[Homeowners in California and Florida are running out of options to protect their homes](https://uphelp.org/homeowners-in-california-and-florida-are-running-out-of-options-to-protect-their-homes/)

NBC News

As big-name homeowners insurance companies pack up and leave, customers are forced to pay higher premiums for the few insurance options that remain.

Droughts and wildfires. Floods and hurricanes.

As the losses from these natural disasters skyrocket, a growing number of insurance companies are declining to offer or renew coverage in California and Florida, leaving 60 million Americans with dwindling options to comprehensively and affordably protect their livelihoods.

The numbers tell part of the story: In California, there have been eight disaster events since 2020 that have caused between $20 billion and $50 billion in damages combined.

In Florida, 16 severe storms or hurricanes since 2020 have caused between $100 billion and $200 billion in damages. That includes Hurricane Ian, which has emerged as the third-costliest storm in U.S. history.

The retreat of household-name insurance companies is one reason homeowners in Florida and California are seeing eye-watering increases in premiums — raising fresh questions about whether the already soaring cost of living in these two states is sustainable for its residents.

The financial toll is real
In California, the average annual home insurance premium is $1,300 today — up 16% from 2019 levels, according to the Insurance Information Institute, a group that represents the insurance industry. As more insurers have exited California's borders, the state's FAIR Plan Association, which was established for California homeowners who are not able to find insurance in the traditional marketplace, has seen

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enrollment numbers approximately double since 2019.

If that sounds like a lot, it's got nothing on Florida, where the average homeowners insurance premium is now $6,000 — up 200% from 2019, according to data from the Insurance Information Institute.

Today, the Citizens Property Insurance Corporation, Florida's state-run plan funded by its customers' premiums, now serves as the largest and fastest-growing insurer in the state. The company now has some 1.4 million policies and counting — comprising roughly 1-in-8 Florida households — and up from fewer than 500,000 policies in 2019.

How did this happen?
A confluence of factors has gotten California and Florida to this point — some unique to each state and others disputed by the insurance industry. But the consensus generally comes back to climate risks and the rising cost of rebuilding homes, experts say.

"When you have rising construction costs and then the potential for widespread losses, that's what exacerbates problems in these areas," said David Blades, associate director for industry research and analytics at AM Best, a global credit agency and data group.

Blades said that from 2016 to 2020, U.S. construction costs increased between 1% and 3%, "a very moderate amount of inflation."

But during and after the Covid-19 pandemic, supply chains were disrupted, real estate prices skyrocketed and interest rates surged. As a result, Blades said, construction costs soared 13.4% in 2021 and 9.3% the year after.

As home prices surged in Florida and California, so has the potential cost of repairing them.

"When you have economic factors amplifying risk-related factors, that's where you get insurance companies that don't want to make these decisions," Blades said. The calculus then shifts to whether it's worth it for the company to keep doing business in the state or "look at their bottom line and assess that their risk appetite needs to change," Blades added.

Florida's state-run insurer teeters

Even as Florida has seen a post-pandemic population boom, more insurance companies are leaving. In a statement to NBC News, Farmers Insurance confirmed it has stopped writing new homeowners insurance policies in Florida. The news was first reported by The Wall Street Journal.

“With catastrophe costs at historically high levels and reconstruction costs continuing to climb, we implemented a pause on writing new homeowners policies to more effectively manage our risk exposure,” a Farmers spokesperson said in an email.

Farmers is one of more than a dozen insurers that have decided to no longer write new business in the Sunshine State, alongside at least six companies that became insolvent in 2022 alone.

Citizens makes money through rates and premiums, and this month, the group requested the “maximum rate increase allowed,” with the average cost to customers expected to rise by as much as 12%.

Michael Peltier, Citizens’ media relations manager, said that, at the moment, the company has enough financial cushion to absorb the new policies, assuming the rate increase is approved. But if enrollment growth continues, Peltier said Citizens may be forced to levy additional assessments not just on its own policyholders but also anyone with any kind of insurance in Florida, including auto.

“It’s not a healthy environment,” Peltier said. “This growth we have is not sustainable.”

Despite the prevalence of frequent and severe storms alongside the aforementioned cost increases, the industry blames Florida’s rising insurance costs on the state’s legal environment.

Until recently, homeowners could assign insurance claims to third-party contractors, like roofers. Some of those contractors would then pursue false damage claims against the insurer and sue them if they refused to pay. The scam left insurance companies on the hook for any legal costs, even if they ultimately won the case. The Insurance Information Institute estimates that, in just the one month prior to the passage of a Florida state bill ending the practice, some 280,000 lawsuits were filed.

Overall, the organization estimates the financial impact of legal system abuse in Florida between 2012 and 2021 caused Florida property insurers to pay out $51 billion just to settle litigated claims, with 71% percent going toward legal fees and public adjusters.

“This is what’s caused Florida’s market turmoil,” said Mark Friedlander, the Insurance Information Institute’s communications director. Even with the new law, he said, the suits “are going to make matters worse, and it’s unknown for how long.”

Others say the situation in Florida is more complex — and more directly tied to climate change. Amy Bach, executive director at the consumer advocacy group United Policyholders, said the bill designed to fix the “Florida roofing scam” problem “eviscerated people’s ability to sue” their insurer.

“So many people were not getting paid fairly,” Bach said. “The industry says it’s the lawsuits, but as soon as they got what they wanted, rates did not come down. So clearly that wasn’t the whole story.”

In California, insurers see huge losses
Bach says insurers who would otherwise be entering or staying in Florida and California now face higher costs for reinsurance — alternatively known as insurance for insurers. These policies are supposed to kick in when insurance companies experience high-dollar losses.

“It’s only supposed to be a rare large-scale event that brings reinsurer dollars in,” Bach said. “But because we’ve been having increasingly frequent and severe weather disasters like hurricanes and wildfires, insurers are tapping reinsurers more than in the past, and they don’t like that.”

As for California, the math is failing to add up there, too. State Farm‘s California-focused unit posted a $312 million underwriting loss on property insurance claims in just the first quarter of 2023, greater than its loss of $241 million within the same business for all of 2022.

State Farm, as well as Allstate both recently announced they had stopped writing new policies in California.

Insurance giant AIG has also started to curb home-insurance sales to affluent customers in approximately 200 ZIP codes across the U.S. that are at high risk for floods or wildfires, the Journal reported.

AIG declined to comment.

Insurers in California face a stringent regulatory environment that limits how fast insurance rates can rise, Friedlander said.

"With the past five years of intense wildfires and large property losses incurred in California, the insurance industry has pretty much lost all of its underwriting profit in the state that was generated over the previous 20 years," he said.

'Going naked'
In addition to putting homeownership further out of reach in states already facing acute affordability crises, Florida's and California's insurance troubles are likely to prove particularly burdensome for retirees who had been counting on selling their homes to generate cash in their golden years.

That's because more potential buyers now won't be able to obtain loans that come with property insurance requirements.

"Some folks have been relying on these homes," said Mallon FitzPatrick, managing director and principal at Robertson Stephens wealth management firm. "But now many of them are uninsurable, and it's going to be hard to resell that."

Faced with dwindling options, more households are choosing to go without insurance altogether, known as "going naked" in the industry. The Insurance Information Institute estimates that as many as 15% of Florida homeowners have no property insurance — the highest rate in the U.S. The organization did not have an estimated figure for California.

But evidence suggests the phenomenon is becoming more common there, too.

"We just don't have a stable insurance market," California State Sen. Bill Dodd, a Democrat from Napa, whose Northern California district has been charred by wildfires, told the Associated Press. "What's happening is a lot of people in my district and frankly other districts are … going naked — they have no insurance."

More homeowners' going without insurance, coinciding with worsening natural disasters, is going to have a ripple effect on the entire country, as government programs become more strained, Bach said.

"There are a lot of stakeholders here that need this thing to be fixed."

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