



Oral Testimony

Joint Public Hearing: Cost and Availability of Insurance for Residential Property

**Senate Standing Committee on Investigations and Government Operations
Senate Standing Committee on Insurance
Senate Standing Committee on Housing, Construction, and Community Development**

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Members of the Committees,

Thank you for the opportunity to provide information on the cost and availability of residential insurance. The Natural Resources Defense Council (NRDC) is an international nonprofit environmental organization with more than 3 million members and online activists. Since 1970, our lawyers, scientists, and other environmental specialists have worked to protect the world's natural resources, public health, and environment. NRDC has offices in New York City, Washington D.C., Los Angeles, San Francisco, Chicago, Montana, and Beijing.

We appreciate the committees' interest in better understanding the difficulties facing the insurance markets. Insurance is a safety net that provides a critical risk-spreading function. But policymakers and insurers must play a larger role in supporting and incentivizing risk reduction *before* damage from increasingly frequent and severe weather events can lead to insurance claims. By promoting disaster-resistant construction, land use standards, and infrastructure improvements, insurers as well as state and local governments can reduce risks of property damage, displacement, and long-term housing instability for policyholders.

The issue has broader importance for New Yorkers. What happens when property insurance becomes unavailable or unaffordable? Mortgages in turn also become unavailable, as they depend on the mortgaged property being insured. As Federal Reserve Chairman Jerome

Powell told Congress earlier this year “If you fast forward 10 or 15 years, there are going to be regions of the country where you can’t get a mortgage.”¹ A board member of global insurance company Allianz put it more starkly, saying “If insurance is no longer available, other financial services become unavailable too. . . . Markets will reprice, rapidly and brutally.”² Economic consequences are likely to include increased mortgage defaults and foreclosures, declining property values, and declining property tax revenues. An insurability crisis thus also threatens the broader New York State economy.

This crisis has already begun in California, Louisiana, and Florida, where insurance companies have deemed many high-risk properties to be uninsurable. Mounting losses from extreme weather events lead private insurers to retreat from high-risk areas and raise premiums for everyone else. When private insurers decline to renew higher-risk policyholders, many of those consumers are forced to move to state-created insurers of last resort known as Fair Access to Insurance Requirements Plans, or FAIR Plans, insurance pools backed by the private insurers admitted in the state. These states have seen dramatic increases in FAIR Plan enrollment.^{3,4} The newly enrolled, high-risk properties tend to incur more damage than the average property, resulting in increased claims against the FAIR Plan. These costs are often passed through to the private insurers that back the plan.⁵ Where underwriting becomes less profitable, this can prompt private insurers to exit the state. When fewer private insurers remain to back the FAIR plan, this further concentrates the costs of weather-related property damage in the plan. The cycle continues: growing enrollment at the FAIR Plan, rising costs passed through to private insurers, and further retreats from the state insurance market.

New York State’s FAIR plan, the New York Property Insurance Underwriting Association (NYPIUA), has not yet seen this kind of growth in enrollment, but it has lost money every year since 2020, with losses far exceeding earned premiums.

Risk reduction and hazard mitigation are essential for FAIR Plans – and insurance markets more broadly—to operate sustainably. Our more detailed written submission references studies by the National Institute of Building Sciences on how properties can be retrofitted

¹ Clark, Pilita. “How the Next Financial Crisis Starts.” *Financial Times*, 26 June 2025, www.ft.com/content/9e5df375-650d-492e-ba51-fb5a34e6ddd6

² Ibid.

³ For example, the Louisiana Citizens FAIR Plan’s exposure (total insured value) increased more than fourfold from 2017 to 2022, thanks to the impact of hurricanes such as Hurricane Laura (2020) and Hurricane Ida (2021). In the same timeframe, the Florida plan’s exposure increased by almost threefold, while California’s jumped more than threefold. Nancy Watkins, Robert Lee, and Rehan Siddique, “A Survey of Residual Market Plan Assessment and Recoupment Mechanisms,” Milliman, December 5, 2023, <https://www.milliman.com/en/insight/a-survey-of-residual-market-plan-assessment-and-recoupment-mechanisms>.

⁴ See Appendix 1 for data on select state FAIR Plans and a comparison to states already in a crisis.

⁵ New York’s FAIR plan, the New York Property Insurance Underwriting Association (NYPIUA), may assess private insurers up to 1% of net direct written premiums for the preceding calendar year if the plan suffers an operating deficit

for increased resilience to floods, hurricanes and high winds, earthquake, and wildfire. These studies demonstrate that the financial benefits of risk reduction efforts far outweigh the costs.

States are on the front lines of climate-related catastrophe preparedness and response. As disasters stress and overwhelm local and state budgets, many states are introducing innovative programs to reduce physical exposure of housing through regulatory and financial incentives. These hazard mitigation programs may be funded by a state through general revenue, or by contributions from insurers. They offer consumers cost-sharing for specified physical upgrades to properties and require insurers to account for these risk reductions in their underwriting models, by providing premium discounts for upgraded properties.

Several state insurance regulators have begun collaborating with private insurers to harden homes using certified consensus-based standards that are proven to reduce risks for policyholders. Among these are:

- **The Strengthen Alabama Homes program** offers qualified single-family homeowners up to \$10,000 towards the cost of retrofitting their homes using a commissioned wind mitigation standard called FORTIFIED.
- **Additional FORTIFIED State Grant Programs** in Louisiana and North Carolina similarly offer homeowners \$10,000 grants to upgrade existing roofs to the FORTIFIED standard.
- **Florida’s “My Safe Home” program** designed to protect homes against wind and hurricanes. Insurance companies operating in Florida must offer policy holders discounted wind insurance rates if they have mitigated their homes from wind risk; these discounts can provide significant savings.
- **California’s “Safer from Wildfires”** initiative, an interagency partnership for reducing wildfire risk using three layers of wildfire resilience protection: for the structure, the immediate surroundings, and the community

In November 2022, New York voters approved the Clean Water, Clean Air and Green Jobs Environmental Bond Act of 2022, authorizing up to \$4.2 billion in state-backed bonds to fund environmental and climate-resilience projects statewide. The legislation earmarks funds across four broad categories—climate change mitigation, restoration and flood-risk reduction, water-quality infrastructure, and land conservation and recreation—with at least 35% of its benefits directed to disadvantaged communities. New York must continue to accelerate these programs with an eye to avoiding the kind of insurability crisis that has arisen in other states.

New York State’s leadership on risk reduction and hazard mitigation is sorely needed now, as the federal government is pulling back. In the past few months, the administration has

rescinded \$3.6 billion in previously approved FEMA grants to states and local governments, and has delayed payment to states and local governments on other hazard mitigation grants.

While insurance will not solve the climate crisis, it can act as a lever to incentivize the protection of New York communities through more resilient building. This can reduce the vulnerability of homes and neighborhoods, leading to safer communities, reduced financial strain on insurers, and more affordable access to insurance coverage.

Thank you for the opportunity to provide this information to the committees.