Statement of Chairman Sherrod Brown
Committee on Banking, Housing and Urban Affairs
"Perspectives on Challenges in the Property Insurance Market and the Impact on Consumers."
September 7, 2023

Few financial decisions are more important than buying a home. Home buyers are making an investment in themselves, their families, and their communities. Home buying is an act of optimism.

It's also stressful.

Families buying a new home have so much to think about—making sure they can cover their down payment, navigating the mortgage and closing process, moving in, getting their kids set up in a new school.

Buying homeowners insurance has always been a part of that process, and gives families certainty and peace of mind.

Homeowners are confident that their monthly insurance premiums will provide a backstop against the physical and financial devastation that would ensue if their largest investment is threatened by a natural disaster – a tornado, hurricane, wildfire – or other dangers or accidents.

Knowing they’re covered can help homeowners sleep better at night.

Or that’s how it’s supposed to work.

Increasingly, however, homeowners have faced an unpleasant surprise when it’s time to renew their policies.

Homeowners who have spent years making their payments are shocked to find that their insurer has raised costs, limited coverage, or won’t renew their policy at all.

Some insurers have abandoned entire markets – leaving consumers with fewer options that cost more and provide less coverage.

And consumers are counting on their insurers now more than ever.

According to NOAA, since the beginning of the year, the country has experienced 15 weather disasters, each resulting in losses of more than $1 billion.

Swiss Re, a leading reinsurance provider, estimated that severe storms resulted in $34 billion of insured losses in the first half of this year alone – the highest ever in a six-month period.

From Hawaii to Florida to Vermont, extreme weather events upended millions of Americans' lives.

Last month's horrific, deadly wildfires in Hawaii tragically killed at least 115 people, with hundreds more still missing, and projected losses of $6 billion.

Losses from Hurricane Idalia [ee-DAH-lia], which plowed through Florida, Georgia, and parts of the Carolinas last week, could reach $20 billion.

Sen. Welch and Sen. Sanders sent a letter to the Ranking Member and me ahead of this hearing, detailing the losses Vermonters have suffered from devastating floods this summer.

And higher insurance costs could hit the very homeowners, landlords, and renters who can least afford them the hardest. So often it's the lowest-income residents and communities of color who have been pushed into the areas that are most vulnerable to natural disasters.

As weather patterns continue to change because of climate change, risk and exposure will extend to places that have not previously been prone to natural catastrophes.

This has led insurance companies to reevaluate risk concentration levels – and not just on the coasts.

As the head of the association for property insurers said, "There's no place to hide from these severe natural disasters."

The result has been a disturbing and abrupt trend.

Companies are restricting coverage, raising rates and deductibles, and in some cases, leaving states or geographic areas altogether. As Secretary Yellen recently noted, the result is a "protection gap" that is increasing costs and limiting options for families, and it's increasing financial stability concerns across the financial system.

U.S. reinsurance rates – the cost of insurance that insurance companies buy to protect themselves by spreading out risk – have reportedly increased by up to 50 percent. These jumps in reinsurance premiums have been driven in part by frequent and more severe natural disasters for themselves and their investors.

Higher reinsurance rates mean higher costs for insurance companies, which then mean price hikes passed down to consumers every month.

This has left millions of Americans paying more for homeowners insurance – often with less protection than before – while others are scrambling to find any insurance at all, because their insurer has refused to renew their policy.

Most recently, in California, two major insurers, State Farm and Allstate, stopped writing new home insurance policies in the state. Both cited the growing risk of catastrophe and spiking reinsurance rates as factors in their decisions.

In Florida, since 2020, 16 severe storms and hurricanes have caused more than $100 billion worth of damage and led to an exodus of insurers.

Farmers Insurance became the fourth insurer to exit the Florida market in the last year – joining Bankers Insurance, Centauri Insurance, and Lexington Insurance – when it announced in July that it would stop writing property insurance policies—leaving 100,000 Florida residents looking for new coverage.

Days later, AAA announced that it would not renew some "high exposure" policies in the state.

Despite the fact that average yearly homeowners insurance premium in Florida cost $6,000—the highest in the country, 14 insurance companies have either left the state or have entered the receivership process.

Insurers exiting state markets have left homeowners and businesses with no choice but to seek coverage from state-mandated insurers of last resort – which provide bare-bones policies at typically higher costs.

Insurers of last resort are exactly that – a last resort. That used to mean that these insurers had a small share of policies.

But as climate risk exposure has increased, insurers of last resort are growing.

In Florida, for example, Florida Citizens, the state's insurer of last resort, is now the state's largest property insurer with 1.4 million policies.

California's insurer of last resort, the California FAIR Plan, has seen more than a 100 percent increase in policies since 2018 – with California FAIR Plan reportedly offering coverage to 300,000 policies at the end of last year.

And it's not only homeowners who have been hit by rising costs and shrinking coverage.

The National Multifamily Housing Council reports similar issues for multifamily sector: higher rates and deductibles, coverage limitations, and in some cases, no viable private market insurance coverage option at all.

And because each insurance policy is a contract between a property owner and their insurer, it's harder to know when insurers have stopped writing coverage for apartments in a community or a state.

But apartment owners are seeing a clear trend.

In many cases, renters will ultimately bear the burden, as higher insurance costs are passed on to them in the form of even higher rents.

Owners of our already too-small supply of affordable apartments serving the lowest-income renters may be increasingly left with impossible choices.

Today's witnesses understand the unique challenges facing both homeowners and property managers. Ms. Norris, from my home state of Ohio, is seeing the problem of rising insurance costs firsthand across the many states where National Church Residences provides affordable homes for America's seniors.

I am pleased to have them before us today as we explore these important topics.