# [Insurance Companies Are Abandoning Homeowners Facing Climate Disasters](https://uphelp.org/insurance-companies-are-abandoning-homeowners-facing-climate-disasters/)

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Insurance companies are leaving homeowners at the mercy of climate catastrophes they helped create.

Major insurance companies are choosing to protect the fossil fuel industry while abandoning homeowners whose safety and livelihoods are being threatened by the industry's carbon emissions.

Insurance giants Chubb, Liberty Mutual, and AIG are three of the biggest insurers of fossil fuel infrastructure around the world. But the companies have just announced plans to scale back their homeowner coverage in California, where they insist future climate-related losses will likely prevent them from turning a profit.

The coverage withdrawals may soon ignite a big money battle in the state's legislature, pitting insurance giants against lawmakers trying to preserve coverage for their constituents. Meanwhile, climate campaigners are decrying what they say is a fundamental hypocrisy.

"Insurance companies have known about climate risk for decades," said Elana Sulakshana, senior campaigner at the Rainforest Action Network. "Yet instead of actually tackling the root of these disasters, they're making short-term adjustments and refusing to fundamentally change their relationship to the fossil fuel industry."

"People Are Scrambling to Find Coverage"

Though they're not as high profile as fossil fuel companies or airlines, insurance companies are some of the biggest drivers of climate change. That's not only because they invest hundreds of billions of dollars of consumers' premiums in fossil fuel companies, but also because their coverage provides the financial safeguard that enables tremendously costly oil, gas, and coal exploitation projects to go forward.

“You’re not going to get financing for a fossil fuel project that doesn’t have insurance,” noted Jamie Kalliongis, senior communications campaigner at the climate advocacy group Sunrise Project.

“There’s a small number of players playing a really critical role” in the oil and gas insurance market, she added, since few insurance companies are big enough to do the due diligence required to insure massive mines or pipelines. Top insurers in the space include Chubb, Liberty Mutual, and AIG, all of which are now withdrawing coverage from high-fire-risk areas in California.

Last year, Chubb’s chairman and CEO Evan Greenberg said the company was reducing its coverage in parts of the state that were “both highly exposed, and even moderately exposed, to wildfire” because it was unable to obtain an “adequate price for the risk, and not by a small amount,” due to both the costs of wildfires and California’s regulatory climate.

Chubb and other insurers have not similarly withdrawn their coverage of fossil fuel projects creating the climate risk.

For Californians in these areas, losing fire insurance is a highly stressful experience.

“They think, ‘What if I can’t insure my home at all, and then it burns down, and I have nothing?’” said Amy Bach, executive director of the consumer advocacy group United Policyholders. “Then they think, ‘Well isn’t there some law that prevents the insurer from just dumping me like this?’ And the short answer is no.”

Even when insurers stop short of withdrawing coverage, homeowners still often find their premiums dramatically increasing. “People are scrambling to find coverage, and they’re getting a lot less coverage, and paying a lot more,” said Robert Herrell, executive director of the Consumer Federation of California.

“A Blank Check to the Insurance Industry”

In the short term, California’s strategy to deal with the crisis has been issuing temporary moratoriums preventing insurers from not renewing coverage in wildfire-stricken areas.

In the long term, California can’t stop insurers from withdrawing coverage from the state. More proactive solutions are needed — but industry and consumer advocates have dramatically different answers as to what those solutions should be.

A main solution proposed by industry is that they be allowed to use “catastrophic modeling,” a method where rates are set based on predictions of future losses rather than recorded past losses, as is currently the case. All other states allow the use of this technique in at least some cases.

But consumer advocates balk at this suggestion, in part because under insurers’ preferred formulation, the models used would be secret, unlike California’s current public process for setting insurance rates.

“What they want is the ability to aggressively use models absent any sort of meaningful transparency about the factors that make up those models,” Herrell said. “It winds up being a bit of a blank check to the insurance industry.”

Rather than catastrophic modeling, consumer advocates often favor allowing homeowners to fireproof their residences through measures like installing fire-resistant roofing or clearing flammable vegetation from a house’s radius in exchange for discounted insurance, or a guarantee of coverage. As we reported last month, a recent study found that homes constructed after California beefed up its anti-fire building codes are as much as 40 percent less likely to be destroyed from wildfire exposure.

“There’s a lot of things that you can do to make it less likely that homes will burn,” Bach said. “What insurance companies should be doing is investing in that research and working with their customers to help them do everything they can.”

Tools such as drone photography and construction data have made it possible for insurers to issue plans based on individual homes, unlike in the past, when insurers used low-resolution satellite images to assign uniform risk scores to entire areas, said Joel Laucher, a consultant who worked as an insurance regulator in California for over three decades.

So far, 40 percent of the state’s insurance market offers discounts to consumers who take wildfire mitigation measures, according to California Department of Insurance spokesperson Michael Soller.

The department, under commissioner Ricardo Lara, declared in early 2021 that it plans to develop standards for fireproofing homes, in order to make it easier for homeowners to obtain insurance in high-risk areas.

The department’s initial proposal, issued in February 2021, would require insurers to take fireproofing into account when setting rates, but wouldn’t require insurers to consider these factors when deciding whether to offer coverage at all. Such a rule could provide relief from premium increases, but might not do anything to help consumers whose insurers have dropped them altogether.

The rule won’t do anything if it’s not implemented, and since issuing the February 2021 proposal, the department has yet to begin the rulemaking process. Even as the moratoriums on policy cancellations lapse, it’s not clear when regulations might take effect.

Asked whether the department has a timetable for implementing the regulations, Soller said that Lara “has already introduced draft regulations and held regulation workshops to get input from stakeholders.”

He added, “The Department of Insurance has been working to implement them as part of a comprehensive solution.”

Some consumer advocates say that the process doesn’t need to take this long. “The commissioner could have mitigation discount regulations in place by the summer with no problem,” said Carmen Balber, executive director of Consumer Watchdog. “The department is dragging its feet.”

On the other hand, Bach at United Policyholders said that more research is needed before the most effective regulations can be put in place.

“I’d like it to all be done faster, but given that we don’t have this really robust data set on the effectiveness of risk reduction, it’s logical that it’s taking as long as it’s taking,” she said.

Big Money in California’s Legislature

Marc Levine, a Democratic California assemblymember who is also running against Lara in the primary for insurance commissioner, hopes to pass a law to force the department to act.

Levine’s legislation — which is still being finalized — would require the department of insurance to issue regulations outlining fireproofing measures by 2024, and would require insurance companies to offer policies covering fireproofed homes by 2025. It would also create a fund that would give grants of up to $10,000 to help homeowners fund fire mitigation projects.

Asked whether the Department of Insurance favors requiring insurers to take account of fireproofing when deciding whether to offer coverage, Soller said: “Insurance companies in California have discretion as to where to write policies, whereas Commissioner Lara has existing authority to establish clear and science-based requirements for insurance companies to reward consumers’ risk reduction actions.”

Levine’s legislation is likely to be heavily opposed by the insurance industry, which is a major donor to both Senator Susan Rubio and Assemblymember Tom Daly, Democrats who chair their chambers’ respective insurance committees. Rubio, who was first elected in 2018, has received roughly $69,000 from the industry, and Daly, who has held his office since 2012, has received $564,000.

Donations and intense lobbying often dim the prospects of bills like the one from Levine.

“The insurance industry is very aggressive both in terms of their political contributions and lobbying efforts in the California legislature,” Herrell said. “It makes it extremely difficult for meaningful pro-consumer legislation