Opening Statement of Chairman Whitehouse
Senate Budget Committee Hearing: "Next to Fall: The Climate-Driven Insurance Crisis is Here – And Getting Worse"
December 18, 2024

Good morning, and welcome to the 42nd—and final—hearing of the Senate Committee on the Budget during this 118th Congress. It has been an honor to lead this Committee for the last two years, and I am proud of the work we have done to shine a light on risks to the federal budget.

In our first hearing in this Committee on February 15, 2023, I brought with me this binder. I have it again with me today. As a reminder, nearly seven years ago, I sent a version of this binder to all of my Senate colleagues, in which I compiled some of the most compelling warnings about the economic risks associated with climate change. At the beginning of this Congress, I sent to the committee this updated version of it. Today, this binder is more relevant than ever, and I am updating it with what we have learned over the past two years of hearings.

Examining the economic risks and costs of climate change – and the economic opportunities from investing in clean energy – we repeatedly heard about the central role that insurance affordability and availability play in our economic system. When insurance becomes unavailable, it is impossible to get a mortgage, and when the pool of buyers is limited to those who can pay cash, property values crash. Multiple witnesses drew parallels to the 2008 Financial Crisis.

So, the Committee launched an investigation into homeowners' insurance market conditions across the country, to better understand the troubles affecting the market. The Committee focused on non-renewal data, as insurance industry experts had indicated that spiking non-renewal rates, even if still low in absolute terms, are often an early warning sign of market destabilization. Higher non-renewal rates are also correlated with higher premiums.

Well, today, we release that report, with brand new information about the key questions of "when and how bad" this will get. The answer is now, and very—and it's only getting worse.

This report is based on national, county-level non-renewal data from almost two dozen insurers representing approximately two thirds of the homeowners' insurance market.

Here are a few highlights.

First, the data confirm that climate change is driving increasing non-renewal rates; the counties that are most exposed to climate-related risks (such as wildfires or hurricanes) are the counties seeing the highest non-renewal rates—especially counties in Florida, Louisiana, and California.

Second, the data reveal that those areas are **not** the only places experiencing spiking non-renewal rates and increasing premiums. Florida has the highest average statewide non-renewal rate; but Texas, thought to be at significant risk, is not even in the top ten. Southern New England, the Carolinas (including inland North Carolina), Mississippi, New Mexico, counties in the Northern Rockies, Oklahoma, and Hawaii all suffer high non-renewal rates, demonstrating that the multiple climate-related effects (hurricanes, wildfires, severe convective storms, extreme precipitation, and sea level rise) are destabilizing widespread insurance markets.

Third, the data confirms a correlation between rising non-renewal rates and rising premiums. This underscores that climate change has become a major cost-of-living issue for families across the country.

Since this data was collected, climate change-driven extreme weather events have wreaked havoc across Florida and the southeastern United States, likely exacerbating the insurance crisis that is building across the country.

<u>**One thing is certain**</u>: unless the United States and the world rapidly transition to clean energy, climate-related extreme weather events will become both more frequent and more violent, resulting in ever-scarcer insurance and ever-higher premiums. This is predicted to cascade into plunging property values in communities where insurance becomes impossible to find or prohibitively expensive—a collapse in property values with the potential to trigger a full-scale financial crisis similar to what occurred in 2008. Only unlike in 2008, these property values will likely never recover. Climate change is no longer just an environmental problem. It is an economic threat and an affordability issue that we should not ignore.

I will close where I began nearly two years ago. My granddaughter Vera, who was then one year old, is now nearly three. I said then that I was hopeful that, by the end of our series of hearings, if we hear these expert witnesses, if we treat their testimony as our headlights, then our path would be clear. I hope that path has become more clear. I'm not sure what I have to say to my granddaughter, as climate-driven extreme weather events and the economic shocks that come with them continue to get worse. We need to get this right—for the sake of our planet, for the sake of American families and their prosperity, and for the sake of future generations like Vera's.