

SUMMARY OF RECOMMENDATIONS

Protection or Profit?

Solutions to Transform Home Insurance for Resilience and Affordability

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Insurance companies are raising premiums nationwide and withdrawing coverage as climate-fueled extreme weather events escalate. [CCI's research](#) highlights the need for robust policy solutions to transform home insurance to prioritize comprehensive disaster risk reduction; the availability of equitable, stable and affordable insurance; and new housing in locations least at risk of disaster.

Recommendation 1: States should set up new entities, Housing Resilience Agencies, for housing risk reduction and insurance provision

The establishment of new state Housing Resilience Agencies (HRAs) could combine comprehensive risk mitigation with public disaster insurance provision, while also facilitating collaboration with other state entities to ensure coordinated policy that increases affordability, availability, and resilience of housing and related

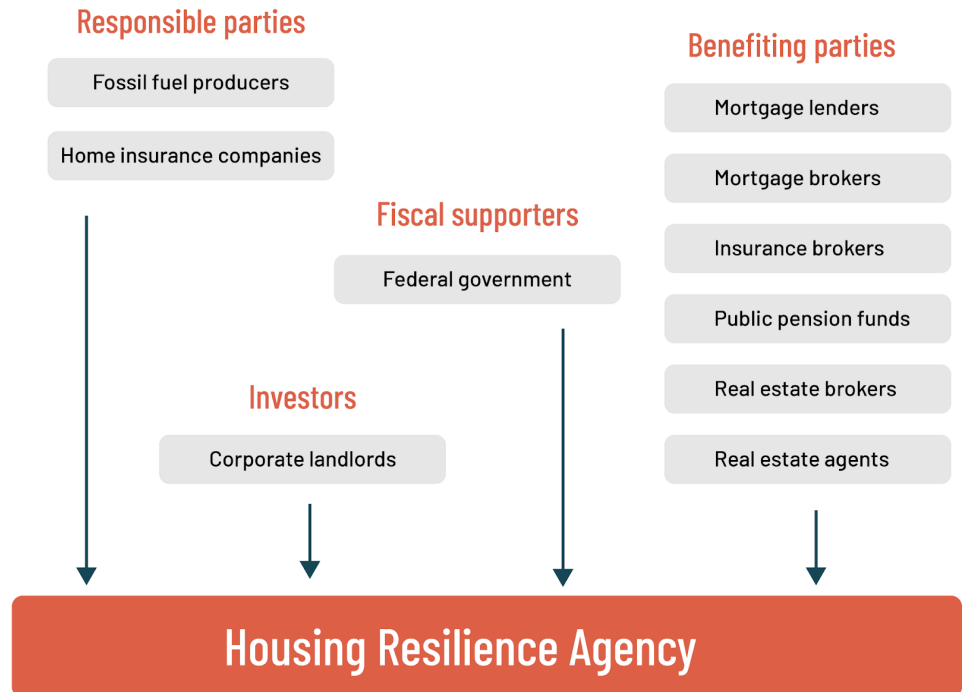
infrastructure. HRAs would be key players in a whole-of-government approach to the housing and climate crisis.

HRAs would oversee the state’s housing risk-reduction work and home disaster insurance provision with transparency, democracy, and equity. They are comprised of two interconnected parts:



Central to the HRA’s design is shifting away from today’s model of privatizing profits and socializing losses. Premiums would be defined primarily by household income level or housing providers’ budget level, along with prorated coverage amounts delineated by both a floor and a ceiling. To identify additional funding sources, we suggest an analysis of which entities are most responsible for the current climate-driven insurance crisis, and which would most benefit from stability in home insurance. For more detail, see [Shared Fates](#).

Potential funding sources for Housing Resilience Agencies



Recommendation 2: States should redesign insurers of last resort programs.

[CCI research finds](#) that FAIR Plans and other insurers of last resort are important safeguards for communities impacted by disasters but are not optimal insurance design in the face of the escalating climate crisis. State lawmakers should reform FAIR Plans or introduce new insurers of last resort that:

1. **Restructure financial models** to orient toward clear-eyed risk assessment, prudent use of Plan resources, and funding structures that better reflect the drivers and beneficiaries of stable property insurance markets.
2. **Offer robust policies at affordable rates** by expanding coverage beyond the bare bones, broadening coverage offerings, and ensuring affordability of premium rates.
3. **Require private market participants to bear more risk** by prohibiting private insurers from recouping FAIR plan costs

and establishing robust coverage requirements for private insurers.

4. **Establish transparent, democratic governance** by limiting the private insurance industry's role in FAIR Plan governance, establishing democratic accountability, and requiring transparency in plan administration.
5. **Engage in comprehensive, proactive hazard mitigation** by developing internal understandings of current and future risk from extreme weather, investing in hazard mitigation, and prioritizing proactive community-level risk reduction.
6. **Coordinate insurance, housing, land use, and disaster response policymaking** by actively collaborating with other state-level entities.

Recommendation 3: The federal government should redesign the National Flood Insurance Program (NFIP) into a National Disaster Insurance Program.

The NFIP embodies some of the core principles for insurance solutions outlined above: It was designed to incentivize good community-wide floodplain management practices and create a government-run, not profit-driven, insurance program. However, while the NFIP provides vital financial support after disasters, it violates the fundamental risk pooling and spreading principle of good insurance design by just addressing flood risk for the riskiest homes.

The NFIP could be converted into a National Disaster Insurance Program (NDIP) that requires coverage for multiple disasters for all risk levels—a single-payer system for disaster insurance coupled with risk mitigation. This could take the form of a federal version of the state HRA outlined above and would obviate the need for state-level HRAs.

Changes to current NFIP structure essential to this overhaul include substantially more affordable and accessible community-oriented risk-reduction measures; a move away from the ineffective use of

individualized premium rates to “signal” risk; significantly differential pricing treatment for second homes and vacation units; coordination of and investment in robust, community-wide disaster prevention and risk reduction projects across the country; establishment of a national climate risk model; and a climate risk advisory council to guide the NDIP’s risk assessment and mitigation efforts.

Recommendation 4: The federal government should set up federal reinsurance for Housing Resilience Agencies and redesigned FAIR Plans.

Alternatively, the federal government could set up a federal reinsurance program that incentivizes and supports states that set up state-level HRAs and/or redesign their FAIR Plans in the ways described above. The Urban Property Reinsurance Program, set up by Congress as a temporary program to provide reinsurance for insurers and insurance pools that would write policies in uninsured urban areas, can inform the design of such a federal facility.

If a federal reinsurance instrument were dedicated to covering HRAs or redesigned FAIR Plans—both of which would better pool and spread risks than today’s FAIR Plans—its purpose could be limited to risk transfer for high-loss, low-probability disasters, such as a major California earthquake or strong Florida hurricane, though this structure would forgo the benefits of creating an enormous countrywide risk pool and of tying disaster insurance so directly to risk reduction, as in the full HRA proposal outlined above.

Learn more about these policy options and their importance:

- [Shared Fates](#)
- [Insurers of Last Resort](#)
- [Protection or Profit: Transformative Solutions to the Home Insurance Crisis](#)