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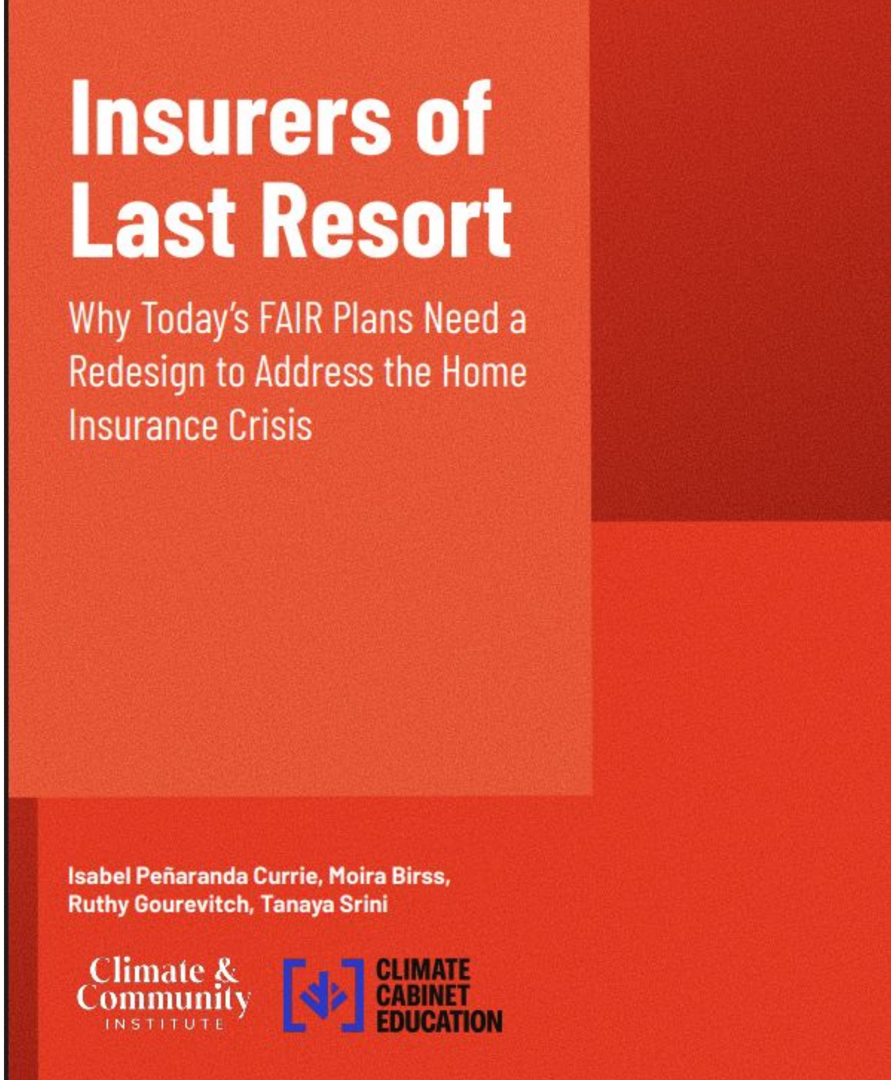

Insurers of Last Resort

Why Today's FAIR Plans Need a Redesign to Address the Home Insurance Crisis

Isabel Peñaranda Currie, Moira Birss, Ruthy Gourevitch, Tanaya Srini

Climate & Community Institute

Climate Cabinet Education

Report Contents

Coverage and financial data of all state insurers of last resort

State	Number of Residential Policies, FY 2024	Change in Number of Residential Policies, FY 2018–2023	Number of Commercial Policies, FY 2024	Exposure, 2024	Earned Premium, 2024	Change in Premiums, Habitational Coverage, 2019–2023	Change in Premiums, Commercial Coverage, 2019–2023	Residential Coverage Limits, 2023
Minnesota	4,160	-27.30%	101	$457.4M	$4M	1.30%	420.00%	$1.7M
Mississippi FAIR‡	2,237	-53.40%	N/A	$137.7M	$1.8M	-34.60%	NA	$275,000
Mississippi Windstorm Underwriting Association (beach plan)*	13,219	-34.70%	223	$3.3B	$3.3M	25.20%	1249.60%	$1.3M
Missouri	2,041	-19.60%	84	$198.3M	$2.3M	2.20%	358.10%	NA

Analysis of the governing boards of all state insurers of last resort

Plan	Insurance company or trade association representatives	Publicly appointed members	Agent or broker	% Industry control*	Notes
Delaware	11			100.00%	
D.C.	11			100.00%	
Florida Citizens		9		0.00%	See case study on Citizens. Many of the public appointees are insurance company representatives.
Georgia	8	4		66.70%	
Hawaii	8	3	1	66.70%	
Illinois	6	4	1	54.50%	
Indiana	9			100.00%	
Iowa	6		1	85.70%	
Kansas	7		2	77.80%	
Kentucky	6		1	85.70%	
Louisiana Citizens	4	8	3	26.70%	
Maryland	9			100.00%	
Massachusetts	10	6	2	55.60%	
Michigan	10	6	2	55.60%	
Minnesota	5	4		55.60%	

State case studies

Case study 1: Florida's Citizens Property Insurance Corporation

Case study 2: California's FAIR Plan

Case study 3: New Mexico's FAIR Plan—New Mexico Property Insurance Program

Key Findings

1. Insurers of last resort are a matter of public policy

2. The FAIR model is not fit for today's market failures

3. Industry controls FAIR Plans

4. The last resort model is not optimal insurance design

Recommendations

1. Restructure financial models of FAIR Plans

- ➢ Use climate risk models to assess reinsurance needs,
- ➢ Retain surpluses,
- ➢ Invest some portion of assets in supporting housing resilience,
- ➢ Design a funding structure that reflects the drivers and beneficiaries of stable property insurance markets, and
- ➢ Explore collaboration with other states.

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2. Offer robust policies at affordable rates

- ➢ Expand coverage beyond the bare bones, and
- ➢ Ensure affordability of premium rates.

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3. Require private market participants to bear more risk

- Prohibit private insurers from recouping FAIR plan costs from policyholders, and
- Establishing robust coverage requirements for private insurers.

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4. Establish transparent, democratic governance

- Limit the private insurance industry's role in FAIR Plan governance,
- Establish democratic accountability,
- Require transparency in plan administration, and
- Ensure adequate support for policyholders.

5. Engage in comprehensive, proactive hazard mitigation

- Prioritize proactive risk reduction over individualized incentives, and
- Invest in individual-, community-, and landscape-level hazard mitigation.

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6. Coordinate insurance, housing, land use, and disaster response policymaking

This isn't just an issue of insurance industry regulation – it's a cross-cutting issue that requires cross-cutting solutions.

Thank you!

Read the report:

Email me:
mbirss@climateandcommunity.org

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