example, are at an all-time high. Large rate increases are driving up revenue across the industry, The Wall Street Journal reports, while supply costs driven by inflation are coming down.

"Insurers are so good at selling their narrative that they're losing money," Bach says. "The bottom line is that insurers have been trying to cut people's legal rights off for years."

For Tobias, the fate of Louisiana's insurance market will dictate where she spends the rest of her life. After spending years away from New Orleans following the devastation of Katrina, she's reluctant to move out of the city again. But like many, her mortgage requires her to carry insurance, and if her rates go up again next year, she says she'll be forced to sell and move in with family members. Even if she stays, the city is changing.

"We don't know the rain sometime," she says. "You don't want to leave your house because you don't

know what street might flood.”

In early April, a storm dropped as much as eight inches, bringing New Orleans to a standstill, while a tornado whipped through communities just north of the Big Easy.

There’s no doubt another catastrophic storm is on the way. Scientists predict Louisiana will soon see more of the record-breaking hurricanes that have recently buffeted the state. A warmer atmosphere holds more moisture, making storms wetter and slower, while storm surges are growing higher.

Thanks to these forces, Morris at HousingNOLA says, “Louisiana is in the middle of a mass displacement event.” Louisiana has seen a widespread population loss, spanning nearly every part of the state. Allison Plyer at the Data Center, a New Orleans-focused nonprofit research group, says the shift is spurred by a larger lack of economic growth in the state. Ultimately though, she agrees the collapsing insurance market could fuel a dramatic change in the population.

Keenan, the Tulane professor, says leaving is a rational response. His solution to the crisis is blunt: “I would consider moving to another state.” He’s seen many students depart after graduation because of the cost of living, of which insurance costs “are by far the single greatest stress.”

Given the direness of the situation, Keenan reluctantly supports Temple’s reforms, saying a truly free market would likely show it’s too risky to live in Louisiana. “We need to listen to what the market is telling us about the future,” he says. “You just might not like what it has to say.”

In the midday calm that blankets New Orleans’ quieter streets beyond the downtown tourist bustle, you can already feel the difference. “There’s been an untethering,” Manning-Broome of the Center for Planning Excellence says. Nearly a quarter of New Orleans’ houses are currently vacant. The public school system, which has a majority of Black students, has seen enrollment crater.

“Grocery stores leave, schools get relocated — the things that could keep you in that place and service you or family are no longer there,” says Manning-Broome. “It’s evolved into exponential loss.”

Not everyone has the same capacity to respond to market signals. The ability to adapt is always means-based: Already, says Plyer at the Data Center, in southern coastal parishes, you can see the economic stratification.

“It’ll be just rich people and poor people here,” she says. “And the poor people will be suffering, and the rich people will be self-insuring.”

Though the hazards may look different, much of the country will soon be confronting similar problems. From wildfires to hailstorms, climate change is rapidly rewriting risk. The Union of Concerned Scientists, a science advocacy group, estimates 500,000 Americans could see flooding every other week before their current 30-year mortgages are paid off. And a new study published in *Nature* suggests that current levels of emissions will cause more economic damage than previously understood, costing \$38 trillion a year by 2049 — essentially lowering global gross domestic product by one-fifth.

As Keenan grimly reflects, “I hope that Temple’s reforms work, because we’ve kind of run out of options at this point,” he says. “We’re always just buying time till the next storm comes.”