

DISCUSSION OF “FIFTY YEARS OF U.S. NATURAL DISASTER INSURANCE POLICY”



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CRITICAL NEED TO UNDERSTAND NATURAL DISASTER INSURANCE MARKETS

Record Number of Billion-Dollar Disasters Shows the Limits of America's Defenses

The country has been hit by 23 large-scale disasters since January, and hurricane season is far from over.

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California plans big insurance shifts as climate change hits home

The actions of the nation's biggest insurance market could have implications for U.S. consumers, as more carry disaster-prone states

By Brianna Saska

Updated September 21, 2023 at 12:20 p.m. EDT | Published September 21, 2023 at 10:03 p.m. EDT



POLITICS

Senators take up looming insurance crisis as policy issuers flee Florida and California

PUBLISHED THU, SEP 7 2023 5:48 PM EDT | UPDATED THU, SEP 7 2023 6:51 PM EDT

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Why Is Homeowners Insurance In Florida Such A Disaster?

By Ed Lovelort

Contributor

Updated Aug 29, 2023, 5:04pm

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Home insurers cut natural disasters from policies as climate risks grow

Some of the largest U.S. insurance companies say extreme weather has led them to end certain coverages, exclude natural disaster protections and raise premiums

By Jacob Bookst

September 9, 2023 at 7:30 a.m. EDT



Hurricane Idia caused flood and wind damage in Jacksonville, Fla. (Thomas Stronach for The Washington Post)

REAL ESTATE

Flood-Insurance Program Faces a Backlash—and a Deadline

Home-purchase closings could be derailed if it lapses

By Jean Eaglesham [Follow](#) and Katy Stech Ferek [Follow](#)

Sept. 21, 2023 5:30 am ET

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The average premium in Louisiana's Plaquemines Parish, where homes were surrounded by floodwaters after 2021's Hurricane Ida, will surge more than sixfold. PHOTO: STEVE HELBER/ASSOCIATED PRESS

Insurance premiums could surge in these American cities because of climate disasters, new data shows

By Ella Nisan and Krystina Shveds, CNN

Published 12:23 AM EDT, Wed September 20, 2023

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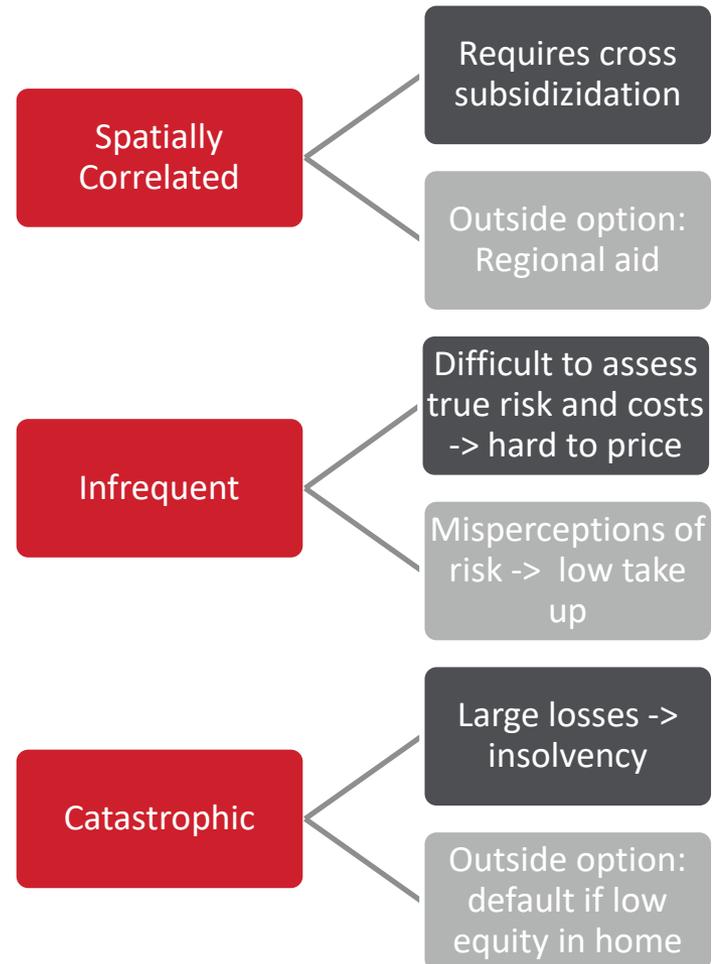
A homeowner walks through her flood-damaged house in East Creek, Kentucky, on September 26, 2022.

KEY TAKEAWAYS

- Private insurers' geographic concentration and inability to smooth risk over time provides a role for government through 1.) public insurance, 2.) incentives for adaptation and insurance take up, and/or 3.) encouragement of reinsurance or accumulation of reserves
- Take up of natural disaster insurance (especially hazard specific) is too low w/ many possible explanations, but one key driver is misperceptions of risk
- Issues in natural disaster insurance yield significant spillovers to housing, mortgage, and construction markets

FRAMING THE PROBLEM(S)

- A common failure of insurance markets is due to asymmetric information
- Rightly point out natural disaster insurance markets face additional issues because disasters are:
 - Spatially correlated
 - Infrequent
 - Catastrophic



OTHER MARKET ISSUES WORTH DISCUSSING

- State and Federal regulation trade offs in the context of these private and public markets
 - What are some of the issues of decentralized regulation of natural disaster insurance markets?
 - What are some of the benefits?
- Separation of flood insurance premiums from the flood maps
 - How might this separation exacerbate the low flood insurance take up rate?

HOUSING AND MORTGAGE MARKETS

- Single-family vs. Multifamily properties
 - How do these insurance issues differ across the SF and MF markets?
 - How are renters impacted?
- 1-year insurance policies and 30-year mortgages
 - How do increasing premiums impact the affordability and sustainability of homeownership?
 - How can changing risk (and premiums) be communicated to potential borrowers at the beginning of their home buying process?
 - Auto renewal vs. multi-year term?

THINKING ABOUT CLIMATE CHANGE

- Evidence that insurance has minimized losses to homeowners and lenders after disasters (Kousky et al. 2020)
 - How will climate change impact the availability and affordability of insurance?
 - How will climate change impact the solvency of insurers?
 - What does that mean for mortgage markets in the context of climate change?