

October 20, 2026

Dear Attorneys General,

In a single year, John and Jodi Phillip of Van Horne, Iowa dealt with an exceptional level of suffering. A derecho damaged their home and destroyed their business while the couple faced serious health challenges, including Jodi's brain tumor and John's stage four cancer. But for Jodi, the greatest stress was the "utter helplessness" she felt fighting with her property insurer for the payment of storm-related claims. Their insurer's failure to pay for the full cost of recovery—Jodi estimates they are owed over \$650,000—has left their business shuttered and home exposed to the elements.<sup>1</sup>

John and Jodi are far from alone in feeling betrayed by their property insurance company and public frustration extends beyond the claims process. Richard Zimmel of Silver City, New Mexico told the *New York Times* that shortly following a large financial investment to fireproof his home, he received a non-renewal letter from his insurance company.<sup>2</sup> The *San Francisco Chronicle* has reported on the homeowners, including Mike and Kendra Kubo of Santa Cruz, California, who are unable to rebuild following wildfires and other disasters due to low coverage limits set by their insurer.<sup>3</sup> For the Kubos, State Farm set their coverage limit nearly \$500,000 below the estimate they received to rebuild their property following a devastating wildfire. Although the Kubos reupped their insurance coverage shortly before the fire, State Farm wouldn't cover the full cost of rebuilding their home.

Each of these stories represents an alarming pattern of insurance company behavior that is growing across the country. As extreme weather events become more frequent and severe, households are experiencing claims delays or nonpayments, policy nonrenewals, and revelations of inadequate coverage following disasters. Though insurance is intended to help households manage risk and avoid financial devastation in the event of a disaster, many insurers are failing to fulfil this role.

In July 2026, Oklahoma Attorney General Gentner Drummond filed a sweeping lawsuit against Allstate Corporation, alleging the company orchestrated a racketeering scheme to systematically underpay policyholders for extreme weather damage. The complaint alleges that for at least five years, Allstate secretly imposed restrictive claims standards to match predetermined outcomes, stripped licensed adjusters of their authority, and relied on unlicensed reviewers to slash payouts

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<sup>1</sup> Erika Fry, [‘Almost everyone is getting screwed’: After climate disasters, homeowners find their battle with insurers is just beginning](#), *Fortune* (Aug. 19, 2021).

<sup>2</sup> Christopher Flavelle and Mira Rojanasakul, [Insurers Are Deserting Homeowners as Climate Shocks Worsen](#), *The New York Times* (Dec. 18, 2024).

<sup>3</sup> Susie Neilson and Megan Fan Munce, [A broken system is keeping California homes underinsured. Millions have no idea they're at risk](#), *San Francisco Chronicle*, (April 2, 2025).

despite marketing "full coverage" to homeowners. During this time, Allstate made record profits.<sup>4</sup>

Allegations of claims mishandling are not limited to Allstate. The Oklahoma Attorney General filed a similar suit against State Farm earlier this year.<sup>5</sup> The issues raised in the Oklahoma lawsuit also have implications for households across the country. In Illinois, the Attorney General has sued State Farm for concealing its business practices.<sup>6</sup> In California, regulators are actively investigating patterns of claim denials, underpayment, and bad-faith conduct, and seeking a fine against the insurance behemoth.<sup>7</sup> Los Angeles County subsequently filed suit seeking full restitution for policyholders, and civil fines.<sup>8</sup> In Florida, the House speaker launched an investigation into property insurance companies hiding billions of dollars in profits in affiliate companies, while claiming financial losses so they could argue for rate increases.<sup>9</sup>

The scale of claims handling abuses by insurers is potentially extensive. A recent investigation by the *Wall Street Journal* found that the five largest home insurers failed to pay out on more than 44 percent of claims resolved last year.<sup>10</sup> Separate analysis from Weiss Ratings shows that fifteen of the largest insurers closed more than half of all homeowner claims in 2025 with no payout whatsoever.<sup>11</sup> This often proves highly profitable to the industry. The industry collectively takes in an extra \$8.8 million in interest and investment income for each day homeowners insurance companies delay paying claims.<sup>12</sup> However, it is devastating for policyholders. Families who paid premiums for years, sometimes decades, now find themselves without the coverage for which they paid.

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<sup>4</sup> *State ex rel. Drummond v. State Farm Fire & Cas. Co.*, No. CJ-2026-1066 (Okla. Dist. Ct. Cleveland Cty. filed June 24, 2026); Jonathan Stempel, [Oklahoma sues Allstate, says insurer underpays damages claims](#), *Reuters* (July 7, 2026).

<sup>5</sup> Oklahoma Office of the Attorney General, [Drummond files new lawsuit against State Farm](#) (June 24 2026).

<sup>6</sup> *Gillespie v. State Farm Fire & Cas. Co.*, No. 2025CH10454 (Ill. Cir. Ct. Cook Cty. filed Oct. 14, 2025); Ben Howell, [Illinois attorney general sues State Farm over homeowner insurance data](#), *IPM Newsroom* (Oct. 14, 2025); Illinois Office of the Attorney General, [Attorney General Raoul sues to force State Farm to turn over homeowners insurance data to Illinois Department of Insurance](#) (Oct. 14, 2025).

<sup>7</sup> Rukmini Callimachi and Blacki Migliozi, [California Seeks Historic Fine Against State Farm: Just \\$2 Million](#), *The New York Times* (May 4, 2026); California Department of Insurance, [California takes legal action against State Farm after investigation finds widespread mishandling of LA wildfire claims](#) (May 4 2026).

<sup>8</sup> Los Angeles County Counsel's Office, [Los Angeles County Sues State Farm for Unfair Business Practices in Handling 2025 Wildfire Claims Lawsuit alleges illegal delays, underpayments and denials, seeks restitution and civil penalties](#) (Aug. 31, 2026).

<sup>9</sup> Lawrence Mower, [Florida insurance companies steered money to investors while claiming losses](#), *Orlando Sentinel* (Feb. 4, 2025).

<sup>10</sup> Jean Eaglesham and Jaclyn Jeffrey-Wilensky, [The home-insurance coin flip: Nearly half of claims result in zero payout](#), *The Wall Street Journal* (May 30, 2026).

<sup>11</sup> Weiss Ratings, [15 large home insurers closed more than half of claims in 2025 with no payout whatsoever](#), (April 16, 2026).

<sup>12</sup> Consumer Federation of America and Weiss Ratings, [New analysis: Homeowners insurance companies earn millions in interest and investment income with every day of claim delay](#) (July 20, 2026).

Home insurance is an essential financial safety net for consumers, and rising costs are a key affordability concern. Systematic mishandling of claims threatens household finances, disaster recovery and, in turn, broader US financial stability. Without a well-functioning home insurance market, mortgage markets, local economies, and state and municipal government budgets are also imperiled.

As the impacts of climate change worsen—including severe, costly, and widespread disasters—the need for increased oversight of and accountability for claims handling and other insurance company practices grows as well. Despite the escalating impacts of climate change, the property and casualty insurance industry just recorded its most profitable underwriting year in more than two decades. In 2025, underwriting profits surged to \$68.7 billion, and reported net income came in at over \$150.5 billion.<sup>13</sup> At the same time, policyholders and the public bear a growing share of climate change-related costs through double-digit premium hikes, coverage withdrawals, and underpayment of claims.

Additionally, insurance companies are spending millions lobbying for legislation that restricts consumers' private right of action, making it harder for consumers to get what they are owed. These tort “reform” measures are marketed as cost-saving reforms, but their real purpose is to make it harder for consumers to hold companies accountable.<sup>14</sup> There is no evidence that shows restricting consumers' access to courts drives down premiums or benefits consumers.<sup>15</sup> Studies do show, however, that these changes in states like Florida have led to insurers denying more claims while pocketing premiums.<sup>16</sup>

This industry will not reform itself; it must be compelled to do so. Consumers need champions who will stand up for them against unethical and fraudulent insurer practices and ensure that companies face consequences for their lawbreaking.

Attorneys general are uniquely positioned to fulfill this role through civil litigation, criminal investigation, consumer protection enforcement, and the bully pulpit. State attorneys general should also not assume that action by state insurance departments alone will be sufficient to address potentially widespread insurance company malpractice. While insurance departments have primary regulatory authority, attorneys general have distinct and broad consumer protection

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<sup>13</sup> Kenny Stancil and Lois Parshley, [Insurers score record profits while consumers pay](#), Revolving Door Project and Public Citizen (June 16, 2026).

<sup>14</sup> Rick Morris, [The tort reform racket: How the insurance industry is stripping your rights and making historic profits](#), Public Citizen (Jan. 15, 2026).

<sup>15</sup> Kenneth Klein (2025) [The first thing we do is kill all the lawsuits](#), *The Review of Litigation*, 44(1), 47–130.

<sup>16</sup> Josh Recamar, [Weiss Report: Florida insurers denying more claims despite tort reform](#), *Insurance Business* (Sep. 8, 2025).

authority that can be an effective complement to insurance department action<sup>17</sup> or serve as an antidote to slow or tepid action from commissioners.<sup>18</sup>

We are calling on attorneys general to investigate the following potential patterns of misconduct:

- Claim underpayments, delays, and denials after disasters. Home insurance claims payouts should not be a coin flip.
- Misleading sales tactics and policy terms, particularly related to algorithms used to determine coverage limits. Homeowners should not find out after a total loss that their coverage estimate was inadequate.
- Patterns of cancellations and non-renewals across entire neighborhoods, particularly for homeowners who have recently invested in risk reduction. Zip codes shouldn't become a proxy for actual risk.
- Collusion, price-fixing, and anti-competitive behavior. When carriers simultaneously raise rates, shrink coverage, and tighten standards, the possibility of coordinated conduct deserves scrutiny.
- Racial premium gaps paid by Black and Hispanic homeowners. A recent study finds that these homeowners pay substantially higher premiums even after accounting for various risk factors.<sup>19</sup>

And we call on attorneys general to advise legislators to do the following:

- Reject legislation that strips consumers of their right to hold insurers accountable in court. The evidence is clear: restricting access to justice does not lower premiums; it immunizes bad actors.
- Protect policyholders from widespread misconduct when insurance department oversight proves insufficient.

The public is clamoring for action. A recent SurveyUSA poll released by Climate Power and the Insurance Fairness Project found that more than 80 percent of voters want their state elected officials to do more to reduce rising insurance premiums.<sup>20</sup> This is a matter of basic fairness and contract enforcement. We stand ready to support these efforts and to work alongside attorneys general to hold this industry accountable.

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<sup>17</sup> *Gillespie v. State Farm Fire & Cas. Co.*, No. 2025CH10454 (Ill. Cir. Ct. Cook Cty. filed Oct. 14, 2025).

<sup>18</sup> Office of the Oklahoma Attorney General, [Drummond demands release of overdue insurance examination report](#) (July 27, 2026).

<sup>19</sup> Consumer Federation of America, [Redlined: The Persistence of Racial Inequality in the Cost of Homeowners Insurance](#) (July 14, 2026).

<sup>20</sup> Insurance Fairness Project and Climate Power (June 8, 2026) [SurveyUSA Polling Memo](#).

Sincerely,

Public Citizen

American for Financial Reform

Center for Climate Integrity

Center for International Environmental Law (CIEL)

Connecticut Citizen Action Group

Consumer Action

Consumer Federation of America

Consumer Watchdog

Extreme Weather Survivors

Every Fire Survivor's Network

For a Better Bayou

Green America

Greenlining Institute

Metropolitan Interfaith Council on Affordable Housing

Minnesota Interfaith Power & Light

National Community Reinvestment Coalition (NCRC)

Oregon Consumer Justice

Revolving Door Project

The American Policyholder Association

Unlocking America's Future

Individual Signers

Dave Jones, Former Insurance Commissioner