Home insurance availability, affordability AND quality is shrinking: States and the Feds must coordinate and take action to protect homeownership in the US

We support the Federal Insurance Office in their efforts to gather national data to get a clear picture of how insurers are adapting their operations in response to climate change, and how their actions are impacting property insurance affordability and availability across the nation. In 2013, 2021 and again in 2022, United Policyholders asked FIO to undertake this type of effort, and when U.S. Senator Dianne Feinstein submitted a related request, UP supported that as well.

In our 2022 comments supporting FIO's proposed data collection, UP stated:

"Through our work in regions that have been impacted by severe weather events and large scale natural disasters, we know that homeowners in those regions that have been directly *or indirectly* impacted by those events chronically face extreme home insurance price increases and reduced options/availability in their aftermath. Before the advent of predictive risk modeling and risk scoring (akin to credit scoring), and the current recognition that climate change is exacerbating severe weather events, competitive forces were largely "healing" the markets in those regions. Over time, availability and affordability generally returned.

Things are very different today. One need only look at the growth of residual markets in the

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https://uphelp.org/home-insurance-availability-affordability-and-quality-is-shrinking-states-and-the-feds-must-coordinate-and-take-action-to-protect-homeownership-in-the-us/ Date: September 15, 2026

Gulf Coast states and California, and the availability problems beginning to manifest in Colorado to know that competitive forces are not solving the home insurance availability and affordability problems in those regions. In addition, most insurers are making substantial reductions in the extent of the coverage they're providing to homeowners in windstorm/hurricane/tornado, wildfire, hail and flood-prone regions. These coverage reductions, combined with reduced availability and affordability are increasing demands on residual market mechanisms, (insurers of last resort) and taxpayers, reducing home values and property tax revenues and making home ownership less viable for an increasing number of people.

The U.S. Treasury has a clear and compelling interest in gathering data that will inform the agency and the U.S. Congress on the financial protection adequacy, availability and affordability of residential property insurance policies in regions throughout the United States that have been impacted by or that are vulnerable to wildfire, windstorm/hurricane/tornado, hail and flooding events. It is our hope that the Federal Office of Insurance will undertake this data gathering by coordinating with individual state insurance regulators and the National Association of Insurance Commissioners to the fullest extent feasible."

Individual states are primarily in charge of regulating insurance company finances, sales, rating and claim practices in the United States, and they largely coordinate their efforts through the National Association of Insurance Commissioners. The U.S. Treasury and Congress are also involved to some degree, and that very likely needs to increase due to the negative impact that climate change is having on the availability and affordability of property insurance, and the ramifications that has for homeownership and the residential mortgage system in the United States. The Federal Insurance Office was created as a result of the Dodd-Frank Act in 2010 within the U.S. Treasury Department to monitor all aspects of the insurance sector. See: https://www.law.cornell.edu/wex/dodd-frank_title_V

Insurers and some state regulators took issue in November, 2022 with the Federal Insurance Office's efforts to gather data. The National Association of Insurance Commissioners wants FIO to modify the data call to avoid duplicative efforts. See: government-affairs-letter-fio-climate-related-financial-risk-data-comments-221122 (1) Amy Bach, UP's representative on the Federal Advisory Committee on Insurance

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asked the Federal Insurance Office on December 8, 2022 to work collaboratively with state insurance regulators and the NAIC on data gathering, monitoring and action plans to the fullest extent feasible.

Insurers and reinsurers are continuing to raise prices and implement reductions in who and what they'll cover in numerous regions throughout the United States. Coverage reductions include named storm, roof, wind and hail deductibles that are in addition to standard deductibles, form changes that limit payouts for repairing and replacing property to Actual Cash Value instead of Replacement Cost Value, and roof charts that pay less than full replacement costs in percentages that depend on type of roof. Underwriting changes include non-renewing homes and rejecting applications for new business in selected regions. These reductions are negatively impacting homeowners in those regions. Through surveys, testimony, social and traditional media, presentations and programming, UP is documenting what's happening and working toward solutions.

Congress mandates that Americans maintain insurance on mortgaged real property. Congress and individual States have established numerous residual market programs to fill protection gaps that arose due to private insurers withdrawing/declining to continue to insure certain risks. Examples include the National Flood Insurance Program, the Terrorism Risk and Insurance Program, the Federal Crop Insurance Program, the CA Earthquake Authority and CA Fair Plan, Citizens Insurance Corporations in LA and FL, and wind pools in Alabama, Louisiana, Mississippi, South Carolina and Texas. So while the states continue to have primary responsibility for overseeing the insurance sector and protecting policyholders, the federal government has had to undertake numerous initiatives to maintain order in the sector.

It is our sincere hope that state insurance regulators and the NAIC will lean in and collaborate with FIO on a national, coordinated data call to get a clear and clear picture of home insurance affordability, availability **and** quality throughout the nation. That picture will inform and pave the way for remedial efforts that are needed to help homeowners, lenders and government agencies adapt to the changes that are occurring due to insurers shrinking willingness to insure homes against risks and in locations they no longer want to indemnify.

https://www.eenews.net/articles/treasury-to-insurers-divulge-your-climate-risks/

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