

Trends and Insights:

Texas: A Complex Mix of Risks

Devastating flooding in central Texas over the July 4, 2025, weekend highlighted several aspects of the state's risk profile that also are relevant to the rest of the country.

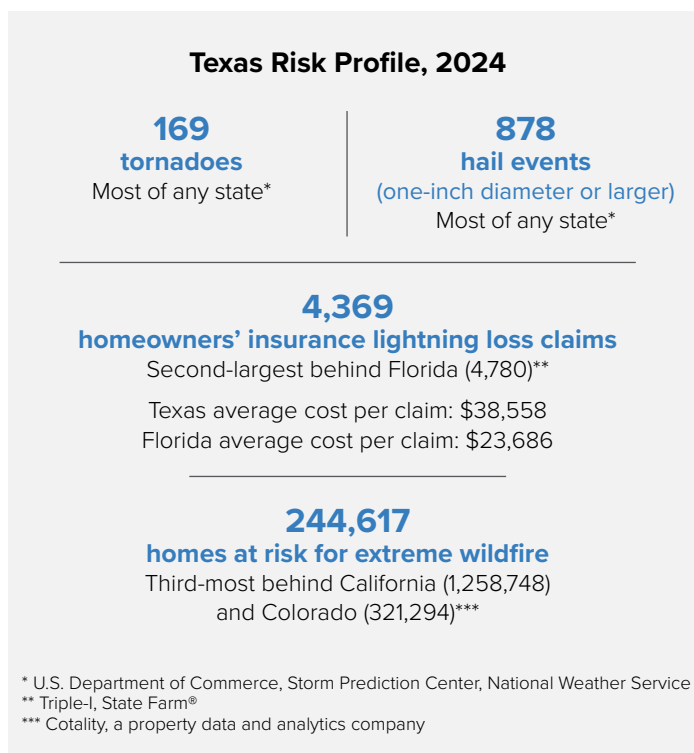
One is the rising incidence of severe [inland flooding](#) related to tropical storms. Tropical Storm Barry made landfall in Mexico on June 29 and weakened quickly, but its remnant moisture drifted northward into Texas, according to [Dr. Phil Klotzbach](#), a research scientist in the Department of Atmospheric Science at Colorado State University and a Triple-I non-resident scholar.

"A slow-moving low-pressure area developed and helped bring up the moisture-rich air from Barry and concentrated it over the Hill Country of central Texas," Klotzbach said. "The soil was also extremely hard from prior drought conditions, which exacerbated the flash flooding that occurred."

Such flooding far from landfall has become more frequent and severe in recent years, with events like Hurricanes Harvey (2017), Ida (2021), Ian (2022), and Helene (2024). In Texas – as in much of the United States, particularly far from the coasts – few homeowners have flood insurance. Many people believe flood damage is covered by their homeowners' or renters' insurance. Others believe the coverage is not worth buying if their mortgage lender doesn't require it. In Kerr County, where much of the July 4 flooding took place, flood insurance take-up rates through the National Flood Insurance Program (NFIP) were 2.5 percent.

Severe convective storms

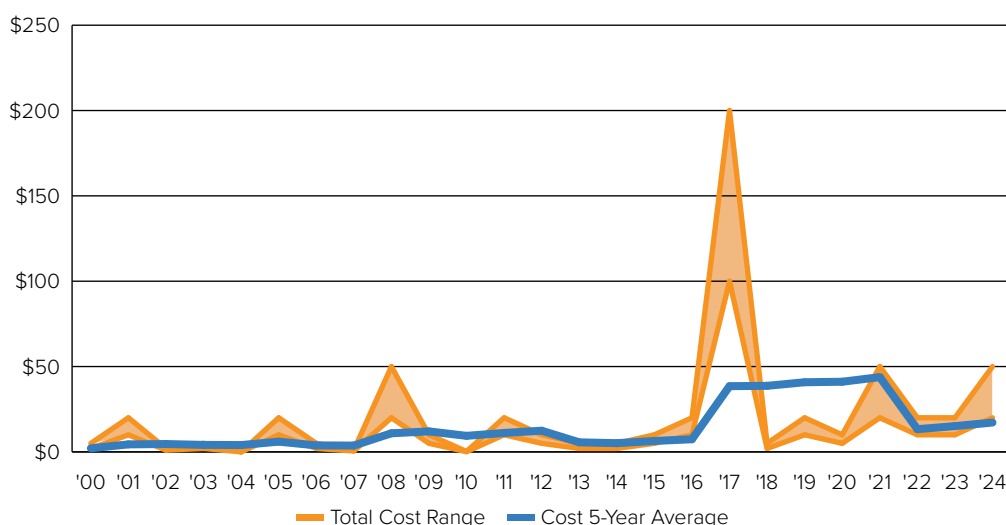
But tropical storms aren't always the impetus for flooding. In July 2023, a series of intense thunderstorms resulted in heavy rainfall,



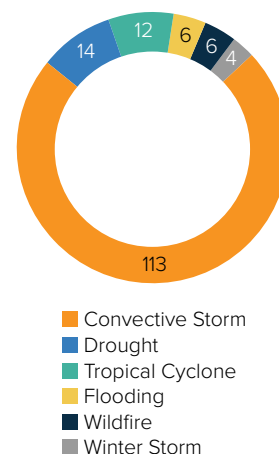
deadly flash floods, and severe river flooding in eastern Kentucky and central Appalachia. The conditions that lead to such [severe convective storms](#) also are prevalent in Texas.

These storms manifest in various ways, depending on atmospheric conditions — from drenching thunderstorms with lightning, to tornadoes, hail, or destructive straight-line winds. Texas is particularly well placed for severe convective storms. It experiences [over 100 tornadoes](#) annually, with the highest

Cost Range (billions) of All Natural Catastrophes in Texas, 2000-2024



Number of Events, 2000-2024



activity in the Panhandle and North Texas. The state also is highly vulnerable to hail, having experienced 878 events in 2024 involving stones with diameters of one inch or greater – the most such events of any state.

Severe convective storms are a growing source of losses for property/casualty insurers. [According to Gallagher Re](#), severe convective storm events in 2023 and 2024 “have cost global insurers a remarkable US\$143 billion, of which US\$120 billion occurred in the U.S. alone.”

Wildfires and freezes

Given its aridity and winds, it should be no surprise that the Lone Star State also is subject to wildfire, with 244,617 homes [considered at risk](#) in 2024 (behind California and Colorado). In recent years, Texas also has found itself subject to severe winter storms and debilitating freezes. On Valentine’s Day 2021, snow fell across most of Texas, accumulating as temperatures stayed below freezing and precipitation continued through the night. A catastrophic failure of the state’s independent electric grid exacerbated these conditions as snow and ice shut down roads and many homes suffered pipe bursts and multiple days without power.

The effects of that storm continue to be felt as Texas leaders seek to prevent a repeat. Improvements of the power grid and other infrastructure have been made, and authorities work hard to get out in front of trouble when temperatures start to dip into the 30s.

Texas’s 2021 experience illustrates how grid instability can act as a “risk multiplier” for natural disasters. While the extreme cold affected much of the central United States, 80 percent of insured losses came from Texas alone. This concentration occurred because the power outages were largely confined to the [Electric Reliability Council of Texas](#).

Having said that, the entire U.S. electric power grid is increasingly vulnerable. Much of the grid was built in the 1960s and 1970s, and, [according to the U.S. Department of Energy](#), “our aging infrastructure is struggling to meet our modern electricity needs.” Substantial upgrades are needed to address increased demand from [proliferating AI data centers](#) and other sources under ordinary situations, let alone in the aftermath of catastrophes. Grid modernization is just one necessary condition for keeping insurance available and affordable.

Insurance affordability impact

These combined vulnerabilities have contributed to Texas being the sixth-least-affordable state for homeowners insurance in 2022, behind Louisiana, Florida, Mississippi, Oklahoma, and Arkansas, according to the [Insurance Research Council](#) (IRC). IRC says Texas homeowners on average pay 3.13 percent of median household income for homeowners’ insurance.

Personal auto insurance in Texas is more affordable than homeowners’, at 1.65 percent of median household income, the 14th-least-affordable state, according to IRC.

“All insurance pricing needs to reflect the risk inherent in the coverage provided,” said Triple-I Chief Insurance Officer Patrick Schmid. “For Texas homeowners, their poor affordability reflects the high levels of natural catastrophe risk – most notably, severe convective storms and hurricanes. Improving the resilience of homes, businesses, and communities is essential to reduce the risk, improve affordability, and save lives.”

Upward pressure on premiums

As in many states, premium rates in Texas are subject to upward pressure from a variety of forces. Inflation continues to drive up repair and replacement costs, and threats of tariffs could exacerbate these pressures. Triple-I Chief Economist and Data Scientist Dr. Michel Léonard pointed out that “replacement costs, initially projected to rise more slowly than CPI, may accelerate and begin to outpace it.”

Texas also is no stranger to insurance claims litigation trends that are pushing premium rates up nationwide. Legislatures in several states – particularly, Florida, Louisiana, and Georgia – have taken steps to address these trends and have begun seeing their efforts begin to bear fruit. However, reform has met resistance from plaintiff attorneys and consumer advocacy groups.

Need for data and collaboration

The severe damage and loss of life from the July 4 flooding have naturally raised the question of whether the Trump Administration’s reductions in National Weather Service (NWS) staffing contributed to the high human cost of this event. While it is hard to say with certainty, these cuts have affected how NWS works – for example, in its use of [weather balloons](#) to monitor weather. As early as April, staffing [data gathered by NWS](#) indicated that field offices were “critically understaffed”.

In June, panelists at Triple-I’s Joint Industry Forum generally [expressed concern](#) about the impact of the federal cuts on weather monitoring and modeling, as well as programs to help communities adequately prepare for and recover from disasters. Triple-I has published extensively on the need for insurers to shift from exclusively focusing on repairing and replacing property to predicting events and preventing damage. Collective action at all levels – individual, commercial, and government – is needed to mitigate risks, build resilience, and reduce fraud and legal system abuse. Triple-I and its members are committed to fostering such action and regularly provide data and analysis to inform the necessary conversations.