

State officials scramble as insurance companies abandon at-risk homeowners: ‘It’s the perfect storm’

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Facing down a natural disaster is never ideal, but things are about to get even worse for Americans who are losing home insurance primarily as a result of climate-related weather.

What’s happening?

The Iowa Capital Dispatch reported on the trend, writing that states are having to “beg” insurers to maintain coverage in high-risk areas such as Louisiana, Texas, and Florida.

Their primary reasoning is simple: Natural disasters are becoming more frequent and more severe, and the costs of repairs are growing exponentially. Last year, 28 disasters in the United States caused upward of \$1 billion each in damages, per NOAA.

“We want to be there, but when the math doesn’t work for a company, they have to make those decisions,” Adam Shores, with the American Property Casualty Insurance Association, told the Dispatch.

Louisiana state Rep. Gabe Firment said: “It’s the perfect storm. We just do not have companies willing to write business in Louisiana right now, and you can’t blame them.”

Why is this concerning?

Because mortgage lenders require homeowners to maintain insurance, losing access to an affordable

policy may mean having to move states.

“Insurance companies have basically become our land-use officials,” Doug Heller of the Consumer Federation of America told the Dispatch.

And with global overheating creating more extreme weather, according to the Environmental Protection Agency, things are not moving in an optimistic direction. “In 2023, the industry suddenly seemed to wake up and say, ‘There’s climate change, forget all those times we’ve nodded our head yes and told you that you can live there,’” Heller added.

Dave Jones, director of the Climate Risk Initiative at UC Berkeley, voiced frustration that insurers are not only abandoning former policyholders but also making the situation worse by continuing to work with fossil fuel companies.

“Why are insurers investing in and writing insurance for the very industry that’s making it increasingly challenging for them to write insurance in certain parts of the country?” he said.

What’s being done?

Lawmakers across high-risk states are experimenting with various approaches to try to curb potential losses. In California, officials have proposed a policy for insurers to incorporate climate change projections into price modeling. And in Louisiana, a proposal to allow companies to drop only the “highest-risk” policies is aimed at keeping insurers operating in at least certain parts of the state.

And for those homeowners with no other options, they are turning to state-funded insurance “plans of last resort,” which — while not ideal in many ways — at least provide some options.

“Publicly supported insurance programs are here to stay,” Amy Bach with nonprofit advocacy group United Policyholders, who offered a cautiously hopeful perspective, told the Dispatch. “It behooves us to build them as smart as we can.”