Goncha MURADLI
Independent researcher
E-mail: goncha.muradli@gmail.com
ORCID ID: 0009-0007-3174-5282

THE AVAILABILITY CRISIS: CLIMATE RISK, HOME INSURANCE, AND THE STABILITY OF AMERICAN HOMEOWNERSHIP

Abstract

Home insurance is the quiet linchpin of American homeownership: no mortgage closes without it, and no community recovers from disaster without it. That linchpin is now under strain. Premiums have risen sharply, carriers have pulled back from or exited entire regions, and state-run "insurers of last resort" have swollen far beyond their intended role driven, above all, by the rising frequency and severity of climate-related catastrophes. This article documents the scale of the strain, traces it to its catastrophe-risk driver, and examines how the private market's rational response of repricing, non-renewal, and retreat has pushed risk onto residual public plans whose growth is itself a signal of market failure. It then follows the consequences outward into the housing market, mortgage finance, and public balance sheets, arguing that home insurance availability has become a question of national economic stability rather than a sectoral concern. Finally, it sets out the levers most likely to keep coverage available and affordable: investment in resilience and mitigation, risk-based pricing reform, deeper risk-transfer markets, and better catastrophe data and modeling. The argument throughout is that the United States is not facing an insurance problem so much as a risk problem that insurance is the first to reveal, and that the policy and industry choices made over the next several years will determine whether large parts of the country remain insurable.

Keywords: home insurance, affordability, FAIR Plan, non-renewal, catastrophe risk.

UOT: 368; 332.8; 551.583
JEL: G22, Q54, R31
DOI: https://doi.org/10.54414/LMFB3919

Introduction

Most Americans think about home insurance exactly twice: when they buy a house and when they file a claim. The rest of the time it is invisible infrastructure, a precondition for the mortgage, a backstop against catastrophe, a quiet guarantor of the largest asset most families will ever own. That invisibility is precisely why its current unraveling has been slow to register as the national problem it has become.

The signs are no longer subtle. Average annual home insurance premiums have climbed past $2,800, and pricing rose by roughly another 10% in 2025 even as carriers regained some profitability [11, 12, 17]. Major insurers have stopped writing new business in entire states or withdrawn altogether [10]. And in the most exposed markets, hundreds of thousands of homeowners have been pushed onto state-run plans of last resort that were never designed to carry that load. The through-line connecting these developments is climate risk: the rising frequency and severity of wildfires, hurricanes, and severe convective storms that have made the historical math of property insurance unreliable.

This article argues that home insurance availability and affordability have crossed from a consumer-finance inconvenience into a matter of national economic stability. It documents the scale of the strain, identifies its driver, analyzes the market's response and the residual-market failure that response has produced, follows the consequences into housing and mortgage finance, and closes with the levers most likely to preserve insurability.

The framing is deliberately national: what is at stake is not the fortunes of any carrier but whether large and growing parts of the country remain places where a home can be financed, protected, and sold.

1. The scale of the strain

The financial pressure on the home insurance system in recent years has been severe and is well documented. Insured losses from weather-related events globally reached an estimated $135 billion in 2024, and the personal-lines sector posted a net underwriting loss of $11.9 billion that year- an improvement over the $36.7 billion loss in 2023, but a loss nonetheless, with the homeowners line running a combined ratio above 105 [12]. Carriers have responded by raising rates, tightening underwriting, and shifting more of the cost onto homeowners through higher deductibles.

The consumer experience of this is straightforward: insurance is more expensive and, in some places, simply harder to obtain. Average premiums now exceed $2,800 a year nationally [17]; while premiums have broadly tracked inflation in most of the country, they have risen considerably more in disaster-prone areas [14], and in the most exposed markets they have reached extraordinary levels, with annual premiums approaching $10,000 in some hurricane-prone coastal communities [6]. But the price increases, however painful, are not the most consequential part of the story. Availability is. When a carrier decides a risk is unpriceable or that regulation will not let it charge what it believes the risk demands, it does not simply raise the premium. It declines to renew, or it leaves.

2. The driver: climate and catastrophe

The proximate cause of the strain is not difficult to identify. Over the past decade, climate change accounted for more than 30% of insured natural-catastrophe losses worldwide, and the trend line of global catastrophe losses continues to climb [16]. The mechanism is direct: more frequent and more destructive hurricanes, wildfires, floods, and convective storms damage and destroy more property, which forces insurers to pay more in claims, which they recover through higher premiums and tighter availability, or avoid by withdrawing.

The single most vivid illustration arrived in January 2025, when the Palisades and Eaton wildfires tore through Los Angeles, destroying roughly 12,000 homes and producing what is shaping up to be the most expensive wildfire event in history, with insured losses estimated at $30 billion or more [4]. But the phenomenon is not confined to California's fires or Florida's hurricanes. Severe convective storms across the central United States have become a leading and underappreciated driver of insured losses; at least four home insurers retreated from Iowa in 2023 on that basis alone [10]. Rising reconstruction costs compound the climate signal, so that even a constant frequency of events would produce a growing loss total. The result is a market in which the historical actuarial assumption that the recent past is a reasonable guide to the near future has become unreliable in precisely the places where insurance is most needed.

3. The market's response and its limits

Faced with losses it cannot reliably price, the private market has done what economic logic dictates: it has repriced, restricted, and retreated. Each of these responses is individually rational and collectively corrosive to availability.

Non-renewals are the leading edge. In December 2024, the U.S. Senate Budget Committee released the first comprehensive, county-level public dataset of insurance non-renewals, covering 249 million policies across all fifty states from 2018 through 2023, and found a clear national correlation between rising non-renewal rates and rising premiums, with both concentrated in climate-exposed areas [15]. Industry experts treat spiking non-renewals, even when still low in absolute terms, as an early warning of market destabilization. The states with the highest non-renewal rates- Florida, Louisiana, North Carolina, California, Massachusetts, and Missouri track closely with the geography of billion-dollar weather disasters [15].

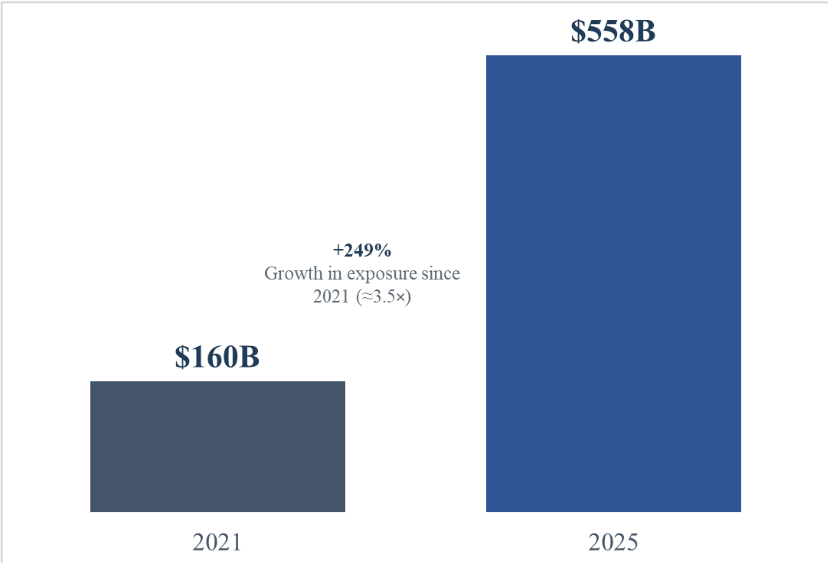
Outright exits follow. State Farm, the largest home insurer in the country, has stopped writing new policies in California and signaled plans to shed roughly one million existing policies by 2028 [10]. A dozen insurers left Louisiana following the hurricanes of 2020 and 2021, and comparable numbers exited or suspended new business in Florida [10]. Where carriers neither stay on standard terms nor leave entirely, homeowners are increasingly pushed into the excess-and-surplus market lightly regulated, often costlier coverage that, in California, Florida, and Texas, grew from under 2% of one large agency's placements in 2023 to roughly 16% by late 2025 [11]. Each of these adaptations protects an individual insurer's balance sheet while thinning the availability of standard coverage for the homeowners who remain.

4. When the backstop becomes the market

The clearest evidence that the private market is failing in the hardest-hit regions is the explosive growth of the public plans designed to be a last resort. State FAIR Plans (Fair Access to Insurance Requirements) were created decades ago as temporary safety nets for the small number of properties private insurers would not touch. They are now, in several states, among the fastest-growing property insurers in the country.

California is the starkest case. Its FAIR Plan's residential exposure rose from roughly \$160 billion in 2021 to about \$558 billion in 2025 [2], with enrollment climbing from around 210,000 homes in 2020 to more than 463,000 by 2024 [4]. The plan now insures more homes than nearly every private insurer in the state [13].

Figure 1. California's "Insurer of Last Resort" Balloons: FAIR Plan Residential Exposure, 2021–2025.



Note: Residential dwelling exposure under the California FAIR Plan. Policy count rose from approximately 210,000 (2020) to more than 463,000 (2024).
Sources: California FAIR Plan data via California Environmental & Public Policy analysis; Insurance Business (2026).

This growth is not a success story; it is a symptom, and it carries systemic risk. FAIR Plans operate on thin margins, offer narrower coverage than standard policies, and lack the capital reserves of traditional insurers. When catastrophe strikes, the consequences cascade. After the January 2025 Los Angeles fires, the California FAIR Plan, facing exposure of nearly \$5 billion across the two fire zones, ran short of cash to pay claims, and the state required private insurers doing business in California to cover the shortfall through a \$1 billion assessment [1]. Insurers are permitted to pass half of that assessment on to their own policyholders; in Florida, the equivalent mechanism is known bluntly as the "hurricane tax" [13]. The plan has since sought a rate increase of roughly 36% to stay solvent [13].

Here is the vicious cycle that makes this a structural problem rather than a passing one: private insurers absorb losses both on their own policies and through residual-market assessments, which sharpens their incentive to exit, which pushes still more homeowners onto the residual plan, which grows its exposure and the size of the next assessment. Nationally, FAIR Plans now cover on the order of three million properties with combined exposure exceeding $1 trillion [5]. A backstop that has become the market is no longer functioning as a backstop.

5. The transmission to the broader economy

The reason this belongs on the national agenda rather than the insurance trade press is that home insurance sits upstream of much larger systems. The most direct channel is housing finance. A mortgage cannot close without insurance, so where coverage becomes unavailable or unaffordable, transactions stall and buyers are priced or screened out, and rising premiums raise borrowers' debt-to-income ratios at the margin. The Financial Stability Oversight Council has warned that climate-driven insurance dynamics will leave more borrowers facing renewal difficulties or unable to obtain affordable coverage when they buy, and that some homes may ultimately become effectively uninsurable [3]. The Federal Reserve chair has publicly noted the same retreat of banks and insurers from exposed regions [10]. And the Senate Budget Committee's non-renewal investigation framed its findings explicitly around the risk that climate-driven insurance loss could presage a decline in property values [15], the mechanism by which an insurance problem becomes a household-wealth and municipal-tax-base problem.

The public sector ends up holding much of what the private market sheds. Ballooning residual plans, post-disaster assessments, and the prospect of federal involvement when state mechanisms are overwhelmed all transfer climate risk from private balance sheets onto public ones. Insurance, in this sense, is the messenger: it is the first system to price the rising physical risk that the rest of the economy has been slower to confront. As one widely cited framing puts it, property insurance is the climate crisis's canary in the coal mine [16], and the geography of non-renewal and retreat is a map of where economic stress will surface next.

5.5. The housing affordability multiplier

Insurance is not an isolated cost problem; it compounds an already severe housing affordability crisis. The Joint Center for Housing Studies at Harvard documented that home prices have risen 60% nationwide since 2019, pushing the median existing single-family home to $412,500 in 2024, a figure that is now five times the median household income [7]. A buyer seeking to finance that home would need an annual income of at least $126,700 to afford the record-breaking mortgage payment together with the associated property taxes and insurance costs, a threshold that only 6 million of the nation's nearly 46 million renter households can meet [7]. Rising insurance premiums tighten this squeeze directly.

The National Association of Realtors has quantified the effect by developing an insurance-adjusted Housing Affordability Index. As of March 2026, the standard index stood at 113.7, meaning the typical family earns about 14% more than what is needed to qualify for a median-priced home. But when homeowners insurance costs are factored in, the index falls to 109.0- a reduction of roughly 4 percentage points in measured affordability, and a signal that the headline affordability figures understate the true difficulty of homeownership [9]. Over the long run, the erosion is deeper: insurance cost inflation since 1998 has reduced housing affordability by approximately 10%, a hidden drag that traditional measures fail to capture [9].

The impact radiates beyond first-time buyers. The affordability crisis, once concentrated among the lowest-income households, has spread to moderate earners, with growing cost burdens among households earning $45,000 to $75,000 annually [8]. In the rental market, where rising insurance premiums on multifamily and single-family rental properties are passed through to tenants, 22.7 million renter households, 49% of all renters now spend more than 30% of their income on rent and utilities, with 12.1 million severely cost-burdened, paying more than half

[8]. At the same time, construction cost inflation materials up 42% and labor up 24% from January 2020 through December 2025 has constrained new supply, pushing the number of units renting for under $1,400 down by 9.3 million between 2014 and 2024 even as those renting for $1,400 or more increased by 11.8 million [8].

What ties these disparate pressures together is that insurance is not optional. It is required to close a mortgage and to satisfy a landlord's lender. So when insurance becomes unavailable or unaffordable, it does not simply price households out of coverage; it prices them out of homeownership and, indirectly, out of stable rental housing. The insurance crisis, in this sense, is a housing crisis by another name.

6. What can be addressed

The situation is serious but not hopeless, and the levers are reasonably well understood. The central insight is that insurance cannot solve a risk problem on its own; it can only price it. Keeping coverage available and affordable therefore requires reducing the underlying risk and building the financial machinery to spread what remains.

The first and most durable lever is resilience and mitigation: hardening homes and communities against the hazards that drive losses fire-resistant materials and defensible space in wildfire zones, stronger roofs and building codes in wind-exposed regions, and incentives that reward mitigation with lower premiums. Risk that is reduced at the property and community level is risk that does not have to be priced, assessed, or absorbed downstream.

The second is risk-based pricing reform paired with consumer protection. Where regulation suppresses rates below the level risk demands, insurers respond by leaving, and availability collapses for everyone. California’s recent Sustainable Insurance Strategy, allowing rates that better reflect wildfire risk in exchange for commitments to write in high-hazard areas [16], is an early test of whether more accurate pricing can be traded for restored availability without abandoning affordability protections. The design challenge is real: pricing that is accurate enough to keep insurers in the market but structured so that it does not simply strand the most vulnerable.

The third is deeper risk-transfer and capital markets- reinsurance, catastrophe bonds, and parametric products that pay out on a measured trigger rather than a slow claims process together with thoughtfully designed public-private structures for the tail risks that private capital cannot absorb alone.

The fourth is better catastrophe data and modeling, so that risk is understood granularly enough to be mitigated and priced rather than merely fled. Forward-looking, climate-informed models, deployed transparently, are what allow the difference between an uninsurable region and an expensively-but-genuinely-insurable one to be identified and managed.

None of these is sufficient alone, and all require coordination among insurers, regulators, capital markets, and government. But together they describe a path in which the United States manages rising physical risk deliberately, rather than discovering it one non-renewal notice at a time.

Conclusion

The American home insurance market is not collapsing uniformly, and 2025 brought tentative signs of stabilization as some carriers returned to profitability and cautiously re-expanded [11]. But stabilization at historically high prices, with residual plans carrying a trillion dollars of exposure and the largest carriers shedding policies by the million, is not the same as health. The country’s insurance commissioners are candid that a structurally healthier market is a multi-year project, not a near-term fix [4].

The deeper point is that home insurance has become the place where the economic cost of rising physical risk shows up first and most legibly. The availability crisis is, at bottom, a risk crisis, and insurance is simply the first institution to reveal it. Whether large parts of the United States remain insurable, financeable, and economically stable will depend less on how insurers price the risk than on whether the country reduces it. That is a national project, and the next several years of policy and industry choices will determine how it turns out.

REFERENCES

1. California Department of Insurance. Order No. 2025-1: Approving the California FAIR Plan Association's request to issue a $1 billion assessment. 2025. https://www.insurance.ca.gov/
2. California Environmental & Public Policy. Mapping the residential exposure and coverage of California's FAIR Plan. 2025. https://cepp.substack.com/p/mapping-the-residential-exposure
3. Financial Stability Oversight Council. 2023 annual report. U.S. Department of the Treasury. 2023. https://home.treasury.gov/system/files/261/FSOC2023AnnualReport.pdf
4. Insurance Business. California's FAIR Plan carries growing load as insurers retreat beyond wildfire zones. 2026. https://www.insurancebusinessmag.com/us/news/catastrophe/
5. Insurance Information Institute. FAIR Plans: National exposure and growth. 2025. https://www.iii.org/
6. Insurify. 15 states facing an imminent insurance crisis. 2026. https://insurify.com/homeowners-insurance/insights/states-facing-insurance-crisis/
7. Joint Center for Housing Studies. The state of the nation's housing 2025. Harvard University. 2025. https://www.jchs.harvard.edu/state-nations-housing-2025
8. Joint Center for Housing Studies. America's rental housing 2026. Harvard University. 2026. https://www.jchs.harvard.edu/press-releases/new-report-finds-cooling-rental-markets-affordability-crisis-deepens-renters
9. National Association of Realtors. A new look at housing affordability: The insurance-adjusted HAI. 2026. https://www.nar.realtor/blogs/economists-outlook/a-new-look-at-housing-affordability-the-insurance-adjusted-hai
10. Levy Economics Institute of Bard College. A premium crisis: Climate change threatens homeowner's insurance, housing, and financial stability. 2026. https://www.levyinstitute.org/publications/a-premium-crisis-climate-change-threatens-homeowners-insurance-housing-and-financial-stability/
11. Matic. 2026 home insurance trends and predictions. 2025. https://matic.com/blog/2026-home-insurance-predictions/
12. Rate Insurance. Consumer insights: Home insurance trends for 2025. 2026. https://www.rate.com/insurance/resources/consumer-insights-home-insurance-trends-for-2025/
13. Stateline.. California's "last resort" property insurer seeks rate hike, ringing national alarm bells. 2025, October 24. https://stateline.org/2025/10/24/californias-last-resort-property-insurer-seeks-rate-hike-ringing-national-alarm-bells/
14. U.S. Government Accountability Office. Homeowners insurance: Premiums generally tracked inflation but rose more in disaster-prone areas (GAO-26-107867). 2026. https://www.gao.gov/products/gao-26-107867
15. U.S. Senate Budget Committee. Next to fall: The climate-driven insurance crisis is here and getting worse. 2024. https://www.budget.senate.gov/chairman/newsroom/press/new-data-reveal-climate-change-driven-insurance-crisis-is-spreading
16. Yale Law Journal. The uninsurable future: The climate threat to property insurance, and how to stop it. 2025. https://yalelawjournal.org/essay/the-uninsurable-future-the-climate-threat-to-property-insurance-and-how-to-stop-it
17. The Zebra. Home insurance trends report. 2026. https://www.thezebra.com/resources/home/home-insurance-trends-report/

Qönçə MURADLI
Müstəqil tədqiqatçı

MÖVCUDLUQ KRİZİSİ: İQLİM RİSKİ, MƏNZİL SIGORTASI VƏ AMERİKA MƏNZİL SAHİBLİYİNİN SABİTLİYİ

Xülasə

Mənzil sığortası Amerika mənzil sahibliyinin sakit dayağıdır: ipoteka onsuz bağlanmır və heç bir icma fəlakətdən sonra onsuz bərpa olunmur. Bu dayaq hazırda gərginlik altındadır. Təminatlar kəskin şəkildə artmışdır, daşıyıcılar bütün regionlardan geri çəkilmiş və ya tamamilə çıxmışlar və dövlət tərəfindən idarə olunan "son çarə sığortaçılar" nəzərdə tutulmuş rollarından xeyli kənara çıxmışlar - hər şeydən əvvəl, iqlim əlaqəli fəlakətlərin artan tezliyi və şiddətindən qaynaqlanır. Bu məqalə gərginliyin miqyasını sənədləşdirir, onu fəlakət riski amillərə çevirir və özəl bazarın qiymət artımına, yenilənməmə və geri çəkilməyə rasional reaksiyasının riski qalıq dövlət planlarına necə itələdiyini araşdırır. Daha sonra nəticələri mənzil bazarına, ipoteka maliyyəsinə və dövlət balanslarına izləyir və mənzil sığortasının mövcudluğunun sektor narahatlığından daha çox milli iqtisadi sabitlik məsələsinə çevrildiyini iddia edir.

Açar sözlər: ev sığortası, sərfəlilik, FAIR planı, yenilənməmə, fəlakət riski.

Гонча МУРАДЛЫ
независимый исследователь

КРИЗИС ДОСТУПНОСТИ: КЛИМАТИЧЕСКИЙ РИСК, ЖИЛИЩНОЕ СТРАХОВАНИЕ И СТАБИЛЬНОСТЬ АМЕРИКАНСКОГО ДОМОВЛАДЕНИЯ

Резюме

Жилищное страхование- это незаметная опора американского домовладения: без него не закрывается ни одна ипотека и ни одно сообщество не восстанавливается после бедствия. Сегодня эта опора находится под давлением. Страховые премии резко выросли, страховщики свернули деятельность в целых регионах или полностью ушли с них, а государственные «страховщики последней инстанции» разрослись далеко за пределы своей изначальной роли- прежде всего из-за растущей частоты и силы связанных с климатом катастроф. В статье документируется масштаб этого давления, прослеживается его связь с фактором катастрофического риска и рассматривается, как рациональная реакция частного рынка, пересмотр цен, отказ от продления полисов и уход с рынка, перекладывает риск на остаточные государственные программы. Затем последствия прослеживаются в сферах жилищного рынка, ипотечного финансирования и государственных балансов, и обосновывается вывод о том, что доступность жилищного страхования превратилась из отраслевой проблемы в вопрос национальной экономической стабильности.

Ключевые слова: жилищное страхование, ценовая доступность, FAIR план, отказ в продлении полисов, катастрофический риск.

Daxil olub: 18.06.2026