



Climate Change, Housing, and Homeowners Insurance in Florida: Lessons for California

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Florida’s unique geography makes it highly vulnerable to climate-related hazards such as sea-level rise and hurricanes. The implications for its real estate and homeowners insurance markets are enormous: Climate risk has caused private insurance companies to exit the state, home prices to shift, premiums to surge, and millions to rely on the state-backed “insurer of last resort.” In response, the state has implemented financial and regulatory reforms, such as limiting lawsuits against insurers and mandating flood disclosure, offering lessons for other at-risk states.

These dynamics hold many valuable lessons for state policymakers in California, given the natural parallels between the two states in terms of risk exposure, population size, and extreme vulnerability. The recent withdrawal of major insurance providers in California has destabilized local markets and has intensified statewide debate around affordability, coverage availability, and the appropriate role of public insurance. This brief highlights how climate change is transforming housing and home insurance markets in Florida—and what policymakers in California and other states might learn from the state’s responses and adaptive strategies.

Primary Hazard Risks

Florida's image is built on sunshine, continuous growth, and coastal living. Yet the very factors driving its boom are now colliding with the realities of climate change. The state's unique geography—a low-lying peninsula in the subtropics and tropics built upon porous limestone—makes it exceptionally vulnerable to climate hazards. Despite these risks, Florida is home to five of the [top 10 U.S. metro areas](#) experiencing the highest rates of growth. This expansion, especially along the coasts, coupled with the state's exposure to severe and worsening hazards, will likely create enormous consequences for Florida's housing and homeowners insurance markets. In turn, these impacts will threaten the availability of affordable and safe housing across the state. Below are brief descriptions of the impacts of each risk and how it manifests as a risk to housing and homeowners insurance.

Sea-Level Rise

With more than [8,400 miles](#) of shoreline and low-lying topography, Florida is extremely vulnerable to the impacts of rising sea levels. The rate of sea-level rise is accelerating; for example, tides in Miami are now over five inches higher compared to 1996. Projections from the National Oceanic and Atmospheric Administration (NOAA) indicate that South Florida could experience an [additional 10 to 17 inches of sea-level rise by 2040 and 21 to 54 inches by 2070](#). In addition to overland flooding and storm surge risks, the state's porous limestone bedrock means saltwater not only encroaches from the coast, but also from below, entering into freshwater aquifers, and threatening drinking water supplies, public infrastructure, and even [septic systems](#).

Hurricane Risk

Florida has experienced well over [\\$400 billion in damages since 1980](#) from hurricanes—the most in the country. Of course, hurricanes have always been a fact of life in Florida, but their nature is changing. Both [atmospheric](#) and [sea temperatures](#) in and around Florida have increased significantly. The

warmer water and the warmer atmosphere translate into more energy and more moisture; as a result, hurricanes make landfall with higher maximum wind speeds and more extreme rainfall. Stronger storms translate into more damage and higher storm surge (further amplified by sea-level rise), and any 'stalling' storms release enormous amounts of rain.

Extreme Rainfall

Hurricane strength is measured in wind speed. But the risks of inland flooding can not be ignored. Extreme rainfall can occur during rainfall-specific events or during impacts related to, but distinct from, hurricanes. For example: In April 2023, a "rain bomb" stalled over Fort Lauderdale, dumping over 25 inches of rain in 24 hours. Likewise, [Hurricane Irma \(2017\) and Hurricane Ian \(2022\)](#) both caused catastrophic flooding hundreds of miles from where they made landfall, reflecting the changing nature of hurricanes.

Homeowners Insurance in Florida

Florida's homeowners insurance landscape changed dramatically after [Hurricane Andrew in 1992](#). The storm inflicted insured losses so expensive—far beyond what the industry had prepared for—that it led to the bankruptcy of nearly a dozen insurance companies and caused many others [to pull out of the state entirely](#). This exodus created a severe insurance availability crisis for homeowners. In response, national insurers that remained in Florida created state-specific subsidiaries, known as "pup companies," to wall off their exposure to future disasters. The state government also intervened, establishing the Florida Hurricane Catastrophe Fund (FHCF) in 1993. The [FHCF acts as a state-level reinsurance fund](#), providing a financial backstop for insurers to help stabilize the market. These profound shifts continue to define Florida's current context, underscoring how the state's unique disaster vulnerability shapes its homeowners insurance and housing markets.

Three decades of reforms have led to some successes. That includes, most notably, a comprehensive and standardized building [code](#) that protects against

hurricanes, yet Florida's property insurance market remains unstable. Rising climate risks, continued coastal development, and surging rebuilding costs have escalated insurers' financial exposure. Many national carriers have exited the state as a response, leaving behind smaller regional firms and pup companies that operate with thinner capital bases. This has produced higher premiums and frequent insurer churn for individual homeowners. To prevent collapse, the state maintains three critical entities regulated by the Florida Office of Insurance Regulation:

1. **Citizens Property Insurance Corporation (Citizens):** a state-run "insurer of last resort" that provides primary insurance to homeowners who cannot find coverage in the private market;
2. **Florida Hurricane Catastrophe Fund (FHCF):** a state-backed reinsurance program that sells cheaper reinsurance to private companies; and
3. **Florida Insurance Guaranty Association (FIGA):** an entity that pays the outstanding claims of private insurers that become insolvent.

These programs are not funded by general taxes, but are backed by nearly all state policyholders. If and when these entities run a deficit after a major disaster, they issue bonds and levy assessments—essentially "hurricane taxes"—on almost every type of insurance policy (i.e., not just home insurance) in the state to repay the debt. This mechanism socializes the risk, spreading the immense cost of coastal exposure across the entire population of Florida.

Vulnerabilities in Housing and Homeowners Insurance

Climate Risk Discounts

Despite the physical risks and unstable insurance market, the Florida real estate market shows notable resilience. However, there are trends that suggest growing disaster risk is affecting both the real estate and insurance markets. Estimates vary slightly, but

analysis suggests that from 2005 to 2023, properties across Florida with significant climate risk have lost more than \$5 billion in relative value compared to homes with less exposure. By 2050, losses from flooding could devalue exposed homes by \$30 to \$80 billion, or 15 to 35 percent of total value. In general, this "climate risk discount" is most pronounced for single-family homes, suggesting that there is growing awareness among prospective homebuyers of the increased costs associated with vulnerable properties, including more expensive insurance premiums.

Furthermore, real estate data indicates that homes in FEMA-designated special flood hazard areas remain on the market for extended periods. The additional complexity and cost of securing flood insurance, coupled with buyer apprehension, can delay or even derail transactions. This suggests that while the final sale price may not always fully reflect the risk, the market imposes a penalty in the form of increased time for sale and uncertainty for sellers, negatively impacting the liquidity and desirability of these properties.

Rising Premiums and Reduced Coverage

The functionality of Florida's insurance market is challenged by climate-related storms, rapid population growth, and the cost of housing. For example, property insurers paid over \$100 billion in claims in 2022—an increase of 50 percent over the average yearly payout in the 2010s; 15 property insurers have declared insolvency since 2020. Relatedly, Citizens has seen explosive growth. It more than tripled in size between 2017 and 2022, becoming responsible for insuring \$423 billion worth of property. Many of these trends were triggered by losses from recent hurricanes, litigation abuse, and skyrocketing reinsurance costs.

The concentration of risk in a state-backed entity is perilous. A major storm could easily deplete its reserves, requiring massive assessments on all Florida insurance policyholders or a taxpayer-funded bailout. As such, there have been efforts to depopulate Citizens, which reached a high of 1.4 million policies in 2023, making it the largest property insurer in the

state. Coordinated efforts to depopulate Citizens have brought down policies to 851,000 [as recently as](#) March 2025.

Policy Responses

Current approaches to increased disaster risk and its impact on housing and homeowners insurance in Florida largely center on financial consequences rather than underlying vulnerabilities. Table 1 below reflects policy responses, including tort reform to reduce costs for insurers, new disclosure rules, and grant programs that encourage local governments to prepare for hurricanes and floods.

Lessons for California

In many respects, Florida's risk profile provides a clear analog to California's. Both are physically large states with large populations, have high vulnerability and exposure to natural hazards, and face immense pressure on their housing infrastructure. Below are three initial lessons from Florida for California.

Depopulating the Insurer of Last Resort

The financial burden on Florida and California as a result of their outsized disaster risk and valuable housing means both are carrying an undue amount of risk and responsibility. Florida's efforts to encourage insurers back to the state reflect an important—if incomplete—strategy to manage financial risks. The State of Florida is pursuing this strategy through tort reform (HB 837), drastically limiting the ability to sue insurance companies to reduce the litigation costs that insurers blame for their losses; creating a state-backed reinsurance, or RAP, fund to provide a cheaper layer of reinsurance for the insurance companies themselves, thus lowering their operating costs; and forcing depopulation (HB 1611), requiring homeowners to leave Citizens if they receive a private market offer that is within 20 percent of the Citizens premium, effectively forcing them to take more expensive private coverage.

Mandating Risk Disclosure is a Foundational, but Insufficient, Step

Florida has taken steps to decrease the information asymmetry between buyers and sellers, specifically through its 2024 Flood History Disclosure Law. It forces sellers to be transparent about a property's flood history. The importance of this effort is underscored by the fact that this is a property-to-property issue defined by topography and proximity to water, as well as the local likelihood of hurricanes, extreme rainfall, and other hazards. The combination of fine-grained data products available from third parties and regulations requiring transparency could have drastic impacts on coastal real estate in Florida. Similar efforts can be taken in California, especially related to wildfire risk, as a means of decreasing information asymmetry.

Parallel Challenges Could Lead to an Effective Partnership

A relatively simple lesson to consider is the enormous parallels between the two states in terms of their disaster and housing profiles, reliance on insurers of last resort, and immense, unfunded public liability for infrastructure protection. As such, a simple 'win' might be the development of mechanisms for dialogue, partnerships, and joint study between the two state governments regarding housing, insurance, and climate resilience.

Conclusion

Florida's housing and homeowners insurance challenges illustrate how climate risks are reshaping markets in ways that affect affordability, access, and long-term stability. Rising premiums, limited coverage options, and increased exposure to sea-level rise, hurricanes, and flooding underscore the need for policies that improve risk transparency, encourage more resilient building practices, and provide reliable insurance products for homeowners. These lessons, borne from years of extreme impacts, can inform strategies in California and other states in their management of climate risk for housing and insurance markets.

Table 1 | Recent Policy Interventions in Florida

Name	Purpose
Citizens Depopulation (HB 1611), 2024	Prohibits Citizens from insuring homes valued at or above \$700,000 (with some exceptions) and requires more homeowners to accept private market offers, even if those offers are more expensive. To continue the state's "depopulation" effort by moving policies from the state-backed Citizens back to the private market, reducing the state's overall financial risk.
Florida Flood Disclosure Act (HB 1049), 2024	Requires sellers of residential real estate to formally disclose any past flood damage, flood insurance claims, or FEMA flood assistance received for the property to increase transparency in real estate transactions by ensuring that potential buyers are fully aware of a property's flood history and associated risks.
Tort Reform (HB 837), 2023	Enacted broad civil litigation reforms, including changes to comparative negligence rules and bad faith lawsuits, which were not exclusive to property insurance but had a significant impact on it. To reduce the frequency and cost of lawsuits (a symptom of unique laws such as one-way attorney fees and assignment of benefits) that were cited as a primary driver of rising insurance premiums and insurer insolvencies.
Insurer Accountability (SB 7052), 2023	Increased regulatory oversight by requiring more frequent financial reporting from insurers, imposing stricter requirements on managing general agents, and enhancing consumer protections. To improve the financial transparency and accountability of insurers operating in Florida and to protect consumers from unfair claims handling practices.
Insurance Stabilization (SB 2-D), 2022	Created the Reinsurance to Assist Policyholders program, a \$2 billion fund to help insurers purchase reinsurance coverage, to stabilize the market by lowering the reinsurance costs for private insurers, thereby reducing the likelihood of their insolvency and encouraging them to stay in Florida.
Insurance/Insurance Oversight & Reform (SB 2-A), 2022	Aims to stabilize the insurance market by creating the Florida Optional Reinsurance Assistance program to provide state-backed reinsurance for insurers. The legislation also drastically reforms property insurance litigation by eliminating one-way attorney fees to reduce lawsuits and sets stricter deadlines for filing claims. Further, it makes it more difficult for homeowners to qualify for or remain with the state-backed Citizens Property Insurance, pushing them toward the private market.
My Safe Florida Home Program (Statute 215.55856), 2022	Designed to help eligible homeowners strengthen their properties against hurricanes. The program offers free inspections to identify potential weaknesses. Based on the inspection report, homeowners can then apply for matching grants to pay for recommended improvements.
Resilient Florida Grant Program (Statute 380.093), 2021	Provides funding to local governments to help them prepare for the impacts of flooding and sea-level rise. The program supports a range of activities, including conducting vulnerability assessments, developing resilience plans, and implementing projects that adapt critical infrastructure and natural systems to changing environmental conditions.

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