# California To Change Property Insurance Pricing, High-Speed Rail Debuts in Florida, Elevated Interest Rates Linger

## What You Need To Know To Start Your Day

By Lou Hirsh

### California To Change Property Insurance Pricing

California is in the process of lifting laws that prevent property insurers from considering future climate change effects in their policy pricing, as the Golden State looks to stem insurer departures because of rising costs for weather-related damage.

Increasingly frequent incidents of costly damage from drought-fueled wildfires — and more recently flooding from heavy rains — spurred insurance giants Allstate and State Farm to stop issuing new policies in California earlier this year. Farmers Insurance did the same in Florida after several destructive hurricanes.

Unlike most other states, California does not let insurance companies consider future climate-related risks when setting prices for residential and commercial property policies. Insurance industry and other business leaders have called for changes to rules that were established in 1988, as insurers now flee the state to avoid mounting risks and as insurance becomes increasingly expensive and hard to obtain.

California Insurance Commissioner Ricardo Lara said the state will write new rules to let insurers consider long-term climate risks when setting policy prices. In exchange, insurance companies must agree to write more policies for homeowners who reside in areas the most prone to wildfires and other weather-related incidents.

“Modernizing our insurance market is not going to be easy or happen overnight,” Lara said during a news conference Sept. 21. “We are in really unchartered territory and we must make difficult choices when the world is changing rapidly.”

New rules may not prevent further hikes in property insurance rates. According to the California Department of Insurance, which regulates rates, eight companies doing business in the state have pending requests for price increases of at least 20%.

### High-Speed Rail Debuts in Florida

Areas across the country will be closely watching the results after Friday’s debut of the high-speed Brightline passenger train service running between Miami and Orlando, Florida. It is the nation’s first private startup for inter-city passenger rail service in 100 years, linking the state’s top two tourist hubs at speeds up to 125 mph.

Fortress Investment Group has plowed about $5 billion into Brightline and has projected the service will eventually carry 8 million people annually on 235-mile trips lasting about 3.5 hours, at a round-trip price of $158 for business-class customers and $298 for first-class riders. Fortress officials said 32 trains will run daily.

The government-owned Amtrak's Acela is currently the nation's only other high-speed passenger line, running between Boston and Washington, D.C. Brightline's developers are also planning to build a high-speed rail line between Southern California and Las Vegas, and numerous entrepreneurs — including billionaires Richard Branson and Elon Musk — have proposed their own versions of high-tech passenger rail services in other U.S. cities over the past few years.

Such services are extremely expensive but attractive for many cities for their potential to reduce traffic congestion and air pollution by getting cars off roads. Changes in commuting could in turn influence where developers decide to build homes, offices, stores and factories.

"This is a pretty important moment, whether you're thinking about it in the context of the state of Florida or what it might mean for these kinds of products as they develop elsewhere in the United States," Brightline CEO Mike Reininger told the Associated Press. "The idea that my car is the only way for me to get where I need to go is being challenged by a new product. A new product that's safer, that's greener, that is a great value proposition [and] it's fun."

**Elevated Interest Rates Linger**

Relief from high mortgage rates could be on the way after the Federal Reserve decided to pause hikes in its own key borrowing rate. But that relief was not yet apparent in the latest lender survey by Freddie Mac, showing 30-year mortgage rates still hovering around 20-year highs.

The government-backed lending agency said 30-year, fixed-rate mortgages averaged 7.19% for the week that ended Sept. 21, up from the prior week's 7.18% and well above the year-earlier average of 6.29%. The average for 15-year, fixed-rate loans was 6.54%, topping 6.51% a week earlier and 5.44% a year earlier.

"Mortgage rates continue to linger above 7% as the Federal Reserved paused their interest rate hikes," Freddie Mac Chief Economist Sam Khater said in a statement Sept. 21.

"Given these high rates, housing demand is cooling off and now homebuilders are feeling the effect," Khater said. "Builder sentiment declined for the first time in several months and construction levels have dipped to a three-year low, which could have an impact on the already low housing supply."

Other analysts have noted that high lending rates are not only suppressing home sales by keeping apartment renters and other prospective buyers on the sidelines, but are also lowering the supply of homes for sale by discouraging sellers from trading their current low-rate mortgages for higher-rate loans on their next home.