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To: The Honorable Jay Dean, Chair, Committee on Insurance
The Honorable Hubert Vo, Vice-Chair, Committee on Insurance
Members, House Committee on Insurance

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Sierra Club's Comments Regarding Cost Drivers Impacting Property and Causality Insurance Premiums

Cost Drivers Impacting Property and Casualty Insurance Premiums: Study cost drivers impacting property and casualty insurance premiums for consumers and their impact on home affordability in Texas. Study rate trends, underwriting practices, and market availability, with particular attention to coastal and catastrophe-exposed regions. Examine strategies used in other states, including those intended to reduce losses, improve property resilience and promote loss mitigation. Examine the need to employ additional strategies or make statutory changes to encourage greater market participation and promote competition. Make recommendations that reduce the cost of insurance and maintain sufficient consumer protection standards and market stability.

The Lone Star Chapter of the Sierra Club is pleased to submit these brief comments in response to the interim charge on "Cost Drivers Impacting Property and Casualty Insurance Premiums." As an organization, we do not normally work on insurance issues, but in Texas, the rising costs of homeowner, property and casualty insurance is impacting our members, and the state as a whole, and we believe that a significant reason for this increased costs is due in part to a changing climate, where extreme weather events in Texas are causing increases in damages and ultimately home insurance rates. Whoever is in the White House, we can not stick our heads in the sand, pretending that weather extremes and climate change are not occurring. Instead, we need to look at the future, put in regulatory frameworks to make sure our infrastructure is built better to withstand – to some extent – floods, high winds, ice storms, tornadoes, and blistering



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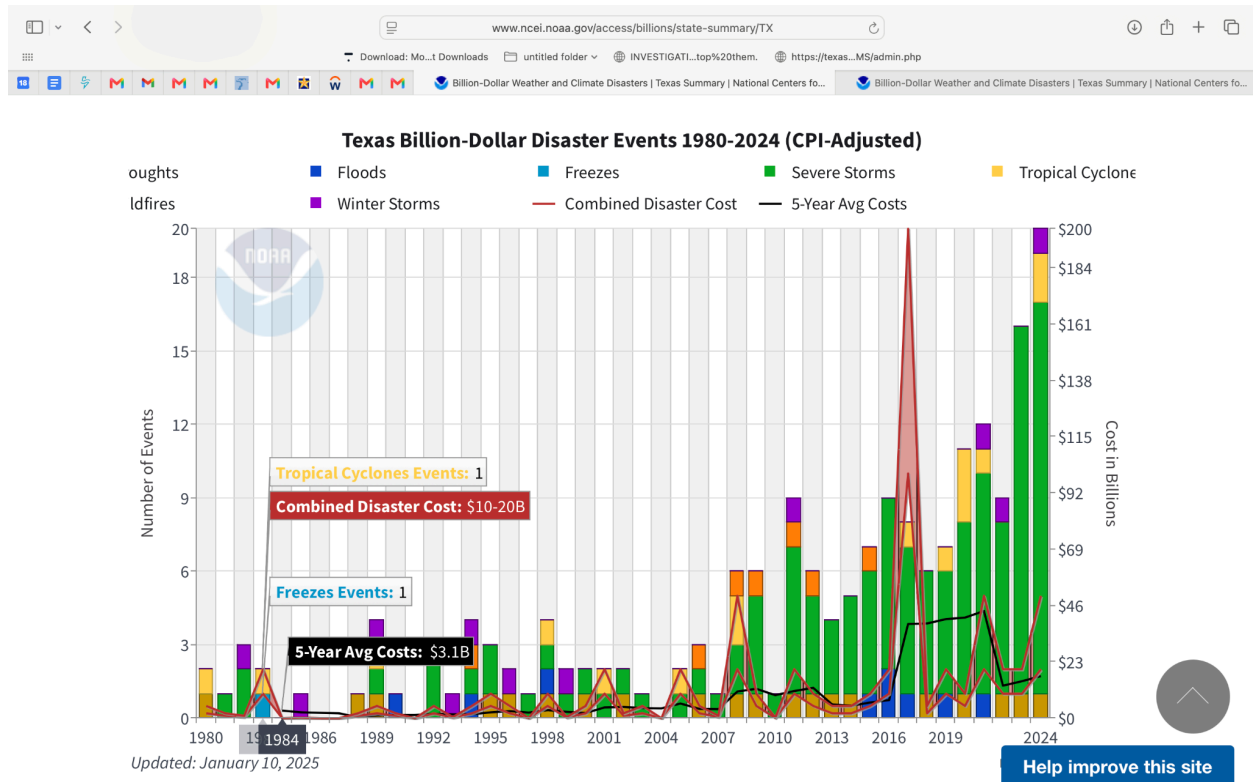
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temperatures that impact our building stock and other infrastructure like highways, the electric grid and our water systems. In some cases, this may require actual incentives to build to higher standards, in other cases, regulations are required. At the same time, the insurance industry must be held accountable, and where regulatory or incentive programs lead to better buildings and infrastructure, then policies should become less expensive. The insurance industry must play fair. While it is undeniable that claims and costs are going up, we need discounts for properties that are doing more to be resilient to the future. With recent data showing the insurance industry is earning more money than ever before, we need real relief for Texans who are doing the right thing to make their home and business more resilient to natural disasters.

Weather Extremes and Climate Change Have Decimated Texas

Over the last decade or so, Texas has faced more \$1 billion or more disasters than any other state. From floods like Hurricane Harvey or the 4th of July Hill Country Floods, to ice storms like Winter Storm Uri, to an increasing number of 100 degree days in the summer, to tornadoes and Derechos, Texans have lost lives, property, and infrastructure. It should come as no surprise that these storms and events have led to more claims and ultimately to higher policy costs in Texas, and in some cases have led to certain companies leaving the state.

Unfortunately, the federal government is no longer providing information about the \$1 billion dollar disasters and a visit to the NOAA website states: "In alignment with evolving priorities, statutory mandates, and staffing changes, NOAA's National Centers for Environmental Information (NCEI) will no longer be updating the Billion Dollar Weather and Climate Disasters product." Still, the existing data makes it clear: Texas is ground-zero for these disaster products. The U.S. sustained 403 weather and climate disasters from 1980–2024 where overall damages/costs reached or exceeded \$1 billion (including CPI adjustment to 2024). The total cost of these 403 events exceeds \$2.915 trillion.



Source: NOAA, January 2025

Almost half of these events occurred in Texas. According to NOAA:

"from 1980-2024, there were 190 confirmed weather/climate disaster events with losses exceeding \$1 billion each to affect Texas. These events included 20 drought events, 9 flooding events, 1 freeze event, 126 severe storm events, 16 tropical cyclone events, 7 wildfire events, and 11 winter storm events. The 1980–2024 annual average is 4.2 events (CPI-adjusted); the annual average for the most recent 5 years (2020–2024) is 13.6 events (CPI-adjusted)."

At the same time, the traditional drought of record of the 1950s in some regions of Texas is no longer the drought of record, and we have not even updated water availability models. The costs of electricity, water, infrastructure and insurance have all risen, in part driven by these disasters and our changing climate.

Policy Solutions: Resilience to Climate Disasters and Changing Weather

Sticking our head in the sand about climate change is not the answer. Efforts to prevent insurance companies or the Texas Department of Insurance from utilizing data about our changing weather patterns or consideration of climate science will only make it more difficult to keep insurance costs low and plan for the future. As Texans, we need to use the best science, incorporate information from the Office of State Climatologist, and avoid policies that prevent the use or consideration of that information.

Building Codes and Standards Should Be Updated

The recent disasters in Texas show that buildings and infrastructure built to better standards are better able to withstand storms. When homes are properly constructed, and there are direct or third-party inspections to confirm that standards are met, homeowners face lower repair and maintenance incidences and costs, energy and water use are less, and housing becomes more affordable. Insurance companies should see less claims, and they should be less likely to drop policies or exit the market. When insurance companies see fewer and lower claims for homes built to higher standards, they are less likely to drop policies or exit the market altogether.

The Sierra Club first believes that Texas should consider raising the minimum building code standards both in cities and in counties. Last session, we supported two bills filed in the house – HB 871 and HB 882 – that would have required an update to the minimum International Residential Code and International Building Code (for commercial buildings) in both municipalities and counties, while also giving counties that chose additional enforcement and permitting powers over those codes. HB 871 did pass the House but was never considered in the Senate, while HB 882 did have a hearing but did not advance out of committee. Currently, Texas codes are stuck at the 2006 IBC and IRC for counties and the 2012 IBC and IRC for cities. While many individual cities and counties have adopted more recent codes, establishing a state minimum is a key recommendation going forward.

Our recommendation: Update the codes to the 2024 IRC and 2024 IBC, but at least to the 2018 IRC and IBC as a minimum. The 2018 IRC and IBC contain important protections to floods and storms that older codes do not address, although ultimately the 2024 codes are more protective for Texans and also more flexible for builders.

At a minimum, the Legislature should adopt and enforce building standards for hail- and wind-resistant roofs and roof fortification, flood elevation, and wildfire hardening.

Other Building Code Recommendations

In addition, the Legislature should consider legislation that requires an insurance discount for property, flooding and casualty insurance if buildings are built to a certain standard. If buildings were built to even a higher standard than the minimum, even larger discounts could be considered.

Additional Recommendations

Fortified Roof Programs

Many states in the southeast, such as Alabama and Georgia, have adopted new programs to reward homeowners with financial incentives who agree to update existing roofs to meet certain standards that make their roofs less likely to be impacted by storms, floods and other natural disasters. Last legislative session, the Sierra Club supported HB 1576 by Oliverson, which would have created a state-administered grant program for hurricane and windstorm loss mitigation to help single-family homeowners retrofit their properties to "FORTIFIED Roof" standards. The bill passed the House with strong bipartisan support (120–21) and was referred to the Senate Business & Commerce committee, but the session ended before it could clear the Senate. The overwhelming House approval indicates significant momentum for the fortified roof grant concept, which aims to improve structural resilience and lower premium costs for windstorm-prone areas.

While Sierra Club supported the proposal, we did believe the legislation should have been strengthened by requiring insurance companies to provide a discount to insurance premiums for those Texans meeting these standards. If we are going to spend state money on a program to help Texans make their homes more resilient, then insurance premiums should be required to go down for those taking advantage of the program.

Flood Protections and Insurance

During the development of the 2024 State Flood Plan, one of the key recommendations was for the TWDB to develop guidance and standards to protect buildings and infrastructure from flooding and flood conditions, that could easily be adopted by local governments (or as a state standard). *The Legislature should consider directing the TWDB to adopt guidelines for floodplain management, including floodplain management and drainage standards for infrastructure and buildings.*

When homes and buildings are built outside of floodplains (or not rebuilt within floodplains after a loss) and floodplains are conserved as open space, lives and properties are at much lower risk. With fewer buildings in the floodplain, floodwaters and receiving waters are at lower risk of contamination, protecting downstream water quality. Texas has fallen behind its peers in ushering in these long-term benefits.

Texas should develop standards and guidance for building in floodplains and prohibit NEW construction of homes and critical facilities in the 100-year floodplain. If there is any construction in such areas, the legislature should adopt and enforce building standards for hail- and wind-resistant roofs and roof fortification (such as the Fortified Roof Program), flood elevation, and wildfire hardening.

State Buy-Out and Land Conservation Program

Money from the federal government to better protect natural areas that help avoid flood disasters, or buyout homes located in the 100-year (or even 500-year) floodplain are drying up with severe cuts to FEMA and HUD over the last few years. The state of Texas should examine opportunities to increase, streamline, and improve conservation easement and floodplain buyout programs in the state.

The Sierra Club would support a bill to either create a new fund, or create a program within the Flood Infrastructure Fund that could be used to purchase land or a conservation easement in land for flood mitigation. The creation of a “Texas flood protection land conservation program” could be an important step forward to protect lands that are needed to protect Texans from floods.

County Authority

While outside the scope of this particular charge, Sierra Club believes that counties need some more specific regulatory authority, which could ultimately help lower insurance premiums. Specifically in addition to supporting more specific county authority over implementation and enforcement of building codes (HB 882), counties need more clarified authority over drainage, impervious cover, stormwater management and special water features. During the second special session, the Sierra Club supported HB 117, by Erin Zwiener, that would have given counties the authority to evaluate and manage development impacts in floodplains to prevent exacerbating flash flooding downstream. While the bill did receive a hearing, it was not specifically on the Governor’s call, and did not proceed. Still, we do believe that without some specific authority by counties on certain land use, insurance premiums for homeowners are



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likely to continue to rise. By putting some guidance on growth outside of cities, Texas can assure that homes and businesses develop in areas not as subject to climate extremes and natural disasters.

Conclusions

The Sierra Club would be supportive of legislative efforts to:

- Incorporate science and avoid efforts to ignore information about climate change;
- Update statewide county and city building codes which should help reduce insurance rates;
- Require discounts by insurance providers for buildings built to certain standards;
- Support a fortified roof grant program, with required discounts for those meeting certain standards;
- Create state guidance for flood management and infrastructure standards;
- Create statewide land conservation programs specifically designed to lower flood protections;
- Provide counties more authority over certain aspects of land development, including building codes, impervious cover, drainage, stormwater management and other water issues.

The Sierra Club is pleased to offer these comments to the Committee on insurance on cost drivers and solutions to bring down the cost to homeowners.