GAME CHANGERS
Economic Policies for a Working America

POLICY BRIEF

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NATIONAL DISASTER INSURANCE FOR ALL:
Single-Payer Disaster Insurance and Community Resilience Investments for Safer and More Affordable Housing

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The Problem

The climate crisis is fueling extreme weather and increasing disaster risk for households and housing providers across the country, representing collectives risks that no individual household or housing provider can mitigate alone. Yet the nation's disaster risk finance system is collapsing as insurance premiums rise beyond affordability, coverage options diminish, and insurers exit some regions entirely. The resulting insurance gaps constrain affordable housing construction and operation, increase overall housing unaffordability and unavailability, and deepen reliance on public disaster recovery funds. Meanwhile, the insurance industry earns record profits, in part by passing costs and risks back to policyholders and public coffers, because, for the industry, profit trumps protection.

Past and Current Policy Failures

The U.S. has a national flood insurance program (NFIP), but it only covers floods — not the many other kinds of disasters increasing in frequency and scale due to climate change — and it contains major design flaws that inhibit its ability to properly reduce risk or provide reliable, affordable coverage. Some states have insurer-of-last resort programs, but these safety nets are fractured, designed for other purposes, and not financially stable. These programs, along with patchwork state regulatory approaches, insufficiently reduce disaster risk and are inadequate to solve industry market failures because they ignore the structural mismatch between the insurance industry's profit-maximization and the country's need for resilient, affordable housing.

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Game Changer

The U.S. can move away from its current model of organizing disaster insurance as a profit-seeking business with voluntary participation, moving instead toward a collective protection system in which we equitably spread the costs and benefits of a stable disaster insurance system.

The way forward is a federal program — the National Housing Resilience Agency (NHRA) — tasked with providing adequate, affordable, and available national disaster insurance for homes, and carrying out proactive adaptation and risk mitigation so homes are safer to begin with. Housed within a cabinet-level FEMA, the NHRA would be composed of a National Disaster Insurance Program (NDIP) that would replace the NFIP with a national home disaster insurance program, and a Resilient Communities Office (RCO) to enact proactive, coordinated disaster risk mitigation for the country's housing. A Climate Risk Council and Governing Board would provide technical guidance and democratic oversight.

The NDIP would provide single-payer disaster insurance to cover the range of likely disasters for all housing types — not just the single-family homes that receive the most attention but also multifamily housing, manufactured homes, condos, etc. The NDIP's coverage would be built on top of, but integrated with, private policies covering the standard, individual incidents like kitchen fires and burglaries. Coverage would be capped, while those with bigger, fancier houses wanting more coverage would be able to purchase it from the private market. Premium rates would be standardized but regionally appropriate so that low- and middle-income households in all parts of the country can afford coverage that meets their needs, while the wealthy pay their fair share.

Because greater resilience means less need to rely on insurance, the RCO would design, support, and carry out adaptation and mitigation work across the country. In recognition of the millions of U.S. homes in need of significant hardening to better withstand nature-related catastrophes, a key focus of the RCO would be accessible and equitable risk reduction and resilience for existing homes and proactive relocation programs. The RCO would also develop nationwide resilience codes for rebuilds and new housing (including oft-ignored housing types like manufactured homes and multifamily buildings), as well as land use requirements that limit new buildings in the riskiest areas, like easements or setbacks along coastal and other flood-prone areas. And, for existing housing where it's too risky to stay, the RCO would develop comprehensive, science-based, equitable, and democratic mechanisms to support preventative relocation into safer housing.

Rationale and Feasibility

Without an insurance system that maintains financial security for the many and helps reduce disaster risk to homes, only the wealthy few are likely to remain financially solvent as climate-driven disasters increase. Only a holistic response to this crisis, designed to ensure safe, affordable housing for all rather than prioritize insurance company profits, can fully address the interconnected risks communities face. Countries like New Zealand and Spain, which have similar public insurance programs, prove the viability of this model, though the NHRA would improve upon those programs, in particular with its strong emphasis on risk reduction.

While the federal government doesn't need to identify direct "pay-fors" for a program like this, outside funding sources could more equitably spread the costs and benefits of an improved insurance system, decouple the NHRA from yearly appropriations cycles, and provide for a reparative approach to the unequal burden of climate change and housing discrimination on low-income communities and communities of color. The identification of those additional funding sources should stem from an analysis of the entities most responsible for the current climate-driven insurance crisis (including fossil fuel polluters), and those that would most benefit from stability in home insurance (like mortgage lenders). Among the stakeholders expected to contribute should be insurance companies themselves, which have made substantial profits over decades from the premiums that policyholders have dutifully paid.

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*For more information on this topic, including the **Background Paper**, please visit our policy page.*

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