Testimony of Sharon Lewis
Executive Director of the Connecticut Coalition for Economic and Environmental Justice

Before the U.S. House Financial Services Housing and Insurance Subcommittee
"Factors Influencing the High Cost of Insurance for Consumers"
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Chairman Davidson, Ranking Member Cleaver, the members of the subcommittee, thank you for the opportunity to testify today. I spent more than two decades in the insurance and reinsurance industry as an underwriter and marketing executive. Now, I am the Executive Director of the Connecticut Coalition for Economic and Environmental Justice, where I work with people of color who are facing health challenges due to disproportionate exposures to pollution where they live, work, recreate, go to school, and pray.

And, with every climate-related weather event, I see these same people being destroyed by not being able to recover from the devastating financial effects of the lack of adequate insurance or no insurance at all. I see people who have managed to accumulate a modicum of wealth lose it in an instant as the result of a hurricane, flood, wildfire, or heavy rain because they didn't have adequate coverage or had no coverage at all. Yet, they pay more for "insurance" than anyone else.

I speak to you now as a concerned citizen and advocate for climate resiliency about my deep concern regarding the increasing cost of insurance and the impact of climate change on insurance consumers. Climate change is an undeniable reality and the consequences of extreme weather are already felt not just along the coasts but across the country. Climate disasters can have a devastating effect on communities including property loss, economic disruption, and loss of life.

For a community to become impossible to live within, it does not need to be physically uninhabitable, but rather *uninsurable.* Insurers including AIG, Liberty Mutual, Berkshire Hathaway, and Farmers Insurance Group have recently begun withdrawing from certain regions — in some cases, entire U.S. states — that are vulnerable to climate impacts.[1] Insurance consumers are increasingly seeing the direct costs of climate change as they pay more for less while worrying their coverage will be reduced or canceled entirely.[2]

[1] Jean Eaglesham, "Home Insurers Curb New Policies in Risky Areas" The Wall Street Journal; Luke Gallin, "AIG and Farmers join other insurers in pulling back from climate and cat exposed property" Reinsurance News; Steve Hallo "Liberty Mutual pulling BOP line in California" PropertyCasualty360
Mike Pangilian, "Insurance Business Magazine. Insurers retreat from Coastal Virginia as climate risks soar" Insurance Business Magazine; Jordan Valinsky, "Farmers Insurance Pulls out of Florida" CNN.
[2] Jean Eaglesham, "Home Insurers Are Charging More and Insuring Less," New York Times.

Uninsured losses have a significant burden not only on households but also on businesses and governments. The unavailability of insurance or risk of uninsurability will make it much harder for impacted individuals to pay their bills — including their mortgages — and to pay their taxes. Local governments in climate vulnerable areas will be hit hard.

Marginalized groups are hit first and hardest by climate costs

A growing affordability crisis is a particular problem for low-income communities and communities of color who have long faced challenges with insurance affordability. Due to a history of government-sanctioned racist policies such as redlining and restrictive covenants, which led to abandonment and underinvestment, these communities have struggled with generations of insurance coverage and affordability challenges. Now, these same communities face disproportionate threats from climate disasters like hurricanes, flooding, and wildfires.[3] More often than not these impacts leave these communities with limited to no resources as they are further traumatized by the devastating shortcomings of the "insurance" claims process which, instead of making them whole, makes them worse off than before.[4] Insurance, by design, is supposed to protect one's assets, but for far too long in the BIPOC community, it has eroded their assets with discriminatory underwriting and claims policies.

Climate change is also revealing an *underinsurance* crisis, as insurers transfer the risk back to their policyholders through ever-increasing deductibles, low property values assessments, or policies that offer only actual cash value rather than replacement cost.[5] In Hartford, Connecticut, once known as the insurance capital of the world, I have learned through my experience speaking with vulnerable consumers that many did not realize until after a disaster that they did not have sufficient cover to begin with. They may not realize until after a disaster that they did not have sufficient coverage to begin with. I myself suffered an uninsured loss after heavy rains caused sewage backup. Nearly a year later, I am still living in an apartment and unable to return home. Our Podcast interviews people from all over the United States and we hear the same stories over and over.

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[3] Thomas Frank, Flooding Disproportionately Harms Black Neighborhoods, E&E News; Insurance News Net, House Financial Services Subcommittee Issues Testimony From University of Georgia School of Public & International Affairs Professor

[4] Emily Flitter, "Seeking the 'Right Customers' an Insurer is Accused of Discrimination," Julia Angwin, et al., Minority Neighborhoods Pay Higher Car Insurance Premiums Than White Areas With the Same Risk, ProPublica and Consumer Reports; Emily Flitter, New Suit Uses Data to Back Racial Bias Claims Against State Farm, New York Times; Emily Flitter, "Black Homeowners Struggle to Get Insurers to Pay Claims," New York Times; Michael DeLong, "How Racial Discrimination in Homeowners Insurance Contributes to Systemic Racism and Redlining" Consumer Federation of America. Erika Fry, "'Almost everyone is getting screwed': After climate disasters, homeowners find their battle with insurers is just beginning," Fortune.

[5] Jay M. Feinman, "Protection Gaps for Homeowners Insurance."

During climate events such as hurricanes and floods, this insufficient coverage often forces people to start from square one, creating a vicious cycle of displacement and housing instability.[6] When homeowners lose their insurance, they often have to rely on a state insurer of last-resort, which offers bare bones coverage. Their bank or mortgage provider may also force-place a policy that primarily protects the bank, rather than the homeowner, leaving them with higher payments and less protection. Additionally, as insurance becomes too expensive, consumers without a mortgage requirement may feel forced to drop their insurance, leaving them entirely unprotected.[7] In Louisiana, California, Florida and other places, many people are already "going bare" - living without any insurance protection.

These hardships are true not just for homeowners but also for renters who, if they can get renters insurance, pay higher premiums for it than people who live in better dwellings. As I testify today, I am personally worried about the renewal of my own renters insurance as my insurance company may increase my premium because they can, and my landlord may increase the rent due to higher flood risks in my area, whether it's true or not. Unscrupulous landlords will use climate change to take advantage of people who have no recourse. We need consumer protection.

As climate change accelerates a mortgage crisis and an affordability crisis, we need to pay close attention to the potential for concerning industry underwriting practices, such as the use of credit scores to determine premiums, which can force people of color—who have always been victim to predatory lending practices—to pay far more for insurance, regardless of whether they have an undesirable risk or have filed claims producing unacceptable loss ratios.[8] Low-income and communities of color now face a dual threat from a legacy of exclusion and growing environmental risks.

Addressing the industry's hypocritical approach to climate change

Insurers' responses to climate change also draw attention to a clear double standard in who pays the costs of climate change. While insurers have been dropping homeowners quickly this summer, research shows that they continue to provide insurance to facilitate the development of new fossil fuel projects. This will only increase the threats to Americans homes, life savings, and lives.[9] The latest data shows that insurers had over $500 billion invested in fossil fuels.[10] Insurers appear to be betting that climate change will continue – and using their own customers' premiums to do so. Additionally, insurance industry trade groups continue to lobby to weaken

[6] Americans for Financial Reform, Jake Bittle and the Great Displacement: A Conversation about Housing Displacement and Climate Change.
[7] Veronica Dagher, "Americans are Bailing on Their Homeowners Insurance," Wall Street Journal.
[8] Consumer Federation of America, "The One Hundred Percent Penalty: How Auto Insurers' Use of Credit Information Increases Premiums for Safe Drivers and Perpetuates Racial Inequality."
[9] Insure Our Future, 2022 Scorecard on Insurance, Fossil Fuels & Climate Change; Public Citizen, Covering Coal: The Top Insurers of U.S. Coal Mining
[10] Ceres, ERM, and Persefoni, "The Changing Climate for the Insurance Industry."

climate-related regulations.[11] An investigation launched by the Senate Budget Committee this year highlighted that a lack of updated data from companies makes it difficult to compare their claims with their actions. The CEOs of these companies should have to answer publicly.[12]

To address this crisis, we need to start by acknowledging and addressing the unique lack of transparency from the insurance industry which makes it difficult to determine how premiums are set or to evaluate unfair discrimination.[13] Given the urgency of this issue, it is shocking that there is no comprehensive national source of data to evaluate the local impacts of climate change on insurance premiums and claims. Without this, researchers and advocates working to protect marginalized communities cannot fully assess and plan for the impacts of climate change. The Federal Insurance Office's recently announced effort to collect this data is an important first step. FIO should move quickly to collect and publicize data.

This data is also essential because the unavailability of insurance or risk of uninsurability makes it harder for impacted individuals to pay their bills — including their mortgages — and to pay their taxes. Local governments in climate vulnerable areas will be hit hard and banks could be impacted as well.[14] Financial regulators at every level of the government have a responsibility to monitor and address these potentially destabilizing developments. They should act quickly to use their authority to prevent insurers from leaving the public on the hook for a bailout.[15]

Reducing Risk and Investing in Mitigation

As the crisis accelerates, Congress should proactively work with impacted communities to craft solutions that will prevent the communities that contributed the least to the risk from paying the highest cost. The best policy to protect insurance markets is to reduce emissions. Insurers can and should help by reducing their support for new fossil fuel projects and investing in climate resiliency. Congress should prioritize investments in mitigation, with particular attention to the unique situations marginalized communities find themselves in, such as living in flood zones or in the path of sea-level rise. Additionally, the federal government should recognize that climate data should be a public good and make sure that households, marginalized communities, small businesses, and local governments have the information they need to make decisions with climate change in mind.

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[11] InfluenceMap, Industry Influence on IAIS Climate Risk Work; InfluenceMap, "The US Insurance Sector and Climate-Related Financial Regulation."
[12] Senate Budget Committee Chairman's Newsroom, Budget Committee Launches Investigation into Major Insurance Companies' Climate Risk Evaluation, Fossil Fuel Support.
[13] Daniel Schwarcz, "Transparently Opaque: Understanding the Lack of Transparency in Insurance Consumer Protection."
[14] Better Markets, "The Unseen Banking Crisis Concealed Behind the Climate Crisis."
[15] Public Citizen, "Groups Call on FSOC to Take Action on Insurance."

Finally, as the private reinsurance market is proving too pricey and too tight,[16] Congress should work with impacted communities and consumer advocates to consider a backstop that can address the insurability crisis, while incentivizing sufficient policies and investment in resilient property development. Consumers need greater certainty that they are fully covered and this could take the unknown off the table for primary insurers, providing a relief valve for communities to prepare for climate change. The federal government has demonstrated it can do this for Wall Street, as it did in the creation of a federal backstop for terrorism insurance for major financial companies who couldn't find insurance after 9/11.[17] This time, we need a safety net for Main Street America, especially the section where marginalized people live.

[16] Emily Flitter, "How a Small Group of Firms Changed the Math for Insuring Against Natural Disasters," New York Times.
[17] U.S. Department of the Treasury, Terrorism Risk Insurance Program.