How Katrina became ‘the storm that told us what was to come’ for climate and insurance

USA Today

When Hurricane Katrina threatened New Orleans in August 2005, Mona Lisa Saloy thought she was safe.

Saloy, an author and educator who also served for several years as Louisiana’s poet laureate, had inherited the 110-year-old “double shotgun” house in the mostly Black Seventh Ward where she was born and raised. The family had ridden out Hurricane Betsy in 1965, and the home was elevated several feet above the ground. At the last minute, however, a friend whose visions Saloy had always trusted dreamed of water coming, and Saloy decided to evacuate with an elderly neighbor and her dog.

It was a good thing. When the levees holding back the water around the city failed, Saloy’s entire block wound up submerged under 9½ feet of water. Her home was so badly damaged that it had to be demolished and completely rebuilt, a process that took nearly 15 years and untold hours haggling with insurance companies to get what Saloy believed she deserved after paying premiums for years.When all is said and done, “I’m grateful to still be here,” Saloy told USA TODAY in June. “I’ve lived other places and to me this is home.”

The levees weren’t the only structures that failed in New Orleans in August 2005. The insurance safety net that was supposed to support homeowners when tragedy struck also fell short. Twenty years after the hurricane, analysts believe the climate change-driven insurance crisis that’s swept America over the past several years – in which premiums have become too expensive for many people to afford, if they are even available – can be traced directly to Katrina.

“Just going back and thinking about the data and when we started to see (extreme) events occur more regularly, Katrina’s right at the front end of that,” said Jeremy Porter, head of climate implications for real estate data provider First Street. “If we would have known better, it would have been the storm that told us what was to come in terms of climate change."

Data from the Insurance Information Institute, an industry group, shows the magnitude of the damage from the storm. "Katrina generated the largest single loss in the history of insurance – $41.1 billion and more than 1.7 million claims – across six states," according to a 2010 report from the institute. Some 63% of the $41.1 billion paid out was for claims in Louisiana, of which there were 975,000. The institute notes that the total does not include $16.1 billion in losses from flooding insured by the National Flood Insurance Program.

The importance of flood insurance and homeowners insurance was underscored this summer when deadly flash floods killed dozens in central Texas.

It's impossible to know for certain how much insurance has changed in the areas hit by the storm in the two decades since Katrina – how much premiums cost or how many people have coverage, for example. No single dataset includes all the information required for those calculations, and the major 2021 reorganization of the way risk is calculated for the National Flood Insurance Program makes things even more tricky.

Here's some of what we have learned thanks to Katrina and in the years since.

Flood insurance is important, but homeowners often go without
Only 10% of homeowners impacted by Katrina – in any state – had flood insurance at the time of the storm, according to some estimates. That's in part because many homeowners simply couldn't afford it, said Oji Alexander, CEO of New Orleans nonprofit People's Housing+ – but also because some assumed the risk of flood was lower or less imminent than it turned out to be.

"Flood insurance was something that if you weren't required to do it, folks chose not to," he said. "It's important to denote the distinction between Hurricanes Katrina and Rita and the failure of the federal levee system. The storms aren't what flooded the city. It was the resulting failure of the levee system that caused the flooding."

Subsequent research has demonstrated that when homeowners are covered by flood insurance, individual homes as well as entire neighborhoods benefit. But flood insurance isn't as widely available as homeowners insurance is, it’s an additional cost, and many homeowners may believe – rightly or wrongly – that federal emergency aid will cover them if anything happens.

Porter’s research shows that there are currently 5,000 active flood insurance policies through the National Flood Insurance Program in Orleans Parish, out of roughly 28,000 properties that likely fall in what FEMA considers flood-prone areas where such insurance is mandatory. First Street models suggest that the Federal Emergency Management Agency drastically undercounts risk, however.

The homeowners insurance has splintered

“Katrina is just a lot of incredibly sad stories,” said Amy Bach, executive director of the insurance watchdog nonprofit United Policyholders. “There’s the bodies floating. There’s ‘one dead on the roof.’ But what became of the insurance market after that is also one of those sad stories.”

Bach calls Katrina a “watershed” moment. It presaged many of the issues currently facing consumers nationwide as insurers pulled out of certain areas, jacked up rates and tightened limits and exclusions on coverage for water damage, she believes.

Indeed, as the storm receded, many insurers left Louisiana entirely, deciding it was too expensive and risky to continue doing business in the state. Just after Katrina, Louisiana Citizens, the state insurer of last resort, provided coverage for about 8% of the state’s households, a number that fell as low as 1.5% by 2015 as the commissioner’s office worked to attract private-sector insurers. But another round of bad storms in 2020-2021, including Hurricanes Laura and Ida, has nudged that share higher once again, to 2.57% as of the end of 2024.

By 2015, 22 new private-sector insurers were doing business in Louisiana, “giving homeowners a broader range of options,” the state insurance commissioner boasted. But those recent storms have taken a toll. A dozen insurers were declared insolvent between 2021 and 2023, according to the Insurance Information Institute.

Meanwhile, many of the newer entrants to the market are lightly regulated start-ups that may not pay into the state insolvency fund, according to Bach.

Similar dynamics have taken place in other states. California’s struggle to keep insurers writing policies, and concerns about the solvency about its state-run plan, drew national attention in the aftermath of the Los Angeles fires in early 2025.

“Property insurance is an essential good that people need,” Bach told USA TODAY. “Not only is it financial security, but it’s also tied to people’s ability to own a home and have a mortgage. I think that we need hybrid government and private solutions. The idea that the private market is going to solve all problems to me is naïve. History hasn’t borne it out.”

Costs are surging

In just the past five years, the cost of flood insurance coverage has increased on average 102% in New Orleans – with premiums up as much as 303% in at least one ZIP code, according to a First Street analysis of data from FEMA and insurance rate filings. Homeowners insurance premiums in that city are up 78% on average during that time.

Alexander of the People’s Housing+ has seen his own premiums increase by over 200% in the six years he’s lived in New Orleans. Alexander, whose organization helps homeowners fortify their homes against climate risk, says he lives in “a fairly new house, built to really high standards.”

Saloy pays nearly $6,000 in annual premiums on her newly constructed home and says she knows people who pay nearly double that.

First Street’s Porter notes that state regulations are keeping a lid on even higher premium spikes. Meanwhile, not only are homeowners increasingly being dropped by private insurers, but Louisiana Citizens needed a nearly 90% premium increase in 2023 as its cost for reinsurance surged.

“These are all indicators of risk that existed in the area and were not priced properly into the insurance market,” Porter told USA TODAY. “In many ways, Katrina was the first of many climate events to highlight that issue and the insurance dynamics in the last two decades have been trying to catch up ever since.”