



Insurance Crisis

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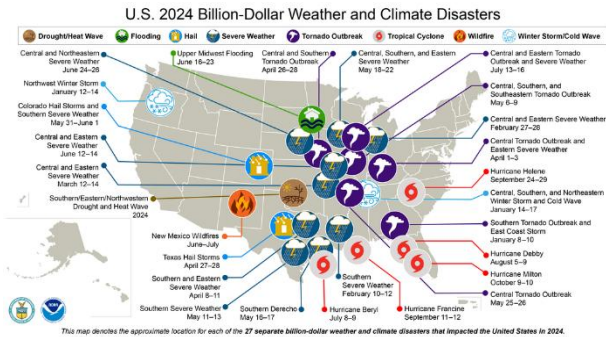
<b>US Disaster Costs in 2024</b> <i>over \$92 billion</i> <i>(27 total “billion-dollar” disasters)</i>	<b>Insurance Rate Increases</b> <b>(2021-2024)</b> ↑ 24% in the US ↑ 59% in Utah	<b>Uninsurability</b> <i>1 in 10 US homes at risk of</i> <i>uninsurability due to wildfire,</i> <i>flood, or hurricane exposure</i>
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This issue dives into how recent extreme weather is driving up insurance rates, especially for vulnerable communities in climate danger zones. It unpacks the growing burden, the limited options they face, and explores potential solutions and pathways forward.

Extreme Weather and Climate Disasters

Increase in events that cost over \$1 billion

Climate disasters are becoming more intense, more frequent, and a whole lot more expensive. Since 1980, the U.S. alone has experienced over 400 weather and climate disasters that each cost more than \$1 billion. These resulted in nearly \$3 trillion in damages and ~17,000 lives lost. And the pace of these events is accelerating—where the country once averaged about 9 billion-dollar events a year, that number has surged to 23 per year since 2020. In 2024 alone, there were 27 separate billion-dollar disasters.



**Hurricanes** continue to be some of the most damaging events. Hurricane Ian, which barreled into Florida in 2022 and caused an estimated \$112 billion

in damage, making it the costliest storm in the state’s history and the third costliest in U.S. history. More recently, Hurricane Beryl left a multi-billion-dollar trail of destruction, with damages estimated at around \$30 billion and at least 36 lives lost.

**Wildfires** are becoming one of the most destructive and expensive climate disasters across North America. In the United States, wildfire-related economic losses are estimated between \$394 billion and \$893 billion annually. In 2020 alone, wildfires scorched over 10.2 million acres across the Western states, resulting in nearly \$20 billion in damages and suppression costs. In Canada, the scale of wildfire destruction is growing rapidly. Over the past decade, average annual wildfire damage has increased from around \$84 million to more than \$700 million. The 2023 wildfire season was Canada’s worst on record, burning over 45 million acres (an area larger than the entire state of Washington) and displacing tens of thousands of people. In 2024, wildfire events helped push Canada’s total weather-related disaster costs to a record C\$8.5 billion (~US\$5.9 billion).

**Floods** are no less destructive. From the atmospheric rivers in California (2022–2023), which caused over \$4.6 billion in damage and impacted more than 200,000 properties, to the historic 2019 Midwest floods, which inundated farmland and communities across 19 states and caused more than \$20 billion in losses, the toll is staggering. The Gulf Coast and Northeast have also faced repeated flood events tied to hurricanes and extreme rainfall. In Canada, floods are the second most costly weather-related disaster after wildfires. Urban centers like Calgary and

Toronto have experienced billion-dollar flood events, while smaller communities across British Columbia and the Atlantic provinces continue to face severe riverine and coastal flooding.

### The Western Interconnection

So, what does this all mean for those of us in the Western Interconnection? We've already seen 50 billion-dollar disasters since 1980, with wildfires and droughts dominating the list. Where there used to be one major event per year, we're now seeing closer to two annually, with no signs of slowing down.

These disasters aren't just numbers—they're reshaping lives, economies, and infrastructure. As the climate crisis intensifies, the price tag climbs ever higher, putting pressure on everything from insurance markets to public health systems. Understanding the scale of the challenge is the first step toward building smarter, fairer, and more resilient communities.

## Understanding the Insurance Issue

### What is Homeowners Insurance?

Homeowners insurance provides coverage for losses and damages incurred by homeowners following an unexpected, damaging event. It is generally required in order to purchase a home when using a lending company.

### Why is Homeowners Insurance important?

Homeowners insurance helps cover unexpected and large costs, often from disasters. A homeowner likely does not have money in the bank to cover partial or total damage to their property, and paying for homeowners insurance can offer peace of mind. Not all disasters are covered within an insurance policy, and sometimes additional policies are required, such as flood insurance if a property is within a floodplain.

### Why are Rates Increasing?

Rates have increased dramatically in recent years. According to a report from the Consumer Federation of America (CFA), between 2021 and 2024, there was a 24% increase in insurance premiums in the US. In Utah, there was a 59% increase, the highest in the nation. According to the CFA report, this increase is due to a variety of factors, such as the rising costs required for materials and labor needed to build and repair homes, increased disasters related to climate

change, rising costs of insurance *for* insurance companies, and weak regulatory oversight.

However, without other measures being implemented, tighter regulations may not be the solution. Before the recent fires in Los Angeles, many Californians were stuck with purchasing insurance from companies with more limited coverage. As the wildfire risk in these communities increased, larger insurance companies such as AllState and State Farm no longer insured homes. California has legislature in place that keeps insurance premiums low, but this regulation has caused insurance companies to discontinue policies and no longer write new ones in areas where they could be at a loss if a policy needs to be paid out.

### How is it Affecting Communities?

This decrease in both available and affordable home insurance options has varied and has vast ramifications. Homeowners will be increasingly unable to afford insurance or turn to subpar lenders if other options are not available. Along with insurance, home prices have also increased dramatically. As of this year, the US median home price is \$418,000 (a 45% increase since 2020). This combination will mean fewer people are able to own or keep their homes, changing the landscape of a community. While everyone will feel these added pressures, they disproportionately affect lower-income homeowners. Beyond forcing out those already disenfranchised, increased disinvestment and general migration will occur, as homeowners either move or are unable to repair damaged homes.

## Pathways Forward

### California's Insurance Crisis and the role of Fair Plans in Supporting the Uninsured

Although we are seeing the effects of insurance redlining more drastically now (especially in the wake of California's wildfire-driven insurance retreat) the roots of this issue run deep. Redlining has been decades in the making, with a long history of discriminatory practices in the insurance industry that have denied coverage not based on actual risk, but on geography, race, and socioeconomic status. Research from the Chicago Fed and the US Census Bureau traced the legacy of the Homeowners' Loan Corporation's 1930s redlining maps to measurable declines in education, income, and neighborhood conditions. In the 1960s and 70s, insurers commonly

denied coverage in urban areas by citing vague “environmental hazards,” often applying these standards selectively to minority and low-income neighborhoods, regardless of a property's actual condition or risk profile.

This long-standing history of exclusion is what the California FAIR Plan was originally designed to counter. And today, it continues to serve that purpose, though under very different circumstances. While redlining once targeted urban, minority neighborhoods under the guise of crime and building conditions, today's version is increasingly climate-driven, with homeowners in wildfire-prone areas being dropped or denied coverage regardless of mitigation efforts. The FAIR Plan now acts as a last-resort insurer for those abandoned by the private market. It's a state-mandated, industry-funded insurance pool that offers limited fire coverage to properties deemed too risky for traditional carriers. In recent years, as wildfires have intensified and insurers have withdrawn from large swaths of California, the FAIR Plan has become a critical safety net. After the 2024 Los Angeles wildfires caused nearly \$1 billion in damages, it was the FAIR Plan that stepped in to cover many of the properties no longer served by the private market. Though far from perfect, it remains the only option for many households who would otherwise be left completely uninsured in a landscape reshaped by both historical discrimination and accelerating climate risk.

This story has two sides: the market's logic and the lived reality for residents. On the one hand, the insurance industry operates on a fundamental principle: pricing risk accurately to ensure financial stability. As wildfire seasons grow longer and more destructive, the costs of insuring homes in high-risk areas have skyrocketed. For insurers, reducing their exposure -by raising rates, limiting policies, or exiting certain regions—is a logical, even necessary, business decision to stay solvent and protect the broader pool of policyholders. On the other hand, for homeowners, these moves feel like abandonment. Many have invested in hardening their homes, followed all local mitigation guidelines, and lived in these communities for decades. Yet they find themselves uninsurable or forced into expensive, limited coverage options like the FAIR Plan. This mismatch between how insurers assess risk broadly and how risk is experienced locally and individually is at the heart of the current crisis. It's precisely this disconnect that programs like the FAIR Plan were

created to address. By stepping in when the private market pulls out, they ensure that access to essential insurance isn't determined solely by market logic, but also by a public commitment to stability, equity, and recovery.

California's experience shows how programs like the FAIR Plan can fill critical gaps when private insurers pull out. Other states facing wildfire, flood, or hurricane risks may need similar safety nets. But these plans aren't a long-term fix—they offer limited, costly coverage and don't address the deeper disconnect between how insurers price risk and how communities live with it. Without broader reforms that reward mitigation and improve planning, FAIR Plans alone won't be enough.

### Modern Problems, Parametric Solutions?

As climate disasters get more frequent and severe, the insurance tools we have relied on for decades are starting to break down. Private insurers are pulling out of high-risk areas, premiums are spiking, and people are finding it harder and harder to get the basic coverage they need to recover after a storm, fire, or flood. That's why there's growing momentum around new models, especially ones that promise faster payouts, fewer hoops to jump through, and more certainty in a time when everything else feels uncertain.

One of the most talked-about alternatives is parametric insurance. Instead of waiting for damage to be assessed and verified (which can take weeks or months), parametric policies pay out when a specific condition is met—say, wind speeds hit 100 mph, or more than 6 inches of rain falls in 24 hours. If the event hits the threshold, you get paid. No adjusters, no damage estimates, no arguing over loss categories. Just a fast, transparent payout.

This kind of model is especially promising for natural hazards, where delays in funding can be the difference between recovery and collapse. Governments and cities can use it to kickstart emergency response; individuals can use it to stay afloat in the days after a disaster. And we're already seeing it deployed creatively by nonprofits, for example, who buy policies for drought-prone areas and unlock funding the moment a trigger is hit. It shifts disaster support from reactive to proactive.

That said, parametric insurance isn't perfect. Payouts are fixed, so you could still end up

undercompensated. And there is always the risk that you experience real losses without the event “triggering” your policy. Parametric insurance may not be a perfect solution, but it opens an important dialogue about the urgent need to develop new models for insurance, risk assessment, and damage evaluation. As disasters grow more frequent and severe, it’s clear that adapting to this accelerating pace is long overdue.

## In Conclusion

Now you know more about the growing crisis at the intersection of climate disasters and home insurance. From rising premiums to disappearing coverage, the challenges ahead are steep, especially for those living on the frontlines of fire, flood, and storm risk. As climate events grow more severe and more frequent, we face hard questions about where we live, how we prepare for disaster, and who bears the burden. The road forward will require bold policy, community resilience, and creative partnerships.

## ? Questions to Ponder:

*Q1 In a time of escalating climate disasters, how should we balance personal freedom to live where we choose with the public cost of rebuilding in high-risk zones?*

*Q2 What policies should be put in place to combat the rising costs of homeowners insurance and ensure affordability for those most vulnerable?*

*Q3 How can insurance companies work with and for homeowners and communities to reduce climate risk, support adaptation, and ensure continued access to affordable coverage?*

*Q4 As climate risks reshape where and how we can live, what does it mean to build a resilient community in the face of an uncertain future?*

## For further reading:

[https://www.nytimes.com/2025/05/13/realestate/state-farm-rate-increase-california.html?campaign\\_id=54&emc=edit\\_clim\\_20250515&instance\\_id=154606&nl=climate-forward&regi\\_id=246008870&segment\\_id=198022&user\\_id=e9dace3005ba57b716fbe4717c47cc49](https://www.nytimes.com/2025/05/13/realestate/state-farm-rate-increase-california.html?campaign_id=54&emc=edit_clim_20250515&instance_id=154606&nl=climate-forward&regi_id=246008870&segment_id=198022&user_id=e9dace3005ba57b716fbe4717c47cc49)

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