

More homeowners lose insurance in areas hard-hit by climate disasters

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The sun rises over homes destroyed by the Palisades Fire in Pacific Palisades, California, on Thursday. (Damian Dovarganes/AP)

By [Todd C. Franke](#)

A growing number of homeowners nationwide are being dropped by insurance companies as firms and regulators struggle to deal with the unpredictable and costly risks of climate disasters.

Nonrenewal notices surged by nearly 30 percent from 2018 to 2022 to more than 620,000 a year, according to a Treasury report released Thursday that examined 246 million policies nationwide. Nonrenewal rates were nearly 80 percent higher in Zip codes that faced the highest risk from insurance perils such as strong winds and wildfires compared with the lowest risk areas.

The rise of nonrenewal notices, as they are called, has attracted attention and criticism during the ongoing Los Angeles wildfires, where some major insurance companies had said last year they were dropping thousands of homes that ended up burning down in the raging fires.

But it's not just a California thing. Florida, Louisiana and North Carolina all posted nonrenewal rates higher than the Golden State in 2023, according to a Senate report released in December. Florida's rate was nearly 3 percent, compared with California's rate of about 1.8 percent. That report also found an increased rate of nonrenewals nationwide.

The spike in nonrenewals is being driven by the increasing severity of extreme weather events, higher inflation pushing up the cost of rebuilding and stiff regulations that make it harder for insurance companies to raise prices to cover their costs, according to industry officials and consumer advocates.

"If you're getting a nonrenewal, you have a really high level of risk," said Jeremy Porter, head of climate implications research at First Street Foundation, a nonprofit research firm that compiles climate risk data.

Insurers also have struggled to accurately price in the risk of promising to rebuild homes in the many parts of the country vulnerable to wildfires, hurricanes and wind storms. The computer models used to identify the riskiest areas, built on historical weather patterns, have been upended by climate change. Porter said he's heard of hail models that are largely outdated because today's storms can be so much bigger than in the past.

"I think we're getting to a point where insurance could be unaffordable in some places," Porter said.

Homeowners have seen insurance premiums soar — up 33 percent from 2020 to 2023, according to a National Bureau of Economic Research report. Insurance is required in most cases on properties with mortgages.

As prices rise, some have turned to state-run insurance pools as a last resort to find coverage. But others have opted to drop insurance entirely — what's known in the industry as "going bare." The number of homes without insurance has nearly tripled since before the pandemic, according to survey estimates.

In some states, insurers say regulators have made it harder for insurers to raise rates sufficiently to cover the growing threat from hurricanes, wildfires and severe storms. Rate hikes are especially difficult in states such as California, where regulators must sign off on changes. So some companies say they feel forced to abandon policyholders, as a wave of insurers did in recent years. Regulators say they are trying to protect homeowners.

Insurers have been hit with big losses in their homeowners policies in recent years. The U.S. homeowner's insurance market paid out \$15.2 billion more in claims and costs than it collected from policyholders in 2023, the worst result this century and double the loss in 2022, according to AM Best, a credit-rating agency focused on the insurance industry.

The numbers for 2024 are not expected to look any better, said Karen Collins, property and environmental vice president at American Property Casualty Insurance Association, a trade group.

"There's a higher frequency of higher severity events, and people are moving to riskier areas," Collins said, pointing to rapid population growth in states such as Florida.

Nonrenewal notices are a sign of "either pricing pressure or risk pressure," said Dave Jones, the California insurance commissioner from 2011 to 2018 who now runs the Climate Risk Initiative at the University of California at Berkeley's School of Law.

Last year, California's largest homeowners insurance company, State Farm, announced it would not renew thousands of policies. The company said it needed to reduce its exposure in high-risk areas and restore its "financial strength" after it had already stopped selling new home policies in the state.

The nonrenewals were the next step, such as dropping almost 70 percent of its policies — representing about 1,600 homes — in the Zip code that includes Los Angeles' Pacific Palisades neighborhood, among the hardest hit areas during the ongoing L.A. wildfires. It is not known how many of these homes burned down, but State Farm's action was criticized by some people who accused it of abandoning customers, even though the insurer gave several months' warning. Many found coverage with the state-backed "insurer of last resort" known as the Fair Plan, according to state regulators.

But nonrenewal rates are even higher in states such as Florida, where the price for homeowners insurance is high and rules have been changed to entice insurers to do business, Jones said.

"Climate change in the long term will outrun whatever is being done on the regulatory side," he said. "We're not going to rate increase our way out of the problem."

The insurance industry has pushed for more flexibility from regulators to account for the new reality. It also has asked for help with other obstacles it says leads to dropped policies, such as fraudulent claims.

California was in the middle of updating its insurance regulations when the wildfires hit last week. The state's homeowners pay among the lowest insurance premiums in the country, despite the state's abundant risks, said Mark Friedlander, director of corporate communications at the Insurance Information Institute, a nonprofit funded by insurers.

On the other end of the country, Florida's problems are "a man-made crisis, not a natural disaster crisis" fueled by fraud, Friedlander said. New state laws have helped address that, he said.

Florida's Glades County had the highest nonrenewal rate in the country in 2023, with insurers dropping 16 percent of the roughly 2,900 homeowners there, according to the Senate report. The rural county in the state's south-central region saw widespread destruction during Hurricane Milton in October.

In 2023, Mike Chaney, Mississippi's insurance commissioner, heard Nationwide planned to cancel thousands of homeowners' policies along the Gulf Coast. He was not happy. The insurance company was targeting a number that fell just below the threshold where it would need to report the changes to regulators, right after it had pushed to write more policies along the Gulf Coast, he said. Mississippi posted the sixth highest nonrenewal rate that year, according to the Senate report.

Chaney started calling regulators in other states to see if he was alone. "They don't always tell you what you need to know," Chaney said of insurance companies.

He called up Mike Causey, the North Carolina insurance commissioner, and discovered that Nationwide was looking at dropping about 10,000 home policies there. Causey said insurers seemed to be getting pickier about who they would insure than 10 or 20 years ago. "And that's because of the higher risk," he said. North Carolina had the third highest rate of nonrenewals in 2023.

Nationwide's nonrenewal notices were part of a broader "rebalancing" of its insurance lines to deal with "increasingly severe catastrophic losses," the company said in a statement.

Chaney said he convinced Nationwide to drop only about 3,200 policies. Residents were rattled, but he said he worked to get some homeowners into the state's insurance pool, and he reached out to other insurance companies to encourage them to pick up some of the dropped policies, too.

"We were able to place them all," he said.

Now, he is looking out at what's happening with the L.A. wildfires, certain that it will affect rates even in Mississippi.

Insurance companies buy policies to protect themselves, too. And the reinsurance market is a national and even global one. So the cost of reinsurance could spike to cover claims in California, leading to higher rates for customers in Mississippi.

"Reinsurance is the issue," Chaney said.

The problems for homeowners are expected to continue. The cost of insurance will continue to rise as companies try to price in the risk from a rising number of climate threats — potentially leading to some homes and locations becoming unaffordable.

“We are marching steadily to an uninsurable future,” said Davis, the former California regulator.

Kevin Crowe contributed to this report.