



## REPORT

# Texas's Insurance Crisis: How Homeowners Pay More For Less While Insurers Profit

## Executive Summary

Texas homeowners are trapped in a home and property insurance system that has become the third most expensive in the nation while insurers deny nearly half of all claims. Since 2019, premiums have skyrocketed by 55%, forcing roughly one-third of low-income homeowners to go without coverage entirely.

Meanwhile, home insurance companies have systematically dismantled consumer protections through industry-funded political groups, used cost-cutting tactics that sacrifice accuracy for profit, and raised deductibles to levels that make policies nearly worthless when disaster strikes. The evidence reveals a coordinated effort to extract maximum revenue from policyholders while minimizing payouts, all enabled by a 2017 law that gutted homeowners' ability to challenge wrongful claim denials.

Texas politicians and regulators have done little to help policyholders in the Lone Star State, instead focusing on insurance companies' bottomlines and profits. In fact, Texas is the [only Gulf Coast state](#) not to offer mandatory insurance discounts for using more resilient construction methods in homes, a commonly used incentive-based risk reduction practice across the nation. Texas policies have created a system in which private insurers extract profits from the most desirable customers while socializing the risk of everyone else.

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## The Premium Crisis: Texas Becomes Third Most Expensive State for Home Insurance

### Unprecedented Rate Increases Price Families Out of Coverage

Texas home insurance premiums have experienced a dramatic transformation in recent years, climbing to levels that rival the nation's most expensive markets. Since 2019, there has been a [55% effective increase](#) on Texas home insurance premiums. This surge has fundamentally altered the affordability landscape for homeowners across the state, creating a crisis that extends far beyond simple rate increases.



Texas is now the [third most expensive](#) place for home insurance in the United States. The state's position near the top of this unwanted ranking reflects a market failure that has left millions of homeowners struggling to afford basic protection for what is typically their largest financial asset. Texas home insurance costs [nearly twice the national average](#) for a \$300,000 property. This means that while homeowners in most states pay reasonable premiums that reflect actual risk, Texas families are being charged at rates that suggest either extraordinary risk or extraordinary profit-taking or both.

## **The Uninsured Crisis: Low-Income Families Abandoned**

The impact of these premium increases has been most [devastating](#) for those least able to absorb additional costs. Roughly one-third of low-income Texas homeowners are not insured. This represents hundreds of thousands of families living in homes without any protection against fire, theft, or natural disaster. When catastrophe strikes these uninsured households, they face complete financial ruin with no safety net.

The state's lightly regulated insurance market has allowed insurers to respond to higher costs by [raising premiums and dropping policies in "risky areas"](#) rather than leaving the state. This regulatory failure has created a two-tiered system where profitable customers receive coverage at inflated prices, while less profitable customers are simply abandoned to fend for themselves.

## **Insurers of Last Resort Overwhelmed by Desperate Homeowners**

The exodus of homeowners from the private insurance market due to skyrocketing premiums has created unprecedented demand for the state's insurers of last resort.

From 2022 to 2024, the number of homeowners relying on the Texas FAIR Plan – one of the state's two insurers of last resort – [doubled](#) to over 120,000 policies. This doubling in just two years represents a market in crisis, with tens of thousands of families unable to find coverage in the private market at any price.

The situation with Texas's other insurer-of-last-resort reveals an even more troubling trajectory. The Texas Windstorm Insurance Association [projects](#) that it will hold nearly 300,000 policies by the end of 2025, the most in its history.

These insurers of last resort were designed to serve as temporary safety nets for a small number of truly high-risk properties. Instead, they have become the primary option for hundreds of thousands of homeowners who have been systematically pushed out of the private insurance market.

This means that while home insurers' claim they cannot afford to cover Texas homes at current premium levels, they are simultaneously abandoning the market and forcing homeowners into state-backed programs that were never designed to handle such volume. The private insurers extract profits from the most desirable customers while socializing the risk of everyone else.

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## Cost-Cutting Schemes: Insurers Sacrifice Accuracy for Profit

### Aerial Photography Replaces Human Inspections Despite Known Inaccuracy

Texas home insurers have embraced cost-cutting measures that prioritize their bottom line over accurate risk assessment. At least some Texas home insurers [use aerial photography](#) to determine whether to drop coverage from certain homes, which the industry says is “a ‘low-cost’ alternative to in-person inspections.” The industry’s own description reveals the priority: not better assessment, not more accurate evaluation, but simply lower cost.

The problems with this approach are not disputed. Both homeowners’ groups and the companies hired by insurers to assess aerial photos agree that the method is [less accurate than human inspections](#). This consensus acknowledgment of reduced accuracy makes the continued use of aerial photography particularly damning. Insurance companies are knowingly using a less reliable method to make coverage decisions that can devastate families, and they are doing so purely to save money on inspections.

This means that homeowners across Texas are having their coverage dropped or their premiums raised based on assessments that everyone involved admits are less accurate than proper inspections. A roof that might pass an in-person inspection could be flagged by aerial photography due to shadows, discoloration, or image quality issues. Families are losing coverage not because their homes are actually at higher risk, but because insurers have decided that accurate assessment is too expensive.

### Texas Stands Alone in Refusing to Incentivize Resilient Construction

While other Gulf Coast states have recognized that encouraging stronger, more resilient construction can reduce both damage and insurance costs, Texas has taken a different path. Texas is the [only Gulf Coast state](#) not to offer mandatory insurance discounts for using more resilient construction methods in homes. This distinction is particularly striking given that Texas faces many of the same hurricane, wind, and hail risks as its neighbors.



The benefits of resilient construction incentives are well-documented. In states that incentivize resilient construction standards, insurers have paid out fewer claims and have [not needed to resort to large rate increases](#). This creates a virtuous cycle: homeowners invest in stronger construction, insurers pay fewer claims, and premiums remain more stable. Everyone benefits – except those who profit from the current crisis.

The insurance industry's position on this issue reveals their true priorities. Home insurers that operate in Texas say they support the concept of a statewide resiliency program but [don't want to be forced to offer discounts to customers](#) – a feature that consumer advocates say is critical to getting homeowner buy-in. In other words, home insurers want the public relations benefit of supporting resilience while refusing to provide the financial incentive that would actually encourage homeowners to invest in stronger construction.

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## The Claim Denial Epidemic: Half of All Claims Closed Without Payment

### A Systematic Pattern of Non-Payment

The most damning evidence of the home insurance industry's exploitation in Texas comes from examining what happens when homeowners actually need to use their policies. In 2024, [nearly half of claims filed](#) with Texas home insurers were closed without any payment to the homeowner. This statistic represents a fundamental betrayal of the insurance contract: homeowners are paying premiums year after year, and when disaster finally strikes, nearly half receive nothing.

The problem is not limited to a few bad actors. Ten Texas home insurers [closed more than half of their claims](#) without payment, including two companies who did so on more than 60% of claims. These companies are collecting premiums from thousands of policyholders while denying the majority of claims filed. For the two insurers denying more than 60% of claims, the business model is clear: collect premiums from everyone, pay claims for fewer than four in ten policyholders who file.

### Two Decades of Rising Unpaid Claims

The claim denial crisis did not emerge overnight. Unpaid home insurance claims in Texas have [steadily increased](#) from 35% in 2004 to 47% in 2024. This twenty-year trajectory shows a particularly dramatic shift. Digging deeper, the data shows an increase of 10 percentage points from 2016 to 2017 in unpaid claims. This single-year spike represents tens of thousands of Texas families who filed legitimate claims and received nothing. The timing of this increase points to a



specific cause that transformed the market virtually overnight: a deterioration of oversight, regulation, and consumer protections.

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## **The 2017 Law: How the Insurance Industry Rewrote Consumer Protections**

### **Legislation That Gutted Homeowner Rights**

The dramatic increase in claim denials that began in 2017 was not coincidental. In 2017, Texas [passed a law](#) that made it harder to sue insurers for wrongfully denied claims, and lowered the penalties for insurers who were found to have wrongfully denied a claim. The legislation fundamentally altered the risk-reward calculation for home insurance companies considering whether to deny a claim.

Before 2017, home insurers faced meaningful consequences for wrongfully denying legitimate claims. Homeowners could sue, and companies found to have acted in bad faith faced substantial penalties. This created an incentive for insurers to carefully evaluate claims and err on the side of payment when evidence was ambiguous. After 2017, the calculus changed. With lawsuits harder to file and penalties reduced, the financial risk of denying claims decreased dramatically. The 10 percentage point spike in unpaid claims immediately following the law's passage demonstrates how quickly home insurers adapted to their new freedom.

### **Insurance Industry Money Behind the Legislative Change**

The 2017 bill was [supported](#) by a GOP-backed group called Texans for Lawsuit Reform. This organization, despite its neutral-sounding name, has been a consistent recipient of insurance industry funding for more than a decade.

As the legislation was considered, the American Insurance Association contributed \$70,000 to Texans for Lawsuit Reform between 2012 and 2017, with annual donations ranging from \$10,000 to \$15,000. Then, after the successful passage, the American Property Casualty Insurance Association contributed \$144,400 to Texans for Lawsuit Reform between 2017 and 2023, including a \$75,000 contribution in 2023 alone. Continued contributions following the bill's passage suggest the relationship remains mutually beneficial.

The same insurance companies now denying nearly half of all claims filed by Texas homeowners spent years funding the political organization that successfully lobbied for the very legislation making it harder for those homeowners to challenge wrongful denials. The insurance industry invested hundreds of thousands of dollars to change the rules in their favor, and the return on that

investment has been substantial: billions of dollars in claims that can now be denied with minimal legal risk.

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## Deductibles and Carveouts: Making Policies Worthless When Needed Most

### Insurance Industry Blames Deductibles It Controls

Insurance industry representatives claim that the increase in unpaid claims is [mostly driven by higher deductibles](#). This explanation attempts to shift responsibility from home insurers' denial practices to policy terms that homeowners supposedly agreed to. However, this framing ignores who controls deductible levels and why they have increased so dramatically.

The reality is that home insurers have systematically raised deductibles themselves to levels that make policies nearly worthless for many types of damage. In July 2025, Texas's largest home insurer (State Farm) [doubled the minimum deductible](#) on wind and hail damage in the Dallas-Fort Worth area, citing high costs and similar moves from competing companies. This doubling means that homeowners who previously had a \$1,000 deductible now face a \$2,000 deductible before their insurance pays anything.

### Coastal Homeowners Face Percentage-Based Deductibles

The deductible situation is even more severe for coastal homeowners. Many homeowners' policies written in coastal Texas include a [2 to 3% deductible for wind damage](#). These percentage-based deductibles create a perverse situation where homeowners pay premiums that are nearly twice the national average, yet face deductibles that are many times higher than standard policies.

A family paying \$6,000 per year in premiums (twice the national average for a \$300,000 home) could face a \$9,000 deductible when wind damage occurs. They would need more than \$15,000 in damage before receiving any insurance benefit, despite having paid tens of thousands of dollars in premiums over the years.

#### Example: \$300,000 Home

2% wind deductible =  
\$6,000 out-of-pocket

3% wind deductible =  
\$9,000 out-of-pocket

This means that home insurance companies have created policies that collect maximum premiums while providing minimum coverage. Homeowners are paying for protection they will never receive because the deductibles have been set at levels that exceed the cost of most damage events. The home insurance contract has been

hollowed out, leaving only the premium obligation for homeowners and the profit opportunity for insurers.

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## **Conclusion: A System Designed to Extract Profits While Denying Homeowners Protection**

The evidence is overwhelming and damning: Texas' home insurance system has become a mechanism for extracting wealth from homeowners while systematically denying them the protection they have paid for. The 55% premium increase since 2019, combined with the near-doubling of claim denials since 2017, reveals an industry that has successfully rewritten the rules to maximize revenue while minimizing payouts.

Texas homeowners now face:

- The third-highest insurance premiums in the nation, with costs nearly twice the national average for comparable properties.
- A one-in-three chance that their low-income neighbors have no insurance coverage at all, creating entire communities vulnerable to financial catastrophe.
- A nearly 50% probability that any claim they file will be closed without payment, regardless of the legitimacy of their damage.
- Deductibles that have doubled in recent years, with coastal homeowners facing percentage-based deductibles that can reach \$9,000 or more before coverage begins.
- A complete absence of incentives to build more resilient homes, despite clear evidence from other states that such programs reduce both damage and insurance costs.

Meanwhile, home insurance companies operating in Texas are:

- Using the state's lightly regulated market to drop policies in "risky areas" while maintaining coverage for the most profitable customers.
- Employing cost-cutting tactics like aerial photography that sacrifice accuracy for profit, leading to coverage decisions based on inferior data.
- Collecting premiums from homeowners that have increased 55% in just six years while denying nearly half of all claims filed.
- Systematically raising deductibles to levels that make policies nearly worthless for many common types of damage, particularly wind and hail.
- Operating under legal protections purchased through hundreds of thousands of dollars in contributions to political organizations that successfully lobbied for laws making it harder to challenge wrongful claim denials.



This is not a market failure that can be corrected through minor adjustments or voluntary industry initiatives. This is a policy failure that requires immediate legislative action. Texas must repeal or substantially modify the 2017 law that gutted consumer protections, restore meaningful penalties for wrongful claim denials, mandate insurance discounts for resilient construction methods, prohibit the use of aerial photography as the sole basis for coverage decisions, and cap deductibles at reasonable dollar amounts rather than allowing percentage-based calculations that can reach into the thousands. Until these reforms are enacted, Texas homeowners will continue paying record premiums for insurance policies that increasingly exist only on paper.