

# Fire and flooding are making houses uninsurable. Will t...

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Fire and flooding are making houses uninsurable. Will this crash the housing market? There are strong signs it will unless the government takes action.

<https://www.youtube.com/watch?v=lqpCzPG7P90?si=91FjjMVGEjpoeSdl>

Note: this a revised version from that originally posted.

This is the audio version

[https://www.podbean.com/player-v2/?i=74gin-17dc445-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=74gin-17dc445-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a)

This is the transcript:

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Is the future uninsurable? It's a question that Ann Pettifor asked on her Substack recently, and Ann and I have been friends and Green New Deal colleagues for a long time and I think the question is a good one.

What she's referring to is the current crisis in Los Angeles, where there are still four fires raging, and what we know is that very large numbers of properties in that city are now uninsurable.

What that means is that householders are going to both lose the entire value of the

properties if they are burned down now because this has been the case for a year or two. And in the future, they're not going to be able to get insurance on properties if they rebuild them.

Now, there is a condition in the USA, which is also imposed in practice in the UK, that if you have a mortgage on a property, you have to insure it to cover the risk to the person who has the mortgage on your property that they might not be repaid if the property burns down.

So, if you can't get property insurance, can you actually afford to buy a property in LA or very soon anywhere around the world?

Now, I raise that second point very deliberately because the problem in LA might be fire, but the problem elsewhere, including in the UK, tends to be flood. Large parts of the UK are at risk of flooding.

Some are already at the point where getting property insurance is really difficult. In areas around the River Humber and the River Ouse, which flows into the River Humber, it is already very difficult to get property insurance because of the high risk of flooding of your property, which is happening on a recurring basis. Other parts of the country are now beginning to see the same risk.

Properties that were once insurable in the market are now only insurable in reserve markets, which the government has been trying to organise. And at some time, they may simply become uninsurable altogether.

Now, that is going to create a bigger housing crisis than just about anything else. anything that we have seen before in the UK.

We've had all sorts of housing crises in this country, from slums at one time, which we've solved, to a shortage of properties, or so we think at present, although actually, that might be slightly artificial. There's a shortage of properties available for people to be able to live in affordably, which is slightly different from there being a shortage of properties.

But in the future, there might be absolute obstacles to people owning properties because they cannot get insurance on that property if they require a mortgage to buy it. And this is going to hit two parts of the market.

One is, of course, the owner occupier, who actually is only an owner because they have a mortgage loan.

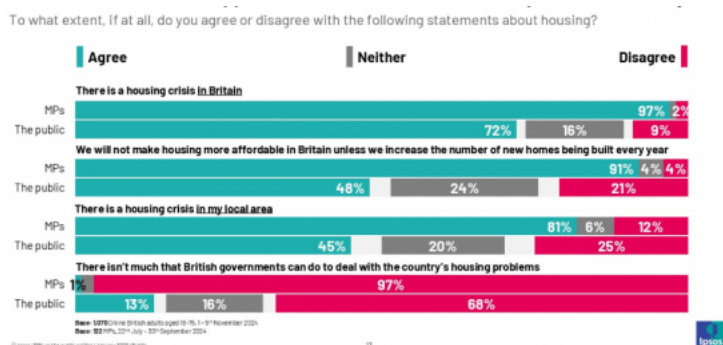
And the other one is the buy-to-let landlord who buys with a mortgage to let.

Both of those are going to be hit by this requirement for there to be insurance on the property, which they won't be able to get. And therefore they will no longer be able to

own the properties in question. And that is going to cause a crisis.

It is going to mean that many more people are either not going to be able to buy their own homes, and there might be a shortage of supply of rental property as well. And that is not something I take lightly. This is a major issue.

Let me put an Ipsos Mori survey up on the screen. This one came out in late January, and this is about the scale of the housing crisis in the UK.



What you'll notice that 97% of MPs in the UK think there is a housing crisis in this country.

Obviously, there are things that MPs can do to solve the housing crisis in the UK. Two glaringly obvious requirements stand out as a consequence of this risk of uninsurability, which we know is going to arise in the UK because sea waters are rising and the risk of flooding as a consequence is going to grow significantly.

The first is that the government could become the insurer of housing property in the UK. There is no reason why it shouldn't. It is big enough to bear the risk. If it did bear the risk, it would, in fact, be concerned enough to take action to stop the flooding. That's glaringly obvious, and therefore, it may be advantageous for the government to take this risk on and become, at the very least, the insurer of last resort in the UK market for those properties that will otherwise have difficulties securing it.

And I believe that is going to be a growing trend, and therefore, this is something that is inevitably going to happen. It's time we recognised that and got on with managing an insurance market around this idea.

But secondly, there's something else as well. And that is that the government has to become the owner of more property.

Now, that doesn't mean to say people shouldn't be able to buy their own properties. Obviously, I see merit in that. I see merit in the security that property ownership provides to people and their families, and perhaps most especially to their children, who need that security of knowing where their home is, knowing where their friends

are, knowing where they live when they are young.

It is vital to their development, in my opinion, but the government can also do that in the rental property sector simply by beginning to buy out the buy-to-let landlord.

Now, there are various measures that can be taken to make sure that the buy-to-let landlord would find it attractive to sell to the government and this may be the biggest, the quickest and easiest way in which the social rental landscape can be expanded. I want that to happen, and the government should become the landlord of choice for one very simple reason.

Unlike the private landlord, who tends to be small with a relatively limited number of properties, the government is big and it can, therefore, spread its risk over a massive portfolio of properties, meaning that even though there will be risk in some parts of its portfolio from flooding or other natural hazards, in the overall context of the portfolio as a whole, that risk will be small and therefore it will not inflate the cost of renting properties unduly in any one part of the country because the risk should be spread evenly over the portfolio as a whole.

Now, this would massively change the way in which we look at property in the UK and would make what is at present uninsurable property insurable, and deliver both the opportunity for buying for ownership and letting with long-term security.

Those two things are critical to the well-being of this country, to families within it, to children within it, and to our development as communities.

Those MPs who think that there is nothing they can do about the housing crisis in the UK are plain straightforwardly wrong. They can, they could, and they should. And they should start by looking at how they change the insurance market on properties to ensure that we have effective insurance available in the UK into the future.

And then they should look at how they can take current buy-to-let properties into the ownership of the government to guarantee that people have the opportunity to live for the long term in secure tenancy properties for the security of their families and, most especially, of their children.