

# INSURING IOWA'S FUTURE

## UNDERSTANDING THE ROLE OF INSURANCE AND NATURAL DISASTERS IN IOWA'S ECONOMY

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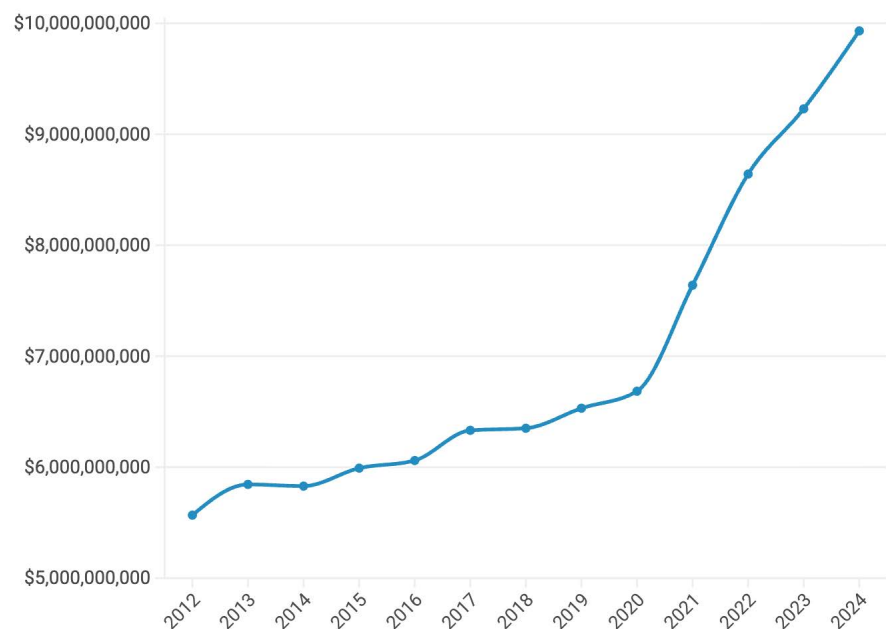
### INTRODUCTION

Investing in mitigation can reduce losses caused by natural disasters and expand Iowa's economy. While Iowa's insurance industry plays an outsized role in the state's economy, a series of severe natural disasters over the last couple decades and rising replacement costs of structures are presenting pressing challenges for the industry. The 2008 flooding of central and eastern Iowa, the 2020 derecho, and other weather disasters have caused billions of dollars in damage to properties across Iowa. Meanwhile, the United States has gone through a period of the highest inflation in four decades

over the past four years, sending the cost to replace lost or damaged property soaring. These pressures have resulted in soaring premiums for Iowa property owners. If left unaddressed, this trajectory could leave more Iowans underinsured or uninsured, leading to a growing protection gap. At the heart of these challenges lies the driving principle behind the property and casualty (P&C) insurance market: as risk rises, the cost to transfer risk also rises. Common Sense Institute's economic modeling shows effective loss mitigation strategies that reduce risk can bolster Iowa's economy.

### Iowa Property & Casualty Direct Premium Payments

*Iowa P&C premium payments are up 78% from 2012 through 2024.*



Source: <https://catalog.data.gov/dataset/iowa-property-casualty-insurance-premiums-and-losses>

### Impact of Natural Disasters & the Insurance Industry on Iowa's Economy:

- If left entirely unmitigated, CSI estimates hailstorms, strong winds, and tornadoes will cost Iowa's economy \$174 million in GDP, lower statewide personal income by \$64 million, and decrease employment by about 1,200 jobs a year.
- Through direct and indirect economic impacts, from 2025 to 2030 Iowa's insurance industry will contribute about \$90 billion in personal income statewide and \$244 billion to Iowa's GDP, according to CSI's economic modeling. For perspective, Iowa had a total GDP of \$257 billion in 2024.

## The increase in P&C insurance premiums in Iowa reflects a rise in replacement costs, and to a lesser extent, the rise in severe weather risk.

- Total premium payments for all types of P&C insurance in Iowa rose 78% from 2012 to 2024. A 48.5% increase occurred from 2020 through 2024 alone. In 2024, insurers reported about \$10 billion in premium revenue.
- Since 2010, valuations of Iowa properties have risen 125%, from \$182 billion in 2010 to \$410 billion in 2024, driving up the cost to insure properties. The projected 2025 statewide value of Iowa properties is approximately \$430 billion.
- Based on NOAA data, property damage losses from all types of severe weather remained variable with no clear trend from 1990 through 2024. Only tornadoes have seen a clear uptrend in Iowa over the long term.
- If just 20% of losses from hailstorms, strong winds, and tornadoes were mitigated, CSI estimates the mitigation efforts would increase Iowa's GDP by \$35 million, raise statewide personal income by nearly \$13 million, and lead to about 230 new jobs in one year.

*Collaborative research between academia and the private sector could help identify the most cost-effective solutions to mitigate the risk of severe weather. Iowa State University is in the process of launching the first of such initiatives in Iowa, the CylInsurance Research Initiative.*

### Number of Tornado Events in Iowa by Fujita (F) or Enhanced Fujita (EF) Scale (1950-2024)

