

39 million properties are significantly overvalued due to artificially suppressed home insurance costs

FOR IMMEDIATE RELEASE

Brooklyn (NY) – Today [First Street Foundation](#) has released a report, entitled "The 9th National Risk Assessment: The Climate Insurance Bubble", highlighting the contribution of underpriced insurance, driven by regulation and compounded by climate change in the real-estate market. Across the United States, 39 million properties are at high risk of flooding, wildfires, and hurricane winds which have yet to be reflected in the insurance premiums they pay.

Among those at risk, 12 million properties have significant flood risk outside of the public facing FEMA flood zones, 23.9 million properties are in areas with a high likelihood of destructive 3 second wind gusts, and 4.4 million properties are concentrated in zip codes where wildfire risk is so great that an average of at least 10 structures are expected to burn down every year. All of these properties are in addition to the 6.76 million properties that have such great risk that no insurance company will provide them coverage, driving them to the state run insurer of last resort.

In the newly released report, the [peer-reviewed First Street Foundation - Wildfire Model \(FSF-WFM\)](#), [First Street Foundation - Flood Model \(FSF-FM\)](#), and the [First Street Foundation - Wind Model \(FSF-WM\)](#) incorporated the latest developments in economic consequence modeling by combining risk with the physical location and characteristics of buildings at the property level. This was achieved through a collaboration with the engineering experts at [Arup](#), a global sustainable development consultancy. By combining risk, with its economic consequences, it is possible to understand both the likelihood of structures at risk of being destroyed by wildfire, wind, and flooding as well as the growing economic costs of that risk, today, and 30 years into the future.

Understanding the physical risk to properties has become increasingly important as property owners grapple with rising insurance costs and insurance companies face increasing costs associated with climate exposure and larger economic trends. The impact of climate on the insurance industry is clearly seen in the 5-year average costs of wildfire events ballooning from about \$1 billion annually through about 2016 to over \$17 billion in 2021. The increases in cost are directly attributable to the fact that growth in structures destroyed by wildfires (+215%) is quickly outpacing the additional area burned (+48%) over that same time period. This means that not only are wildfires occurring more frequently, costing more, and growing larger, but they are disproportionately happening in places where people and structures are directly in harm's way. Adequate insurance coverage is key to protecting these communities, but the rapidly increasing risk drives insurers out of these markets.

"This work highlights the degree to which the changing climate is directly impacting the larger economy through shifts in the insurance market and home devaluation," said Dr. Jeremy Porter, Head of Climate Implications Research at the First Street Foundation. "The cost of climate exposure is not simply the damage from the floods, wind, and wildfire; it also makes its way into many other connected parts of the economy, and we are seeing that now in the insurance industry and real-estate market."

The report also highlights the increased reliance of homeowners on "insurers of last resort" across a number of high-risk states. In Florida, one such agency, Citizens Insurance Agency, has become the largest insurer in the state. From 2016 to today, Citizens' policies in force in the state have grown from under 500 thousand to about 1.3 million today (+168%) and average premiums across the state have increased from roughly \$2,000 to \$3,300 annually (+65%). In Louisiana, 2023 started with an average increase of 63% on all premiums through the Citizens' insurance program in that state, with some of the largest increases occurring in the heavily populated New Orleans area. In California, as property exposure to wildfire has become more common, insurer-initiated policy non-renewals have grown in the most at-risk areas by nearly 800%, and between 2015 and 2021 participation in the state-run FAIR plan has increased by 90%, growing to nearly 270k policies.

"The over reliance of property owners on state run insurers of last resort is a big flashing sign that standard practices in the insurance market cannot keep up with our current climate reality," said Matthew Eby, Founder and Chief Executive Officer of First Street Foundation. "We are rapidly moving to a place where the cost of insurance will make the most at-risk homes effectively uninsurable."

The First Street Foundation models and the property-specific estimates of risk and loss add to the existing understanding of climate risk across the nation, today and 30 years into the future. First Street Foundation makes this property-level information publicly available through its [Risk Factor® website](#), where every property owner may find their Fire Factor®, Wind Factor™, Flood Factor®, and Heat Factor® and the estimated damages associated with their risk. More broadly, this information is available for communities, states, and governments to help inform decisions regarding climate risk, so that people, properties, and communities may be adequately protected from climate risks.

"As extreme weather events increase in frequency and severity due to climate change, it is essential that homeowners across the United States are properly aware of their unique, multi-hazard risk profile and equipped with adequate protections through their insurers," said Ibbi Almufti, Principal at Arup. "By having accurate, future looking data at our disposal, we can better prepare for the worst physical and economic impacts of a warming planet in the present and future."



First Street Foundation is a nonprofit 501(c)(3) research and technology group working to define America's growing climate risk. The Foundation uses transparent, peer-reviewed methodologies to calculate the past, present, and future climate risk and economic impact to individual homes and properties across the United States. The Foundation's data addresses an asymmetry of information in the U.S., empowering Americans to protect themselves from increasing risk associated with climate change.