



November 12, 2025

Good afternoon Chair Elkins and members of the task force.

My name is Jordan Haedtler, and I work on insurance and climate financial policy at Climate Cabinet Education. Prior to joining the team at Climate Cabinet, I worked as a staffer for the US House Financial Services Committee, where my portfolio included insurance policy as well as oversight of the Federal Reserve and other financial regulators.

For the past three years, I have been working with Climate Cabinet and other state-based policy organizations to apply climate risk supervision to the state governmental context.

Climate change is making insurance less affordable and less available throughout the country. Today, unstable insurance markets are serving as the key channel spreading climate risk throughout the financial system. Since property insurance is regulated by states, state policymakers have a role to play in addressing this threat to financial stability.

This morning, Climate Cabinet Education released a report containing dozens of recommendations for state policymakers to address climate as an economic issue. Our report includes nine recommendations for state policymakers to better integrate climate risk into insurance supervision.

I will share our report with task force staff so that members can read the recommendations in their entirety, but I'd like to highlight three that I think are especially critical to consider in Minnesota:

1) States should integrate climate resilience-building into insurance pricing and underwriting.



Numerous studies have shown insurance becomes more cost-effective with adoption of climate-resilient practices such as ecological forest management and ecological floodplain management. For example, a 2021 study by the Nature Conservancy and Willis Towers Watson demonstrated that insurers' risk models can account for forest management practices that reduce wildfire risk, bringing down insurance losses by 20 to 40 percent. Many expert organizations, including the Financial Stability Institute of the Bank for International Settlements, have recommended that climate risk adaptation measures be accounted for through insurers' pricing and underwriting practices.

Earlier this year, Colorado became the first state in the U.S. to act on this recommendation when it passed HB 1182, which requires insurers to factor community and household mitigation measures into insurance modeling. This bill should help Coloradans experience the benefits from hundreds of millions of dollars that state and local governments have spent across the state to make communities safer from wildfires and other perils.

Legislation like HB 1182 can support healthier insurance markets. Homeowners want a clear picture of what mitigation steps will result in more affordable insurance. Compelling greater transparency in risk modeling and clarifying the expectation that hazard mitigation is a factor in that modeling will likely yield more responsible actions from governments, insurance companies, and policyholders alike.

2) Integrate climate risk into supervision frameworks

In 2023, the Federal Insurance Office issued a report outlining ways for state insurance regulators to close gaps in climate risk



supervision, for example by incorporating climate risk into financial condition exams.

Examples of positive state actions to close these gaps include guidance related to climate-based scenario analysis issued in Connecticut and New York, as well as the Long-Term Solvency Regulation recently proposed in California, which expects insurers to conduct regular “stress tests” of climate risk scenarios on insurers’ investment portfolios.

Connecticut’s scenario analysis guidance drew its origins from a law that the legislature passed in 2021, which required the state insurance commissioner to report on how climate change is impacting the department’s work.

States should follow the approach taken in Connecticut: mandate reporting to ensure that the insurance department is adequately staffed and appropriately acting to close the supervisory gaps related to climate.

3) Finally, our report makes a number of recommendations for states to strengthen and reform their insurer of last resort programs, which are called FAIR Plans in most states, including Minnesota.

Climate change is placing pressure on insurer of last resort programs. For the first time in decades, some states are looking to set up new FAIR Plans.

As more and more states consider how to deal with the insurer of last resort pressures that climate change is intensifying, there is a question of how to balance a contradictory set of data. On the one hand, an analysis of the insurance market data collection conducted last year by the Federal Insurance Office and NAIC



showed that the total number of policies in insurer of last resort programs grew nationally by over 50% between 2018 and 2022, although that growth mostly occurred in California, Florida, and Louisiana.

This data has rightly been interpreted as a sign of unhealthy insurance markets in those coastal states. On the other hand, the same data set shows that FAIR Plans are actually shrinking in states like Minnesota and New Mexico, despite documented upticks in non-renewals and even a few insurance company exits in those states.

The fact that FAIR Plans typically offer expensive, barebones coverage means that rapid growth like we've seen in California is inconsistent with the public policy goal of a healthy and stable insurance market. Still, we wouldn't expect or want FAIR Plan coverage to shrink as insurance becomes less widely available, which is what we've seen in Minnesota.

A shrinking FAIR Plan can also be a bad development, since policyholders getting pushed into the less well-regulated non-admitted market or going without insurance entirely only makes it more likely that the protection gap will grow. When the protection gap— the difference between insured and uninsured losses— grows, disaster recovery costs borne by governments, businesses, and households go up— and the economy as a whole can suffer.

To think through these tough issues, Climate Cabinet Education joined with the Climate & Community Institute to study the history of FAIR Plans, as well as the governance and operations of the programs in the 33 states that have them.



We believe that establishing new or shoring up existing FAIR Plans can be a sensible step toward closing the protection gap, so long as steps are taken to bring down climate risk in communities where the FAIR Plan has become the only option. One of our key findings is that FAIR Plans are not currently structured to tackle this problem in a way that suits the public's interest.

Although FAIR Plans are often characterized as “state run,” our analysis shows that FAIR Plans are privately operated, with a very limited degree of state governmental input and oversight.

I will now turn my remaining time over to one of the lead authors of this report, my colleague Moira Birss, to describe our findings and go into the policy recommendations in greater detail.