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Leaving Louisiana: Disasters, insurance hikes could spur mass exodus

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The soaring cost of home insurance in Louisiana threatens to drive residents out of the state, depress property values and disrupt local services by shrinking municipal tax revenue, a new financial analysis says.

Moody's Investors Service projected in a report Monday that Louisiana will experience a "severe" loss of working-age residents due to long-term demographic trends and the "state's susceptibility to natural disasters."

"Expensive insurance has the potential to contribute to out-migration," Moody's wrote.

The seven-page report portrays Louisiana as the state facing the worst threat from increasing costs of property insurance and flood insurance, which are driven in part by climate change fueling stronger storms, wildfires and floods.

Louisiana residents already pay the highest portion of their income for property insurance and have faced growing costs since major hurricanes in 2020 and 2021 bankrupted local insurance companies.

Property insurance costs are soaring across the U.S. in areas that insurers say are vulnerable to flooding, severe storms or wildfires. In states such as California, Florida and Texas, as well as Louisiana, insurers have scaled back coverage in high-risk areas and in some cases have left a state entirely or become insolvent.

Louisiana is particularly vulnerable to insurance problems because a large portion of its population lives in coastal areas exposed to hurricanes and flooding, and the state's income levels are among the lowest in the nation.

Although Louisiana's insurance issues are well known in the state, the Moody's report makes startling projections about the loss of working-age adults over the next decade. A population drop could weaken the Louisiana economy by slowing consumer spending and creating labor shortages.

Moody's says that 55 of Louisiana's 64 parishes — which are the equivalent of counties — will see a decline in the number of working-age adults by 2033.

The state's most populous parishes, largely in the New Orleans area, will lose about 3 percent of their working-age residents. Two small parishes will lose more than 20 percent of working-age residents.

Moody's said that "unaffordable property insurance" could reduce housing prices, sales and construction, all of which would cut revenue for local governments, which rely heavily on property taxes. Rising insurance costs could force residents to drop coverage, which would slow rebuilding after a disaster because owners of uninsured homes often can't afford repairs.

A revenue loss would make it harder for local governments to increase spending on infrastructure and other programs "to mitigate the impact of severe weather events," Moody's wrote.

Moody's said a decline in property values "is not yet apparent."

Moody's warnings echo concerns raised by Louisiana officials about the higher premiums that tens of thousands of residents are paying for flood insurance sold by the federal government. Flood insurance is sold separately from property insurance, and most flood policies are sold by the government's National Flood Insurance Program.

The program is increasing premiums for millions of policyholders based on an updated analysis of flood risk. Louisiana policyholders are experiencing some of the largest cost hikes.

The Moody’s report praises two new Louisiana programs that pay insurers to write policies in the state and pay residents to fortify homes against flood and hurricane damage, which lowers their insurance premiums.