

Testimony of
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To the
New York Senate
Standing Committees on Investigations and
Government Operations | Insurance | Housing,
Construction, and Community Development

Joint Public Hearing on the Cost and
Availability of Insurance for Residential
Property

November 18, 2025

New York, NY



Good afternoon, Senators, and thank you for the opportunity to testify before the Committee today.

My name is Robert Hartwig and I am a Professor of Risk Management, Insurance and Finance at the University of South Carolina's Darla Moore School of Business. I also serve as Director of the School's Risk and Uncertainty Management Center.¹ Prior to joining USC, I spent 23 years in the in the property/casualty insurance and reinsurance industries, the last decade of that as President and Economist of the Insurance Information Institute, a national property-casualty insurance trade association based in New York City. During that time and the time since in my academic capacity, I have had the opportunity to work on a wide variety of issues related to matters involving the affordability and availability of insurance across the country.

Drivers of Residential Property Insurance Costs

The cost of property insurance in New York State—and indeed all types of property-casualty insurance in all states—is fundamentally determined by the frequency and severity (cost) of claims. With respect to rising property insurance premiums specifically, there are four principal factors driving costs and thus premiums upward in recent years.

- Inflation
- Demographics
- Climate Risk
- Legal System Abuse

Inflation

Supply chain disruptions and trillions in fiscal stimulus during the Covid-19 pandemic pushed inflation in the United States to its highest level in 40 years.

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Rising from 1.2% in 2020 to 4.7% in 2021 before peaking at 9% in June 2022, inflation remains elevated today at approximately 3%.² Surging inflation impacted the price of goods and services throughout the economy, including those that directly influence the cost of repairing and rebuilding structures damaged not only by major natural disasters, but property claims of all sizes, from all property perils, throughout the country. Inflation of this magnitude was not anticipated by insurers and led to a sharp and sustained increase in claim costs, compounding the increases associated with near-record catastrophe losses. Insurer loss ratios rose materially, necessitating upward rate adjustments which continued into 2025.

Inflation as experienced by property insurers in recent years is materially higher than the general level of inflation as measured by the Consumer Price Index (CPI). From January 2020 through June 2025, the cost of construction materials increased by 45%, nearly double the 24.1% increase in the overall CPI over the same period. Likewise, the cost of residential construction trade services (e.g., roofers, carpenters, electricians, etc.) was up 42.4% (see Exhibit 1). Even the most mundane of construction goods experienced price surges far in excess of the CPI (see Exhibit 2). The price of asphalt shingles, for example, rose at a pace nearly double that of the CPI while plastic pipe price increases were quadruple.

More broadly, home values in New York State and across the country have soared over the past decade. Home prices in New York state are up 94.2% over the past decade³, closely tracking the 91.2% increase in home prices nationally over the same period.⁴ The trajectory of home insurance premiums logically tracks the increasing cost of the homes themselves.

² As measured by the Consumer Price Index (CPI), US Bureau of Labor Statistics.

³ US Federal Housing Finance Agency via FRED. Data are for Q2:2025 vs. Q2: 2015 accessed at: <https://fred.stlouisfed.org/series/NYSTHPI>.

⁴ S&P CoreLogic Case-Shiller Home Price Index via FRED. Data are for June 2025 vs. June 2015 accessed at: <https://fred.stlouisfed.org/graph/?q=CpFW>.

Exhibit 1

Cost Indicators for Residential Const., Price Index Changes, Jan. 2020 – June 2025

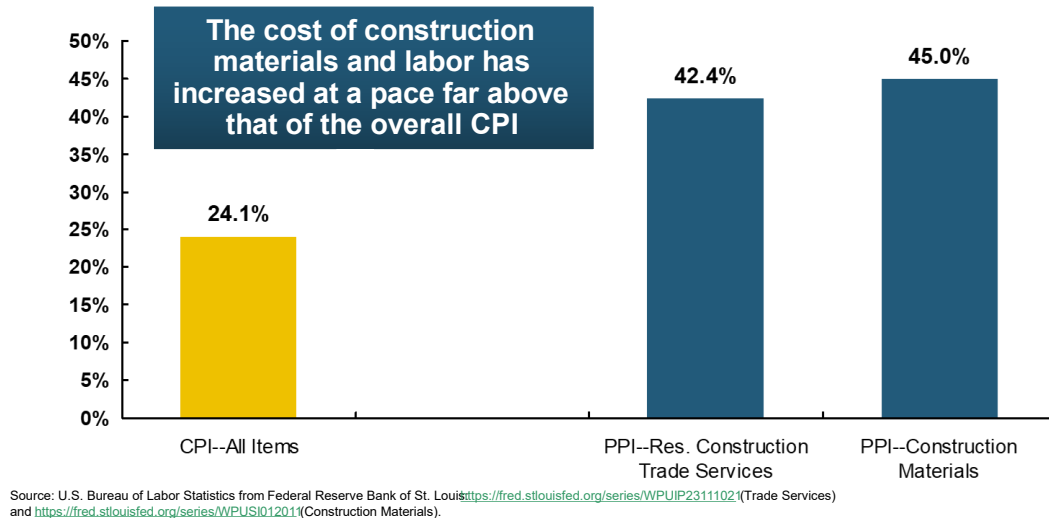
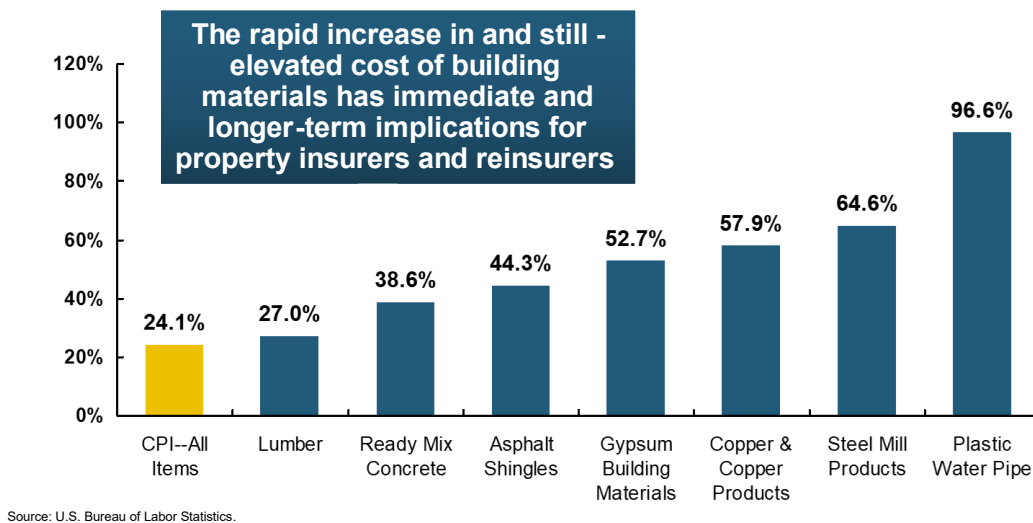


Exhibit 2

Change in Cost Indicators for Selected Construction Inputs, Jan. 2020 – June 2025



Tariffs are now adding additional cost pressures. Labor costs are also elevated as the supply of skilled and unskilled labor in the construction industry remains constrained. The Association of General Contractors points to the current 10% tariff on softwood lumber and timber, 50% tariffs on steel, aluminum and certain copper products as particular challenges, along with “reciprocal” tariffs imposed on

virtually all countries ranging from 10% to 50%.⁵ Builders surveyed by the National Association of Home Builders (NAHB) estimate that tariffs will raise the price of a typical new home by \$10,900.⁶ The NAHB also makes clear that immigration policy will impact the cost of homes. Citing U.S. Census Bureau and other government data, the NAHB states that immigrants account for 31% of all workers in construction trades and that there is currently a shortage of between 200,000 and 400,000 construction workers in the United States. The NAHB concludes that the *“lack of skilled labor slows down the pace of construction, drives up labor costs, and ultimately leads to higher home prices.”*⁷

Population Growth, Urbanization and the Accumulation of Asset Values in Exposed Areas

Since 1970, the US population has increased by 65%. Population in catastrophe-prone states has been far larger. The population of hurricane-prone Florida, for example, is up 217% since 1970—with Texas up 160%. The situation is similar in Western states vulnerable to major wildfire risk. The populations of California, Washington and Colorado are up 98%, 126% and 162%, respectively.⁸ Rising population leads directly to the accumulation of property asset values and increased concentrations of risk in vulnerable areas. All these states have experienced substantial increases in property insurance costs in recent years, both as the result of inflation and climate-related exposures.

While New York state’s population growth (at approximately 9.1%) has been much slower over the past half century than many states in the South and West, the same fundamental demographic principles apply.⁹ New York’s exposure to climate risk, accumulated over the course of centuries (rather than decades), is enormous.

⁵ Association of General Contractors. *Tariff Resource Center for Contractors*. Accessed at: <https://www.agc.org/tariff-resources-contractors>.

⁶ National Association of Home Builders, *How Tariffs Impact the Home Building Industry*. Accessed at: <https://www.nahb.org/advocacy/top-priorities/building-materials-trade-policy/how-tariffs-impact-home-building>.

⁷ National Association of Home Builders, *Immigration Reform is Key to Building a Skilled Workforce*. Accessed at: <https://www.nahb.org/advocacy/industry-issues/labor-and-employment/immigration-reform-is-key-to-building-a-skilled-workforce>.

⁸ US Census Bureau. “Historical Population Change Data (1910-2020).” Accessed at: <https://www.census.gov/data/tables/time-series/dec/popchange-data-text.html>.

⁹ Population statistics in this paragraph are from the US Census Bureau, accessed at: <https://www.census.gov/popclock/embed.php?component=populous>.

With some 19.9 million residents in 2024, New York is the nation's fourth most populous state. Likewise, New York City remains, by far, the nation's most populous city with nearly 8.5 million residents (more than double second-place Los Angeles) and with 28,717.3 residents per square mile it is the most densely populated city in the country (more than double second-place Chicago). Thus what New York state lacks in terms of frequency of exposure to extreme climate events, it makes up for in the aggregate value of exposed property, which is highly concentrated in the state's vulnerable coastal areas.

Climate Risk

Recent models suggest that a Category 3 hurricane making landfall in Queens or Long Beach, NY, could result in insured losses exceeding \$100 billion, with \$40 - \$50 billion in insured losses in areas with a greater likelihood of landfall such as eastern Long Island.¹⁰ The American Property Casualty Insurance Association (APCIA) has estimated that the \$100 billion scenario would wipe out 69 years of homeowners insurance return on net worth.¹¹

New York's exposure to catastrophic damage from climate-related risks extends far beyond its shoreline. The hearing notice for today's proceedings provides an accurate assessment of New York's broad array of vulnerabilities, stating (p. 2) that *"New York has not been immune from extreme weather events and other climate-driven dangers, which may already be contributing to increasing costs of property/casualty insurance here and are projected to become more frequent and severe."*

Exhibit 3 provides a vivid illustration of the economic toll of climate-driven risks in New York and the primary climate risks driving property insurance premiums up from Montauk to Buffalo. The number of billion-dollar disaster events impacting the state is rising rapidly. According to NOAA, severe storms (e.g., storms

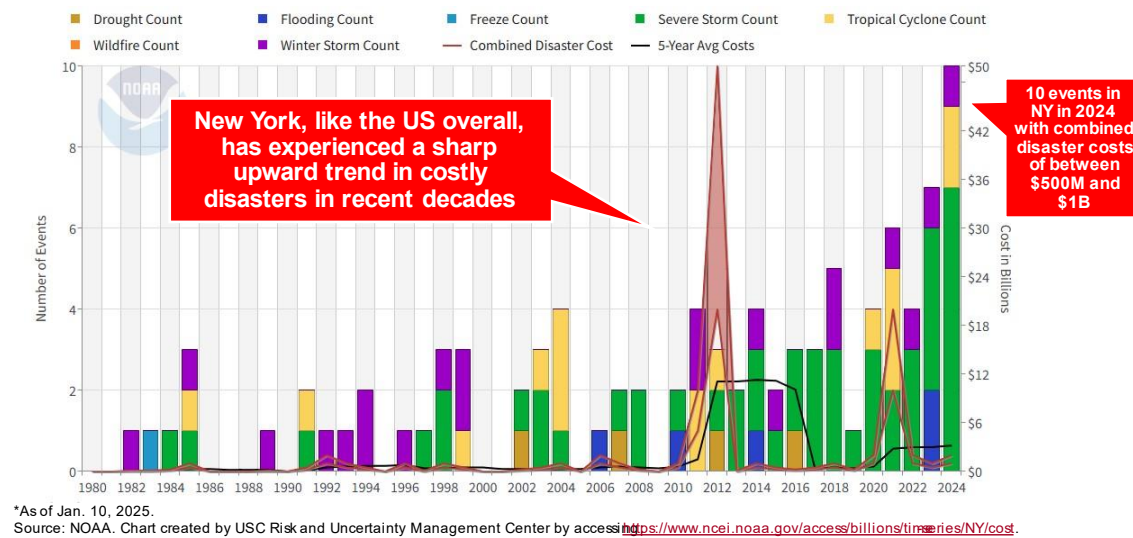
¹⁰ KC & Co. "When Luck Runs Out: Where \$100B Hurricanes Might Happen," August 2025. Press summary available at: <https://www.karenclarkandco.com/news/in-the-news>.

¹¹ Testimony of the American Property Casualty Insurance Association before the New York Senate Standing Committees on Investigations and Government Operations; Insurance; and Housing, Construction and Community Development. November 18, 2025.

involving high winds, tornados, hail, etc.), tropical cyclones, winter storms, and floods account for the majority of climate-driven economic losses in New York.¹² The 5-year average annual economic cost of these events in New York is \$3.2 billion—an amount equal to approximately 1.3% of the state’s annual GDP.

Exhibit 3

New York Billion-Dollar Weather and Climate Disaster Events Economic Costs, by Type, 1980 –2024* (CPI-Adjusted)

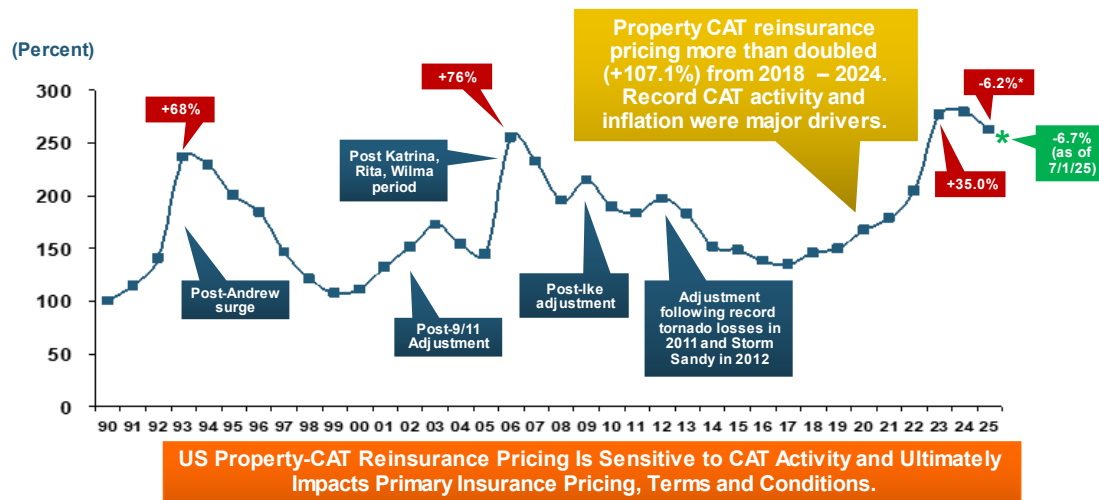


Reinsurance costs are another important driver of property insurance premiums. Reinsurance is essentially insurance for insurance companies. A combination of inflation and record/near-record catastrophe losses drove reinsurance prices up sharply from 2018 through 2024 (Exhibit 4), though reinsurance prices in 2025 fell, with additional decreases expected in 2026. Virtually all property insurers purchase reinsurance to help them manage the impacts of large-scale catastrophe losses. For that reason, as displayed in Exhibit 4, the price of reinsurance is very sensitive to the frequency and severity of catastrophe losses.

¹² NOAA's National Centers for Environmental Information, *Billion-Dollar Weather and Climate Disasters* (updated as of January 10, 2025). Accessed at: <https://www.ncei.noaa.gov/access/billions/time-series/NY/cost>.

Exhibit 4

US Property Catastrophe Rate-on-Line Index: 1990 – 2025*



*As of January 1 each year.

Source: Guy Carpenter; Artemis.bm accessed at <http://www.artemis.bm/usproperty-cat-rate-on-line-index>

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Litigation and Legal System Abuse

Litigiousness and legal system abuse have also contributed to the upward trend in claim costs—driving premiums upward and reducing coverage options for some policyholders. Most dwelling policies are written on a “multi-peril” basis and include liability coverage. According to the U.S. Chamber of Commerce Institute for Legal Reform, liability costs associated with homeowners policies increased by 5.1% annually, on average, in recent years.¹³ Multi-unit dwellings (e.g., condos, apartment complexes, etc.) also carry liability insurance coverage, frequently with high limits. In 2024, insurers writing commercial multi-peril liability policies recorded a combined ratio of 114.9%, up from 110.1% in 2023. In other words, insurers in 2024 writing this type of coverage paid out nearly \$115 in claims and expenses for every \$100 they earned in premium. Indeed, commercial multi-peril liability insurers have operated at an underwriting loss every year since 2016.¹⁴

¹³ US Chamber of Commerce Institute for Legal Reform (Nov. 2024), “Tort Costs in America: An Empirical Analysis of Costs and Compensation of the U.S. Tort System” (3rd Edition) accessed at: <https://instituteoflegalreform.com/research/tort-costs-in-america-an-empirical-analysis-of-costs-and-compensation-in-the-u-s-tort-system-third-edition/>;

¹⁴ S&P Global Market Intelligence (May 7, 2025).

According to data from the National Association of Insurance Commissioners (NAIC), the experience of New York insurers is consistent with national trends. From 2014 through 2023, the average underwriting profit as a percent of premiums earned in the “Other Liability” category of insurance was -11.3%.¹⁵

Market Forces Are at Work in New York State

Rising prices and challenges in the availability of property insurance are often characterized as “crises” when, in fact, such shifts represent adjustments necessitated by changing market conditions. The dynamics of insurance markets are complex with insured losses and ultimately the price and availability of coverage determined by a range of factors.

When compared with property insurance markets in other states, key market metrics for New York are indicative of stability. New York’s experience in recent years stands in stark contrast to states such as Florida and California which have experienced enormous dislocations in their property insurance markets.

Residual Market Share as an Indicator of Property Market Stability

Legal system abuse and fraud brought Florida’s homeowners insurance markets to the brink of collapse in 2022. In California, an archaic regulatory structure made offering private insurance coverage amid rising wildfire risk economically infeasible. In both states, insurers restricted sales of new policies and nonrenewed others as losses soared into the billions of dollars. As a result of these market dislocations, the population of each state’s residual property market grew rapidly. Florida’s market of last resort—Florida Citizens Property Insurance Corporation—experienced a tripling in the number of policies it wrote from about 427,000 in 2018 to 1.3 million in 2023—becoming the state’s largest home insurer in the process. Likewise, the California FAIR Plan saw total residential policies in force swell from about 234,000 in September 2021 to 625,000 in September 2025—and increase

¹⁵ NAIC, *Report on Profitability by Line by State in 2023* (April 2025). “Other Liability” includes commercial property liability exposures and excludes liability arising from vehicles, medical professional liability, and products liability.

of 157%.¹⁶ Viewed from a premium standpoint, Florida's market of last resort accounted for 4.46% of property insurance premiums written in the state in 2020, with its market share more than doubling to 9.67% by 2023. In California, the share of property insurance premiums written by the state's FAIR Plan also more than doubled—from 1.49% in 2020 to 3.34% in 2024.¹⁷

In stark contrast to Florida and California, New York's market(s) of last resort¹⁸ accounted for a *shrinking* share of the property insurance market, falling from 0.32% of all property lines insurance premium written in 2020 to 0.20% in 2024. Nationally, state-operated property residual markets accounted for 1.45% of property insurance premiums written in 2020 and 2.09% in 2024.¹⁹ New York's favorable residual property market experience in recent years compared to other large states and the nation as a whole indicate that property insurance market conditions in the state are relatively stable.

Nonrenewal Rates as an Indicator of Property Market Stability

Data on homeowners insurance nonrenewal rates collected by the United States Senate Banking Committee in 2024 are also demonstrative of the relative stability of New York's property insurance markets. The data show that not only are nonrenewal rates in New York a fraction of those in Florida and California, but that they are consistently about half the nonrenewal rate for the country overall—and well below the median state nonrenewal rate through entire sample period (2018 – 2023). The average nonrenewal rate in New York over the sample period was 0.49%, which implies that approximately 99.5% of homeowners insurance policies in the state were renewed each year.

¹⁶Florida Citizens: <https://www.citizensfla.com/>; California FAIR Plan: <https://www.cfpnet.com/key-statistics-data/>.

¹⁷ Property Insurance Plans Service Office, 2025 FAIR and Beach Plan Underwriting Results and Market Penetration Report.

¹⁸ New York's property residual market is the New York Property Insurance Underwriting Association, which also administers the states Coastal Market Assistance Program (C-MAP): <https://www.nypiua.com/insurance/c-map-program>.

¹⁹ See footnote 17.

Exhibit 5²⁰

Homeowners Insurance Non-Renewal Rates, 2018-2023

	<u>FL</u>	<u>CA</u>	<u>NY</u>	<u>US</u>	<u>Median State</u>
2023	2.99%	1.72%	0.57%	1.06%	0.86%
2022	3.00%	1.33%	0.50%	0.83%	0.68%
2021	1.29%	1.12%	0.39%	0.68%	0.61%
2020	0.97%	0.85%	0.26%	0.53%	0.48%
2019	1.02%	1.03%	0.35%	0.68%	0.66%
2018	0.79%	0.94%	0.39%	0.80%	0.79%

Source: US Senate Budget Committee.

Summary

Insured losses from natural disasters across the United States continue to rise and will continue rise for the foreseeable future. The pace of increase will vary across states and over time based on economic, demographic, and climate-driven factors—as well as factors related to the legal and regulatory environments. Property insurance premiums in New York have been affected by all these factors and will continue to be affected by them in the years ahead. The upward trend in New York property insurance premiums should not be misinterpreted as evidence of market dysfunction, but as necessary market adjustments to the many factors impacting both the supply and demand for property insurance. Indeed, New York’s property insurance markets—as exemplified by low property residual market shares and below-average homeowners insurance nonrenewal rates—have proven to be especially resilient even as those metrics in some other states have deteriorated sharply.

Meaningful reforms, coupled with investments in mitigation, are proven solutions that can help ensure the stability of insurance markets across the country.

²⁰ Testimony of Dr. Robert P. Hartwig, U.S. Senate Budget Committee Hearing, December 18, 2024. Data drawn from data presented by the Committee at this same hearing. Testimony available at: <https://www.uscriskcenter.com/presentations/next-to-fall-the-climate-driven-insurance-crisis-is-here-and-getting-worse-us-senate-budget-committee-12-18-2024/>.

Thank you for you for the opportunity to testify before the Committee today. I would be happy to respond to any questions you may have.