[Hurricane in California hits homeowners already facing insurance crisis](https://uphelp.org/hurricane-in-california-hits-homeowners-already-facing-insurance-crisis/)

Nation World News

This week's hurricanes in California hit a part of the US that was already struggling with a home insurance crisis.

Insurance costs have become too high in most of California, with some insurers leaving the market, unwilling to take the risks posed by the frequency and severity of climate disasters in the region.

With insurers stressed by climate change and inflation, many are demanding higher premiums, making it much harder to find affordable (or any) home and fire insurance.

But it's not just California; Homeowners in other areas affected by the weather events, such as Florida, Louisiana and Texas, are also facing challenges.

"This has turned from a very regional crisis affecting a few areas to a much larger crisis," said Amy Bach, executive director of United Policyholders, a San Francisco-based individual insurance consumer advocacy group.

Nationally, home insurance premiums increased an average of 21% between May 2022 and May 2023, according to PolicyGenius, which analyzed internal policyholder data from Renewal. And that's on top of last year's nearly 12% increase.

Some insurers have decided to leave certain markets altogether, making it even more difficult for homeowners to protect their most valuable assets.

For example, last May, State Farm, California's largest home insurer, announced it would stop issuing policies in the state, citing wildfire risks. This happened when Allstate stopped issuing policies in the

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Golden State. Meanwhile, in hurricane-ravaged Florida, Farmers Insurance deemed it too risky to continue insuring homes and pulled out of that market entirely.

“With a number of carriers pulling out, other companies have to underwrite these really expensive policies,” said Michael Monaghan, a real estate agent with Coldwell Banker Sellers Realty in Northern California. “Policies that cost $10,000 a year? This is impossible for some buyers, who have to pay all at once along with their closing costs.”

According to Value Penguin, the average cost of a homeowner’s insurance policy is $126 per month or $1,516 per year. But it varies greatly by location, ranging from $57 per month in Vermont to $242 per month in Colorado. Many places require additional policies, and the cost will increase if you have filed previous claims.

Affordability and availability of insurance is another concern in the current tough housing market, said Jennifer Brunchini, a Compass agent in Pleasanton and president of the California Association of Realtors. The lack of options could put pressure on home buying in a market that is already the least affordable in decades, putting prospective homeowners further out of reach and hurting the odds for current homeowners selling their homes. Could.

“Buyers are facing higher interest rates,” he said. “There is already a lack of availability and a lack of affordability. And for many properties on the market you can’t get insurance? Or is this very affordable insurance?”

As climate change increases, there is a standoff over who will pay the cost of insuring homes against the increasing risks.

Last year was a record-breaking year for costly extreme weather. According to the National Oceanic and Atmospheric Administration, 28 weather and climate disasters occurred in the US, each causing more than $1 billion in damages. By comparison, between 1980 and 2023, the typical annual average was 8.5 climate disasters, and the most recent 5-year average was 20.4 per year.

Disasters in 2023 included one drought, four floods, 19 severe storms, two tropical cyclones, one winter storm and one wildfire and surpassed the previous record of 22 events in 2020. The total cost of damages last year was at least $92.9 billion, as the costs of the December events are still being tallied.

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As insurance becomes scarcer and more expensive, homebuyers are shying away from deals more than ever before, said Bach of United Policyholders.

“There has been an extreme property insurance drama going on in Florida and Louisiana for some time, starting with Hurricane Andrew in 1992, then Hurricane Katrina in 2005,” Bach said. “The severity of the storm and the cost of repairs began to attract the attention of insurers.”

Bach said that in places like Louisiana, insurers were shown measures such as stronger levees could largely reduce risk in the event of more frequent and harsher storms.

“But I don’t think they’re there yet,” she said. “Insurers are not yet acknowledging the value of risk reduction. They are not able to lower the prices, they don’t want it to impact their underwriting. Now the crux of the fight is here.”

Meanwhile, he said, in addition to climate change, other issues are driving the risks and costs even higher.

“It’s not just climate change, it’s climate-change-plus,” Bach said. It’s climate change, plus rising costs due to the Covid hangover, plus inflation, plus technology that allows insurers to evaluate risks in broader ways.

His organization, whose main focus was once on helping people affected by disasters recover money from insurance companies, is now dedicated primarily to working on issues of insurance availability and affordability.

Still, Bach said, it’s important to keep the crisis in perspective. For example, in California, the share of homeowners using a FAIR plan – an insurer of last resort made up of a syndicated fire insurance pool that includes all insurers licensed to issue property and casualty in the state – according to the California , remains less than 5%. Insurance Department.

But the competition isn’t coming to save the day.

While insurers have always exited the market or changed their terms in response to a policy, Bach said a competitor will always step in.

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“Competition will really heal the wound,” he said. “But that’s not happening anymore.”

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