Homeowners in coastal Queens, NY are outraged that their home insurance rates are going to rise sharply. Some are threatening not to buy such insurance. Such individuals must be betting that they will be “too big to fail” and that some future benevolent government official will bail them out with FEMA $ when the next Hurricane Sandy knocks out their homes. If you bet on the Superbowl, you bet with your own $. What is the difference between buying a coastal home and betting on the Superbowl? The insurance companies are charging households for the new actuarial risk imposed by climate change. If they “over-charge”, then competition in this industry will take place and a new entrant will offer these home owners a cheaper premium. It is true that the incumbent home owners are bearing the incidence of the “new news” that climate change threatens their community but this should make them leading advocates for carbon pricing and reading this blog! Are they supporters of carbon taxes? Or, do they simply want the world to go back to the “good old days”? If the insurance industry is allowed to price discriminate, it will incentivize the coastal home owners to take precautions that will lower the damage that sea storms will impose. This is how the insurance industry helps us to adapt to climate change. Through spatial variation in insurance pricing, it directs activity to relatively safe places and encourages investments in precautions.