

# Homeowners losing insurance carriers due to climate shock

In Utah, wildfires are a contributor to a tripling of insurance losses, making companies hesitant to insure in susceptible areas.

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The New York Times

At first glance, Dave Langston's predicament seems similar to headaches facing homeowners in coastal states vulnerable to catastrophic hurricanes. As disasters have become more frequent and severe, his insurance company has been losing money. Then, it canceled his coverage and left the state.

But Langston lives in Iowa. Relatively consistent weather once made Iowa a good bet for insurance companies. But now, as a warming planet makes events like hail and windstorms worse, insurers are fleeing.

Langston spent months trying to find another company to insure the town houses on a quiet cul-de-sac at the edge of Cedar Rapids, that belong to members of his homeowners association. Without coverage, "if we were to have damage that hit all 17 units, we're looking at bankruptcy for all of us," he said.

The insurance turmoil caused by climate change — which had been concentrated in Florida, California and Louisiana — is fast becoming a contagion, spreading to states such as Iowa, Arkansas, Ohio, Utah and Washington. Even in the Northeast, where homeowners insurance was still generally profitable last year, the trends are worsening.

In 2023, insurers lost money on homeowners coverage in 18 states, more than a third of the country, according to a New York Times analysis of newly available financial data. That's up from 12 states five years ago, and eight states in 2013. The result is that insurance companies are raising premiums by as much as 50% or more, cutting back on coverage or

leaving entire states altogether. Nationally, over the last decade, insurers paid out more in claims than they received in premiums, according to the ratings firm Moody's, and those losses are increasing.

The growing tumult is affecting people whose homes have never been damaged and who have dutifully paid their premiums, year after year. Cancellation notices have left them scrambling to find coverage to protect what is often their single biggest investment. As a last resort, many are ending up in high-risk insurance pools created by states that are backed by the public and offer less coverage than standard policies. By and large, state regulators lack strategies to restore stability to the market.

"I believe we're marching toward an uninsurable future" in many places, said Dave Jones, the former insurance commissioner of California and now director of the Climate Risk Initiative at the University of California, Berkeley law school.

Insurers are still turning a profit from other lines of business, such as commercial and life insurance policies. But many are dropping homeowners coverage because of losses.

In the West, climate change has dried out wooded areas, making them increasingly susceptible to wildfires. In Arizona and Washington state, insurers' annual losses for homeowners coverage have more than doubled over the past decade, before accounting for inflation.

In Utah, losses more than tripled. Matt Child, CEO of Utah's association of independent insurance agents, said insurers were increasingly reluctant to cover homes in what he called "alpine Utah," like hillside towns and neighborhoods around Salt Lake City.

The turmoil in insurance markets is a flashing red light for a U.S. economy that is built on real property. Without insurance, banks won't issue a mortgage without a mortgage, most people can't buy a home. With fewer buyers, real estate values are likely to decline, along with property tax revenues, leaving communities with less money for schools, police and other



JAMIE KELLER DAVIS / The New York Times  
Dave Langston, shown outside his home in Cedar Rapids, Iowa, signed a new insurance policy for the houses in his homeowners group. Finding that policy took three months and four insurance agents.

basic services.

And without sufficient insurance, people struggle to rebuild after disasters. Last year, storms, wildfires and other disasters pushed 2.5 million American adults out of their homes, according to census data, including at least 830,000 people who were displaced for six months or longer.

"Insurance is where many people are feeling the economic impacts of climate change first," said Carolyn Kousky, associate vice president for economics and policy at the Environmental Defense Fund. "That is going to spill over into housing markets, mortgage markets, and local economies."

Several factors are helping to drive the losses in homeowners insurance, including the rising cost of labor and materials to rebuild homes, outdated building codes, and the fact that Americans keep moving to areas that are at high risk of flooding or wildfire.

The industry has seen sustained losses before, including between 2008 and 2012. But experts say the past decade is different because of climate change. As the planet warms and storms and fires grow more intense, the cost of disasters is increasing faster than insurers can afford. A financial model designed for a mix of good and bad years threatens to unravel as more years become bad years. "Climate change is real," said Bill

Montgomery, CEO of Celina Insurance Group, one of the companies that has left Iowa in the past year. "We can't raise rates fast enough or high enough."

Secura Insurance used to sell homeowners coverage in Iowa and 12 other states, from Pennsylvania to Arizona. On Feb. 1, the company began dropping all its homeowners outside its home state of Wisconsin. Next year, it plans to start dropping its customers there, too.

The decision was driven largely by increasingly erratic weather, said Kristin Heiges, a spokesperson for Secura. "The volatility has been all over the place," she said.

Those who can't get insurance on the private market are flooding into state-mandated insurance pools of last resort, whose losses are ultimately borne by the public. Federal officials increasingly worry that states will eventually turn to Congress for assistance, putting all Americans on the hook.

Iowa demonstrates what happens when all these trends converge.

The state's favorable insurance market began to unravel in 2020, said Tom O'Meara, CEO of the group that represents the state's independent insurance agents.

That year, a derecho, a storm marked by intense winds, tore through the Midwest. It was followed

by a string of disasters: windstorms, hail and tornadoes, making it hard for insurers to recover.

To gauge the level of financial distress hitting insurance companies in Iowa and elsewhere, the Times assembled data from AM Best, a company that rates the financial strength of insurers, showing "direct combined ratios," a number that compares revenues to costs. AM Best calls it "a true measure" of insurers' profitability.

In 2023, for every dollar insurers earned from homeowners policies in Iowa, they paid out \$1.44 in losses and other costs. It was the fourth straight year of losses for Iowa's home insurance market. Reinsurers started to back away.

"Insurance is based on optimism," said Doug Ommen, Iowa's insurance commissioner. "You can't sustain a severe loss every year."

Since the start of last year, at least four companies have announced they would stop writing homeowners insurance in Iowa, including Secura, Celina and Pekin Insurance.

In neighboring Minnesota, the home insurance industry has lost money in six of the seven years, and those losses are growing. Insurers there are also pulling back, according to Tony J. Larson, senior vice president of personal lines coverage at Christensen Group Insurance, a broker.

Other Midwestern states are facing similar pressure. Pekin says it has "paused" writing homeowners insurance in Illinois, Indiana, Ohio and Wisconsin, citing the increased frequency and severity of storms. Secura is dropping customers in Illinois, Indiana and Michigan.

In Arkansas, insurers spent \$1.66 last year for every dollar they earned in home insurance premiums. In Kentucky, which was rocked by tornadoes and record rainfall in 2023, they spent \$1.67 for every dollar they earned. And in Tennessee, where storms were severe enough in December for a presidential disaster declaration, insurers spent \$1.25 last year for every dollar they collected in premiums.

Kevin Walters, a spokesperson for the Tennessee Department of Commerce and Insurance, said the market remained sound, "despite some challenges."

Insurance commissioners for Georgia, Kentucky and Mississippi, all states where insurance companies lost money on homeowners insurance last year, did not comment.

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