

Macro Roundup Article

Headline: [Property Insurance and Disaster Risk: New Evidence from Mortgage Escrow Data](#)

Article Link: <https://www.nber.org/papers/w32579>

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Tweet: Across zip codes, a one SD increase in disaster risk was associated with \$500 higher premiums in 2023, up from \$300 in 2018, mainly caused by the pass-through of reinsurance costs. @Key_Z_E @Philipcheesy

Summary: Premiums have risen sharply since 2020. This growth has been concentrated in disaster-prone zipcodes, and elevated reinsurance costs are a critical driver of the increase. New estimates of the elasticity of premiums with respect to climate risk show that the pass-through of risk to premiums increased more than 60% between 2018 and 2023. We also provide a new estimate of the pass-through of reinsurance costs to insurance premiums in markets exposed to catastrophic disasters, finding that the increase in reinsurance prices can explain over half of the increase in the relationship between premiums and risk. By 2053, we estimate that climate-exposed homeowners will be paying \$700 higher annual premiums due to increasing wildfire and hurricane risk. These premium increases are highly sensitive to reinsurance prices. If insurance costs revert to their 2018 levels, then premium increases will be reduced by $\frac{1}{3}$. Thus, the costs of climate change depend on the costs of accessing reinsurance markets to diversify catastrophic risks.

Related Articles: The Uninsurable World: What Climate Change Is Costing Homeowners in Southwest Florida, High Home Insurance Rates Are Driving Away Would-Be Buyers and As Texas Burns, Property Insurance Costs Soar

Primary Topic: Housing

Topics: Academic paper, Financial Markets, GDP, Global Warming, Housing, Science

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