UNDERSTANDING THE INSURANCE CRISIS

Minnesota State House District 4B

REP. JIM JOY

CLIMATE CABINET EDUCATION

OVERVIEW

Climate change is threatening the affordability and availability of property insurance throughout the United States. Growing losses from wildfires, hurricanes, severe storms, and other disasters are causing insurance companies to raise rates, cancel coverage, and even withdraw from entire markets. The insurance crisis is hitting nationwide, not just in coastal states or affluent communities. But there is some good news: proven solutions that bring down costs and stabilize insurance markets have successfully been adopted in states across the country. These policies can help support families in District 4B.

In House District 4B

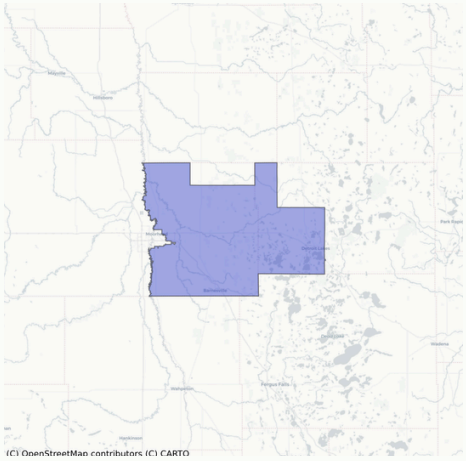
Insurance costs are skyrocketing

Rising premiums[3]

$836
estimated property insurance premium increases from 2021-2024

Cancelled policies[4]

237
households lost home insurance coverage from 2018-2022



The Impact on Affordable Housing & State Budgets

The insurance crisis is exacerbating our nationwide shortage of affordable housing. Rising insurance costs are getting passed on to tenants in the form of higher rents, and affordable housing providers are struggling to obtain insurance coverage.[1,2]

This has major implications for budgets at the state, school district, and municipal levels. **Since insurance policy is set by states, lawmakers like you have the power to embrace policies that will reduce costs and promote climate resilience for families in your district.** By doing so, you can prevent insurance market disruptions from causing broader economic distress.

[1] Federal Reserve Bank of Minneapolis, *Rising property insurance costs stress multi-family housing*, March 4, 2025
[2] Climate & Community Institute, *Insurance: The Hidden Market Forces Threatening Affordable Housing*, May 2026
[3] Consumer Federation of America, *Overburdened*, April 2025
[4] Federal Insurance Office, *Analyses of U.S. Homeowners Market 2018-22*, January 2025

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Integrate Climate Resilience Into Insurance Modeling

Requiring insurers to factor hazard mitigation into insurance modeling allows constituents to see benefits from their investments in climate resilience. Importantly, this includes household measures like roof hardening or state and local investments in things like vegetation management. Compelling more transparency from insurance models empowers households to make informed decisions about how to strengthen their homes' safety.

Strengthen MN Homes program

In 2026, the Task Force on Homeowners and Commercial Property Insurance recommended increasing funding for the Strengthen MN Homes program, which assists households with roof fortification.

Set Up Publicly Accountable Insurers of Last Resort

Most states operate insurers of last resort, usually called FAIR Plans. Many insurers of last resort are experiencing distress from climate change, yet most operate with minimal oversight from state governments. States should reform FAIR Plans to make their operations more transparent and publicly accountable.

Direct Insurance Regulators to Manage Climate Risk

Several states have directed their insurance offices to incorporate climate change into their regulatory responsibilities, and also to collect data about the impact of climate change on insurance markets. States should also take action to restrict insurers from investing in fossil fuel companies and supporting fossil fuel projects.

Additional Policy Solutions to Protect Consumers

- **Strengthen oversight over surplus lines:** Surplus lines are a less well-regulated segment of insurance markets. They tend to be costly and are not subject to the same consumer protections, yet climate change has caused them to grow. Affordable housing developers are especially vulnerable. States should pass legislation to strengthen oversight.
- **Restrict insurers from passing lobbying costs to policyholders:** Several states have banned utilities from passing lobbying costs on to ratepayers. The same reform can be made with respect to insurance regulation.

READ MORE:
Climate Cabinet Education, *State Policy Recommendations for Protecting Against Financial Threats from Climate Change*, November 2025
Climate & Community Institute and Climate Cabinet Education, *Insurers of Last Resort*, October 2025
Vanderbilt Policy Accelerator, *How to Lower the "Insurance Tax" By $150 Billion*, April 2026