FINANCIAL HEALTH NETWORK



Rising Costs, Shrinking Coverage:

How Homeowners Insurance Shapes Financial Health

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Executive Summary

Homeowners insurance plays a key role in protecting homeownership, an important pathway to building wealth and a cornerstone of financial health. Yet coverage has become more expensive and harder to obtain for many Americans.

This report examines the changing homeowners insurance landscape and its implications for household financial health. Drawing on an extensive literature review; interviews with more than 30 subject matter experts; and four state case studies on Florida, California, North Carolina, and Alabama, we identify the key forces shaping the market and the financial health impact on homeowners and renters alike.

Insurance costs are rising, and the reasons are multifaceted: Homeowners insurance premiums have outpaced inflation in recent years, with most recent estimates suggesting average premiums per policy increased 2% to 5% annually between 2018 and 2024. Insurance premiums now represent a much larger share of monthly housing costs, increasing from 12% to 15% between 2020 and 2024. Climate-related losses are an important driver, with replacement cost inflation, rising reinsurance costs, population growth in high-risk areas and, in some states, litigation costs adding further pressure.

Availability is as big an issue as affordability: Homeowners are not simply paying more for coverage, but they are also having a harder time finding it. Nonrenewal rates increased in 35 states and Washington, D.C. between 2018 and 2023, pushing more homeowners to residual market plans that are often more expensive and offer less coverage. From 2019 to 2024, the total number of policies in residual markets increased by 77%. Recent trends, however, indicate that availability is improving in some markets as rates better reflect underlying costs.

The financial health impacts are broad, affecting three distinct groups of consumers: the fully insured, who pay higher premiums to maintain appropriate coverage; the underinsured, who have reduced coverage to manage rising premiums; and the uninsured, who forgo coverage due to a combination of cost and nonrenewals.

We also identify several ways the changing insurance market is impacting household financial health:

- **Reduced financial resilience:** Higher premiums stretch household budgets and force difficult financial tradeoffs, including reduced coverage, which leaves them dangerously underinsured. More than half of homeowners in the U.S. are not Financially Healthy, leaving many with a lower capacity to absorb rate increases.
- **Greater risk of mortgage delinquency:** Because insurance is part of the cost of maintaining a home, rising premiums can make it harder for homeowners to keep up with mortgage payments. A one standard-deviation increase in premiums is associated with an increase in the probability of falling behind in mortgage payments from 3.7% to 4.3%.

- **Erosion of housing wealth:** Higher insurance costs can reduce demand for homes in high-risk areas and place downward pressure on property values, making it difficult for homeowners to build and retain equity. One study found higher premiums reduced 2024 home values by $44,000 in areas with the highest risk exposure.
- **Narrower access to homeownership:** Because insurance is included in the monthly cost of a mortgage, higher premiums can increase borrowers' debt-to-income (DTI) ratios and make it harder to qualify for a mortgage or refinance. Research has found that a $1,000 increase in insurance premiums is associated with a significant increase in mortgage denials because of high DTI ratios.
- **Higher costs and reduced options for renters:** Rising insurance costs for multifamily properties can be passed on to renters through higher rents. In affordable and rent-controlled housing, providers may instead respond by reducing resident services or deferring maintenance. If offering affordable units is no longer financially viable for providers, the supply of affordable housing units might be significantly impacted. One affordable housing organization shared that 30% to 50% of premium hikes in 2024 have made their financial model for affordable housing unviable.

The four state case studies illustrate that there is no single path through these challenges. Each state has a unique approach to regulating the insurance industry based on their distinct exposure to climate risk, unique regulatory institutions, and level of political appetite for market regulation. Together, the cases demonstrate the difficult tradeoffs regulators face between maintaining affordability for consumers and ensuring that insurance markets remain viable and available.

The Next Phase of Research

With this report, we aim to establish a baseline for understanding the relationship between the changing homeowners insurance market and household financial health. The next phase of this work, forthcoming in spring 2027, will focus directly on consumers through qualitative research and a nationally representative household survey. We will examine how homeowners, prospective homeowners, and renters are experiencing rising insurance costs, how they are responding, and how they are preparing for future uncertainty.

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Introduction

Homeownership is an important pillar of financial health, allowing families to build equity, establish roots in their communities, and create a foundation of wealth for future generations. Homeowners insurance helps protect that investment by covering the cost of property damage and liability from unexpected events, shielding households from potentially devastating out-of-pocket expenses. Because uninsured losses would make it harder for homeowners to meet their financial obligations, mortgage lenders in the U.S. require borrowers to maintain insurance coverage for their homes.

Insurance also adds a layer of financial security and predictability. Homeowners pay a known premium for their coverage and a deductible if a covered event occurs, while the insurer covers the remaining costs of covered loss. In theory, this arrangement helps households plan for risk and reduce financial surprises, as long as premiums stay affordable and coverage continues to meet their needs.

However, the cost and availability of insurance have become increasingly unpredictable and out of reach for many homeowners across the country. In the years following the pandemic, premiums increased at unprecedented rates, substantially outpacing inflation.[1] Growing climate and other risks led insurers to limit coverage, increase deductibles, and exclude certain risks altogether. These changes were difficult for homeowners to navigate. With home equity constituting nearly half of the net worth of half of U.S. households, protecting that primary asset has suddenly become far more costly and complicated.[2]

The impact of rising homeowners insurance costs extends beyond existing homeowners. When prospective homebuyers apply for a mortgage, insurance costs are factored into their expected monthly payments, along with loan payments and taxes. These rising insurance costs translate into a higher debt-to-income (DTI) ratio for mortgage



[1] Sharon Cornelissen, Douglas Heller, Ethan Weiland, & Michael DeLong, "Overburdened: The Dramatic Increase in Homeowners Insurance Premiums and its Impact on American Homeowners," Consumer Federation of America, April 2025.

[2] "Assets by wealth percentile group in 2025: Q4," Board of Governors of the Federal Reserve System, September 2026.

applicants, which can alter the application outcome and deter people from becoming homeowners. In this way, when home insurance becomes less affordable and available, homeownership itself also becomes less accessible, affordable, and secure.

Perhaps unexpectedly, renters are also exposed to rising homeowners insurance costs. Multifamily housing providers may pass insurance cost increases to their tenants through rent increases. Where rent increases are limited, in rent-controlled units, for example, affordable housing providers may instead seek to cut costs elsewhere to maintain operations.[3]

In short, rising home insurance costs paired with declining coverage options are putting added pressure on household financial health in several ways: stretching budgets, increasing the risk of mortgage delinquency, and creating new barriers to homeownership. As households respond by reducing coverage or forgoing insurance altogether, they may become more vulnerable to the financial shocks insurance is intended to absorb.

In this report, we establish a rigorous, evidence-based baseline to map out how home insurance volatility impairs structural household financial stability. Our findings rely on a comprehensive literature review, structured interviews with over 30 subject matter experts, and case studies from four states (Florida, California, North Carolina, and Alabama) to highlight the unique challenges, regulatory structures, and different approaches taken in these states.[4] Our objective is to reframe the discourse on home insurance affordability from a localized risk management issue into a distinct national financial health priority.

We are also conducting a mixed-methods consumer study to better understand the consumer experiences with homeowners insurance and the impact of rising premiums on their financial health. This involves a robust qualitative data collection as well as a nationally representative household survey. We will publish the insights from that study separately in 2027.

[3] Eri Bajomo, "Premium Pulse: National Multifamily Insurance Cost Acceleration," National Apartment Association, March 2026.

[4] See Table A2 in the appendix for the type of organizations we reached out to and interviewed.

Rising Cost and Nonrenewals

Homeowners Insurance Premiums Have Risen Faster than Inflation

In 2024, the National Association of Insurance Commissioners (NAIC) issued a nationwide data call to collect and analyze data covering more than 80% of the U.S. property insurance market by premium volume.[5] Using these data, the Federal Insurance Office (FIO) found that the average premium for policies included in the Property and Casualty Market Intelligence (PCMI) dataset increased from $1,598 in 2018 to $1,737 in 2022 in inflation-adjusted dollars.[6] In other words, the average insurance premium increased 8.7% after accounting for inflation over that period.

NAIC also collects data on homeowners insurance through its Market Conduct Annual Statement (MCAS), which helps state regulators gather market-related data from insurers operating in their jurisdictions.[7] A recent analysis of this dataset found that the average homeowners insurance premium per policy increased in every NAIC region from 2018 to 2024, with inflation-adjusted increases ranging from 2.4% to 5.3% per year.[8]

Other estimates rely on premium quotes for policies with predefined parameters. Using quotes for a home with a replacement value of $350,000 and a policyholder with a 740 FICO® credit score, the Consumer Federation of America estimated that the average premium across the U.S. increased 24% from 2021 to 2024, 11 percentage points higher than inflation over the same period.[9] Similarly, a recent analysis by LendingTree found that the average premium for a policy with $350,000 in dwelling coverage increased 47% from 2020 to 2025.[10] The Consumer Price Index increased 24% in the same period, meaning average premiums rose at nearly twice the rate of overall consumer inflation. The Government Accountability Office (GAO), on the other hand, found a more modest increase, estimating that premiums rose 3% after inflation between 2019 and 2024.[11] Premium increases were steepest in areas of the country facing the greatest risk.

As homeowners insurance grows increasingly expensive, premiums also constitute a much larger share of monthly housing costs than before. One study points to a nearly threefold increase in insurance payments as a share of mortgage payments, from 7% to 8% to more than 20%.[12] A more recent study found that insurance as a share of mortgage payments increased from 12% to 15% between 2020 and 2024.[13] In addition, the share of household income spent on homeowners insurance also increased, from 1.2% in 2000 to 2.1% in 2022.[14]

[5] "States Issue Property & Casualty Market Intelligence Data Call Covering Over 80% of U.S. Market," National Association of Insurance Commissioners (NAIC), March 2024. The Property & Casualty Market Intelligence (PCMI) Data is the most comprehensive dataset currently available for understanding the homeowners insurance market. It includes over 40 million homeowners insurance policies across 30,000 ZIP codes.

[6] "Analyses of U.S. Homeowners Insurance Markets, 2018-2022: Climate-Related Risks and Other Factors," Federal Insurance Office, U.S. Department of the Treasury, January 2025.

[7] "Market Conduct Annual Statement," National Association of Insurance Commissioners (NAIC), September 2025.

[8] "Examining Homeowner Property Insurance Market Dynamics," National Association of Insurance Commissioners (NAIC), July 2026.

[9] Sharon Cornelissen, Douglas Heller, Ethan Weiland, & Michael DeLong, "Overburdened: The Dramatic Increase in Homeowners Insurance Premiums and its Impact on American Homeowners," Consumer Federation of America, April 2025.

[10] Maggie Gunara & Dan Shepherd, "State of Home Insurance: 2026," LendingTree, June 2026.

[11] "Homeowners Insurance: Premiums Generally Tracked Inflation but Rose More in Disaster-Prone Areas," U.S. Government Accountability Office, February 2026.

[12] "Property Prices in Peril," First Street Foundation, February 2025.

[13] Joshua Blonz et al., "Pricing Protection: Credit Scores, Disaster Risk, and Home Insurance Affordability," National Bureau of Economic Research (NBER), February 2026.

[14] "Homeowners Insurance Affordability: Countrywide Trends and State Comparisons," Insurance Research Council, June 2025.

Why Are Homeowner Insurance Premiums Rising?

Multiple forces have led to increased costs for insurance companies, leading to rising premiums for homeowners.[15]

Natural Disaster Losses

Rising losses from natural disasters are one factor contributing to higher homeowners insurance costs.[16] In 2024, natural disasters caused $218 billion in economic losses in the U.S., double the average of the previous four years. About half of this damage, $113 billion, was covered by insurance, a 55% increase in insured losses from $73 billion in 2020.[17]

Climate-related losses are not only increasing, but risks are also spreading to regions not typically associated with weather shocks. Research shows that although the long-term frequency in tornadoes has remained relatively stable, tornado formation has expanded to areas outside of the traditional "tornado alley" of the Great Plains.[18,19] This means that climate-related risk is shifting into regions without historic precedent for these hazards and fewer building codes for resilience, leaving structures exposed and amplifying potential loss.

Pluvial flood risk, defined as flooding caused by excessive rain that overwhelms drainage systems, also poses growing risks in many major U.S. cities. It is often the leading cause of flood damage in areas that fall outside of flood zones.[20] Both increases in extreme rainfall and urbanization have amplified pluvial risk.[21]



"Between 2020 and 2025, the biggest trend has been losses from climate risk, particularly severe storms. You combine that with the fact that we've had a higher inflationary period and a pricing readjustment in the reinsurance market. This perfect storm came together to create a ton of profitability issues for the insurance industry."

– Senior Climate Risk Specialist, Reinsurance Broker

[15] Timothy O'Brien, "Explaining the Rising Cost of Homeowners Insurance," IRMI, June 2026.

[16] "Billion-Dollar Weather and Climate Disasters: Time Series," National Centers for Environment Information (NCEI), accessed September 2026.

[17] "Weather, Climate & Catastrophe Insight," Aon, January 2025.

[18] Vittorio A. Gensini & Harold E. Brooks, "Spatial trends in United States tornado frequency," Climate and Atmospheric Science, October 2018.

[19] Timothy A. Coleman, Richard L. Thompson, & Gregory S. Forbes, "A Comprehensive Analysis of the Spatial and Seasonal Shifts in Tornado Activity in the United States," Journal of Applied Meteorology and Climatology, April 2024.

[20] "US Flood Policy at a Crossroads: What the Industry Needs to Get Right Next," KatRisk, June 2026.

[21] Sarah K. Balaian, Brett F. Sanders, & Mohammad Javad Abdolhosseini Qomi, "How urban form impacts flooding," Nature Communications, August 2024.

Reinsurance Cost

Rising reinsurance costs are another contributor to higher homeowners insurance premiums. Reinsurance, often described as "insurance for insurance companies," is a global industry that allows insurers to spread some local risk across the global market.[22] If global risk is higher, however, the cost of reinsurance goes up.

In 2025, Aon estimated that global insured losses reached $145 billion, 54% above the historical average, suggesting that the global cost of natural catastrophes has increased.[23] As a result, the global reinsurance rate for property insurance increased consistently from 2017 to 2024, showing signs of cooling off only recently.[24]

Replacement Cost

Any increase in the cost of rebuilding or repairing a home directly impacts the cost of insuring it. Global supply chain constraints on construction materials during the COVID-19 pandemic resulted in a steep increase in construction costs. From December 2020 to December 2021, the Producer Price Index (PPI) for construction materials increased by 35%, resulting in the cost of building a new single-family home in the U.S. increasing by 11.6% in 2021 and 16.5% in 2022.[25,26] While the rate of increase has slowed in recent years, construction prices remain elevated compared with pre-pandemic levels.

> "There's everything from reinsurance capital allocations to storms hitting large sectors of the country in different ways. And then there are other macroeconomic factors like rising material costs and labor shortages for construction. It is just more expensive to replace 'fill in the blank' than it was five years ago."
>
> - Vice President, Community Development Nonprofit

Population Patterns

Population patterns can also shape insurers' exposure to risk. In recent decades, many areas with relatively high exposure to natural disasters have also experienced substantial population growth. About 40% of the U.S. population lived in coastal counties in 2024, concentrating households and property in areas exposed to hazards such as hurricanes, flooding, or sea-level rise.[27,28,29] When housing growth is not accompanied by investments in resilience, insurance companies may face larger risk exposure and losses when underwriting policies in those areas.

The Sun Belt of the U.S., a broad region spanning Southern states from North Carolina to California, has long attracted domestic migration from the Northeast and Midwest.[30] In 2023, many of the fastest-growing U.S. cities were located in Sun Belt

[22] "What is Reinsurance?," Reinsurance Association of America, accessed September 2026.
[23] "Weather, Climate & Catastrophe Insight," Aon, January 2025.
[24] "Global Property Catastrophe Rate on Line Index," Guy Carpenter, January 2026.
[25] "Price Index (Fixed) - Single-Family Houses Under Construction (Base Year 2005)," U.S. Census Bureau, 2005.
[26] "Producer Price Index by Commodity: Special Indexes: Construction Materials," Federal Reserve Bank of St. Louis, September 10, 2026.
[27] Agustin Indaco, Francesc Ortega, & Xinle Pang, "Are Americans Moving to Locations With Higher Climate Risk?," EconoFact, March 2023.
[28] Anthony Bernard-Sasges, "Americans are flocking to metros with a high risk of natural disaster," Oxford Economics, October 2024.
[29] Lily Katz & Yingqi Xu, "Flood-Prone America Is Seeing More People Move Out Than In for the First Time Since 2019," Redfin News, November 2025.
[30] Indraneel Karlekar & Julia Laumont, "The Sun Belt's Ongoing Boom," Clarion Partners, April 2024.

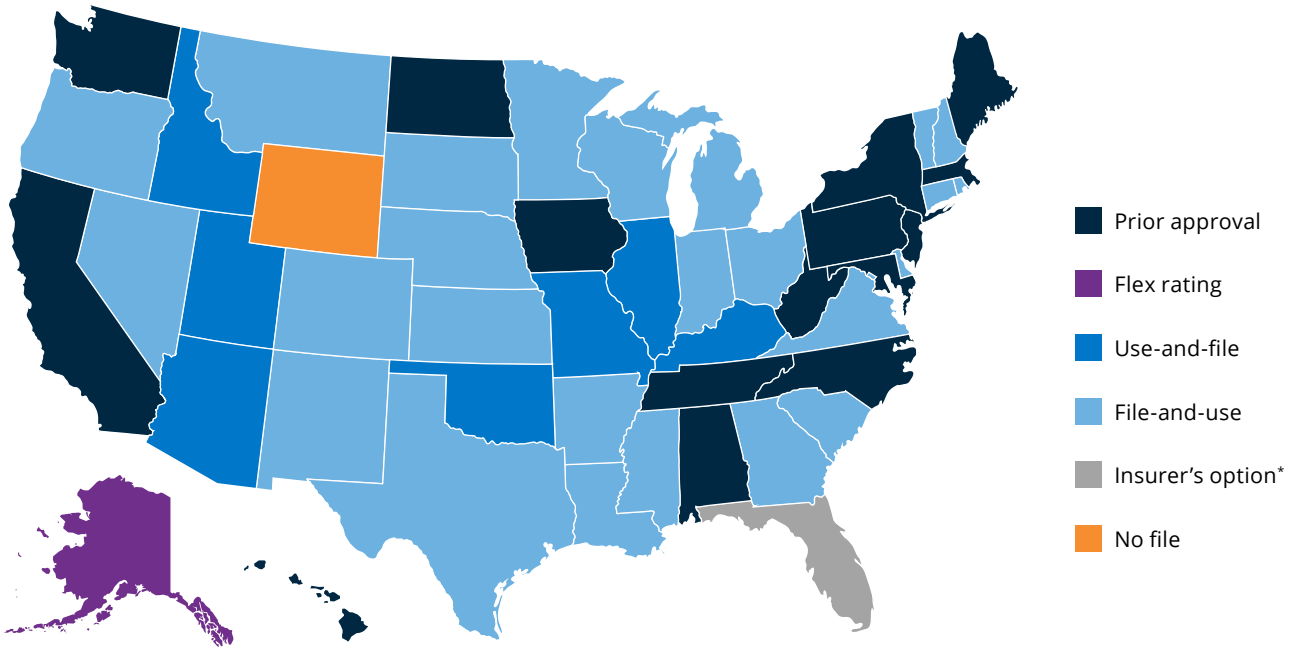
states.[31] More recently, however, this long-term trend has shown signs of slowing, which might eventually lead to a reversal of migration toward the Sun Belt.[32] Research also suggests that natural disasters increase the likelihood that households will relocate to safer areas to mitigate future risk.[33,34]

Regulatory and Legal Frictions

Insurance companies are closely regulated by state-level regulatory agencies to ensure a competitive market while maintaining access and fairness for consumers.[35] All U.S. states have a process to regulate insurance rates, with the exception of Wyoming, where there are no filing requirements for insurance companies.[36] Some states require insurance companies to file the rates before they can be used, known as file-and-use, while others allow new rates to take effect before filing, known as use-and-file. Rate changes require prior approval from regulators in 14 states.

While rate regulation by states can help protect consumers from sudden rate changes, especially in states with higher risk of natural disasters, prior approvals can take up to a year, adding to the administrative costs that are then pushed onto consumers as higher premiums.[37] Rate regulation also carries the risk of driving a wedge between the actual risk of loss and premiums in high-risk areas. Insurers may respond by seeking higher rates in other states where increases are easier to obtain or by exiting the specific market altogether.[38]

Figure 1. Rate filing methods for property insurance in the U.S.



*Notes: * Insurer's option allows insurers to decide if they want to use file-and-use or use-and-file.*
Source: "Rate Filing Methods for Property/Casualty Insurance, Workers Compensation, Title," National Association of Insurance Commissioners (NAIC), 2026.

[31] Amel Toukabri, Crystal Delbé, James Kent Pugh, & Matthew Erickson, "New Estimates Show Population Recovered for Large Cities and Grew in Small Places on Outskirts of Urban Areas in 2023," U.S. Census Bureau, May 2024.

[32] Sylvain Leduc & Daniel Wilson, "Snow Belt to Sun Belt Migration: End of an Era?," Federal Reserve Bank of San Francisco, July 2024.

[33] Tamara L. Sheldon & Crystal Zhan, "The impact of hurricanes and floods on domestic migration," Journal of Environmental Economics and Management, September 2022.

[34] Marijn J. Ton et al., "Economic damage from natural hazards and internal migration in the United States," Natural Hazards, November 2024.

[35] "State Insurance Regulation," National Association of Insurance Commissioners & The Center for Insurance Policy and Research, 2011.

[36] For a full list of these different methods and descriptions, please see Table A1 in the appendix.

[37] "Homeowners Insurance: Premiums Generally Tracked Inflation but Rose More in Disaster-Prone Areas," U.S. Government Accountability Office, March 2026.

[38] Sangmin S. Oh, Ishita Sen, & Ana-Maria Tenekedjieva, "Pricing of Climate Risk Insurance: Regulation and Cross-Subsidies," Board of Governors of the Federal Reserve System, October 2022.

Rising litigation has become one of the less obvious forces behind higher insurance costs. Legal disputes over claims can drive up insurers' payouts well beyond the underlying repair or rebuilding expenses, and insurers may respond to the risk of large civil lawsuits by raising rates.[39] States with the highest rates of insurance-related lawsuits have often experienced the sharpest premium increases, prompting some legislatures to pursue litigation reform as a way to stabilize their markets.

Regulatory friction in updating and enforcing modern building codes also contribute to rising homeowners insurance premiums. Empirical research shows that regulatory delays in adopting updated hazard provisions leave residential structures disproportionately exposed to severe windstorms and tornadoes.[40] This heightened vulnerability drives up claim frequency and severity following disaster events, which is often when building codes come under scrutiny. Timely building code updates, on the other hand, are shown to reduce hurricane and windstorm property losses by up to 72%.[41] Where regulatory lags persist and local governments rely on voluntary compliance, severe market spillovers can occur. For example, unhardened homes significantly elevate destruction and fire risks for neighboring properties during a wildfire.[42]

Finding Insurance Coverage Has Become Increasingly Difficult for Homeowners

Rising premiums are not the only challenge homeowners face. In areas with high risk of loss, some homeowners are finding it increasingly difficult to obtain coverage at all.[43]

One clear indicator is the nonrenewal rate, or the percentage of existing policies insurers decline to renew in the next renewal period. Rising nonrenewal rates signal that insurers are reducing the number of policies in their portfolio in a particular region to lower their risk exposure, leaving homeowners with fewer coverage options. Between 2018 and 2023, nonrenewal rates increased in 35 states and Washington, D.C.[44] In 2023, Florida led the country in nonrenewal rates with 3%, more than triple the rate in 2018 at 0.8%. Nonrenewals are especially stressful for homeowners who need active coverage in order to stay current on their mortgage.



"What is worse than expensive insurance? No insurance."

- CEO and Co-Founder, Insurtech

[39] "Curbing the Insurance Spiral: Policy and Practitioner Strategies to Help Stabilize Multifamily Affordable Housing," Enterprise Community Partners, February 2026.

[40] Afeez A. Badmus & Elaina J. Sutley, "State-of-the-art review on reducing residential buildings' risk to tornado hazards," Frontiers Built Environment, February 2025.

[41] Jeffrey Czajkowski, Kevin M. Simmons, & James M. Done, "Demonstrating the Intensive Benefit to the Local Implementation of a Statewide Building Code," Risk Management and Insurance Review, December 2017.

[42] Patrick W. Baylis & Judson Boomhower, "Mandated vs. Voluntary Adaptation to Natural Disasters: The Case of U.S. Wildfires," National Bureau of Economic Research (NBER), December 2021.

[43] "Insurance: Weathering the storm of inflation, climate change and market-distorting state regulation," J.P. Morgan, March 2025.

[44] "Next to Fall: the Climate-driven Insurance Crisis Is Here – And Getting Worse," Senate Budget Committee, December 2024.

What does a homeowner do when they are required by their mortgage lender to maintain coverage, but there is none available? In 34 states and Washington, D.C., homeowners can obtain coverage through residual market plans.[45] These include Fair Access to Insurance Requirements (FAIR) plans for general property risk and Beach Plans that cover specific perils, like wind and hurricanes. These plans are meant to serve as insurers of last resort, and generally not a one-to-one substitute for a standard homeowners insurance policy, which has a broader scope of coverage extending beyond major perils.[46] Yet more homeowners have been forced to turn to residual markets because of nonrenewals and rising insurance costs. From 2019 to 2024, the total number of residential policies in residual markets increased by 77%.[47]

Homeowners who have no choice but to get coverage in the residual market often supplement these policies with gap coverage, adding to the cost of insurance. For instance, nearly half of homeowners covered by California's FAIR plan purchase additional coverage.[48]

Consumers Are Caught in an Affordability-Availability Paradox

Risk-based pricing is essential to preserving coverage availability. But while insurers need to price for rising disaster risk, doing so can make coverage unaffordable for many homeowners. Regulators, on the other hand, want to maintain affordability. Yet suppressing rates may improve short-term affordability while also causing insurers to exit the market, which reduces availability and consumer choice in the long run. Consumers are caught in this tug-of-war between affordability and availability.



"Affordability is not attainable without availability. You can't make affordable what doesn't exist."

- Analyst, State Department of Insurance

Reduced Resilience

Rising insurance premiums erode homeowners' financial resilience in two distinct ways. The first is direct: Higher costs stretch household budgets and force families to make difficult financial tradeoffs. The second is more insidious: As premiums climb, some homeowners reduce coverage or drop it altogether, leaving them exposed to the very financial shocks that insurance is meant to absorb.

The rising cost of insurance is particularly challenging for homeowners who have a lower capacity to absorb rate increases. While homeowners are far more likely to be Financially Healthy than renters, more than half of homeowners in the U.S. are not Financially Healthy.[49] For these homeowners in particular, rate increases create real financial stress.

[45] "Fair Access to Insurance Requirements Plans," National Association of Insurance Commissioners, December 2024.
[46] "State insurers of last resort: How FAIR plans work and which states have one," Insurance.com, April 2025.
[47] "Annual Report on the Insurance Industry," Federal Insurance Office, U.S. Department of the Treasury, September 2025.
[48] "Inside California's Home Insurance Squeeze: Higher Bills, Fewer Choices," United Policyholders, June 2026.
[49] "Pulse Trends 2025 Charts and Methodologies," Financial Health Network, September 2025.

In addition, about a quarter of these homeowners report less-than-good credit scores in our survey and may pay a higher homeowners insurance premium as a result.[50] Two studies find that homeowners with lower credit scores pay higher premiums than those with higher credit scores.[51] This is because most insurers use credit-based insurance scores to evaluate the likelihood of a homeowner filing a claim that will result in an insurance loss, in addition to the risk of loss based on location and property.[52]

While credit-based insurance scores are not the same as credit scores, they draw on similar information from consumers' credit records.[53] Studies show that credit-based insurance scores can predict risk of loss unexplained by other factors for auto insurance claims.[54,55,56] Evidence showing that credit-based insurance scores have predictive power for homeowners insurance claims is limited.[57] However, consumer advocates are concerned that using credit-based insurance scores to determine insurance rates may inadvertently place a greater financial burden on homeowners with lower credit scores, irrespective of underlying property risk.[58,59,60] As a result, some states prohibit the use of credit-based insurance scores in setting rates for homeowners policies.[61]

Relocating to lower-risk areas is one strategy homeowners can use to cope with rising insurance premiums. However, this strategy is more accessible to those who are more financially secure.[62] This exacerbates the affordability challenges facing low-income and financially disadvantaged homeowners face across the country.

> "Florida experienced a huge increase [in insurance premiums]. But in Florida, people are actually financially better off compared to, say, Alabama. And the total effect on Alabama turns out to be higher than compared to Florida."
>
> - Academic Researcher

In response to these complicated dynamics, more risk is being shifted from insurers to consumers. Homeowners are responding to higher insurance premiums by reducing their insurance coverage or purchasing none at all. An estimated $1.6 trillion of home value in the U.S. is uninsured.[63]

[50] Survey question: "How would you rate your credit score? Your credit score is a number that tells lenders how risky or safe you are as a borrower." A less-than-good credit score includes these responses: Fair, poor, or don't know.

[51] Moira Birss et al., "Penalized: The Hidden Cost of Credit Score in Homeowners Insurance Premiums," Consumer Federation of America and Climate & Community Institute, August 2025.

[52] "About Insurance Scores," FICO, accessed September 2026.

[53] "Credit-Based Insurance Scores Aren't the Same as a Credit Score. Understand How Credit and Other Factors Determine Your Premiums," National Association of Insurance Commissioners (NAIC), July 2020.

[54] "Credit-Based Insurance Scores: Impacts on Consumers of Automobile Insurance: A Report to Congress By the Federal Trade Commission," Federal Trade Commission, July 2007.

[55] Linda L. Golden, Patrick L. Brockett, Jing Ai, & Bruce Kellison, "Empirical Evidence on the Use of Credit Scoring for Predicting Insurance Losses with Psycho-social and Biochemical Explanations," North American Actuarial Journal, September 2016.

[56] Darcy Steeg Morris, Daniel Schwarcz, & Joshua C. Teitelbaum, "Do Credit-Based Insurance Scores Proxy for Income in Predicting Auto Claim Risk?," Georgetown University Law Center, June 2026.

[57] "TDI credit scoring study synopsis," Texas Department of Insurance, accessed September 2026.

[58] Joshua Blonz et al., "Pricing Protection: Credit Scores, Disaster Risk, and Home Insurance Affordability," National Bureau of Economic Research (NBER), February 2026.

[59] Sally Parker, "How Lenders Are Providing Natural-Disaster Insurance," Chicago Booth Review, April 2022.

[60] "Rising Property Insurance Premiums: The Uneven Risks to Household and Systemic Financial Stability," Americans for Financial Reform, September 2025.

[61] Louis DeNicola, "Which States Restrict the Use of Credit Scores in Determining Insurance Rates?," Experian, March 2025.

[62] Shan Ge, Stephanie Johnson, & Nitzan Tzur-Ilan, "The Effect of Rising Insurance Premiums on Mortgage Delinquency and Household Relocation," SSRN, November 2024.

[63] Sharon Cornelissen, Douglas Heller, & Michael DeLong, "Exposed: A Report on 1.6 Trillion Dollars of Uninsured American Homes," The Consumer Federation of America, March 2024.

Moreover, underinsured households are accepting lower coverage, higher deductibles, and peril-specific coverage limits in exchange for manageable premiums. In some cases, separate wind and hail deductibles are being added on top of the base deductible.[64,65] According to recent research, an average homeowner has coverage for only about 70% of full rebuilding costs, while 10% of households have less than 50% of rebuilding costs covered.[66] If we use the average coverage amount of roughly $275,000 shared in that research and assume that 14.1% of owner-occupied units are uninsured, this means over $8 trillion worth of replacement cost is not covered.[67]

This gap leaves homeowners exposed to damages they can't afford to pay themselves. Part of the gap may also result from differences between estimated and actual building costs, including estimates insurers may provide to help homeowners determine how much coverage they need.[68] Some homeowners transition to restrictive actual cash value (ACV) policies, which pay less than the full replacement cost after a covered event. This shifts the risk of loss to dangerously underinsured homeowners, exposing them to potential financial shocks after a disaster event. Yet what it means to be underinsured is much less clear than being uninsured altogether. Our forthcoming consumer research hopes to provide more nuance into the underinsured dynamic.

Mortgage Distress

Building home equity is a primary wealth-building tool for many U.S. households. However, rising insurance costs make it more difficult for existing homeowners to keep up with their mortgage payments. Research shows that for a one-standard-deviation increase in premiums per dollar of coverage, the probability for falling behind in mortgage payments increases from 3.7% to 4.3%.[69] Considering that mortgage delinquencies are relatively uncommon, this represents an economically meaningful change relative to the baseline.[70]

Housing Wealth Erosion

Rising insurance costs also threaten property values in high-risk areas, making it harder for homeowners to build equity and wealth. Research connects increasing insurance costs with reduced sales activity in the Florida housing market, contributing to declining home prices.[71,72] Homes in areas with high risk of natural disasters are particularly prone to devaluation due to higher insurance costs.

Removing flood insurance subsidies would remove 2% of home values in high-risk FEMA flood zones by curbing the demand for housing.[73] Another study found the reinsurance shock that resulted in higher premiums for homeowners reduced 2024 home values by $44,000 in areas with the highest risk exposure.[74] First Street Foundation estimates that by 2055, average property values in "climate abandonment areas" or high-risk Census tracts with rising insurance cost and out-migration, will be 4.2% lower than in 2025 due to rising insurance cost alone

[64] "Next to Fall: The Climate-Driven Insurance Crisis Is Here—And Getting Worse," Senate Budget Committee, December 2024.

[65] J. Anthony Cookson, Emily Gallagher, & Philip Mulder, "Coverage Neglect in Homeowners Insurance," SSRN, December 2024.

[66] Parinitha Sastry, Tess Scharlemann, Ishita Sen, & Ana-Maria Tenekedjieva, "The Limits of Insurance Demand and the Growing Protection Gap," Harvard Business School, May 2025.

[67] "Nearly 1 in 7 Homes Across US Are Uninsured," LendingTree, March 2026.

[68] Kenneth S. Klein, "The Unnatural Disaster of Insurance, Underinsurance, and Natural Disasters," California Western School of Law, 2023.

[69] Shan Ge, Stephanie Johnson, & Nitzan Tzur-Ilan, "Climate Risk, Insurance Premiums and the Effects on Mortgage and Credit Outcomes," Federal Reserve Bank of Dallas, January 2025.

[70] "Delinquency Rate on Single-Family Residential Mortgages, Booked in Domestic Offices, All Commercial Banks," Federal Reserve Bank of St. Louis, August 2026.

[71] Evan Eastman, Kyeonghee Kim, & Tingyu Zhou, "Homeowners Insurance and Housing Prices," SSRN, June 2024.

[72] Joe Seydl & Dan Alter, "How climate risk—and losses—are creating high prices for home insurance," J.P.Morgan, May 2025.

[73] Shan Ge, Ammon Lam, & Ryan Lewis, "The Effect of Insurance Premiums on the Housing Market and Climate Risk Pricing," SSRN, August 2022.

[74] Benjamin J. Keys & Philip Mulder, "Property Insurance and Disaster Risk: New Evidence from Mortgage Escrow Data," National Bureau of Economic Research (NBER), November 2025.

Narrowing Access to Homeownership

Evidence suggests that the rising cost of homeowners insurance is creating additional barriers on the path to homeownership. A mortgage loan remains the predominant way to finance a home purchase in the U.S.[75] One of the important requirements for mortgage approval is to have a debt-to-income (DTI) ratio that is not too high after accounting for projected monthly housing payments and all other monthly debt obligations. Since homeowners insurance is part of monthly housing payments, increasing premiums directly impact DTI calculations. One study finds that a $1,000 increase in insurance premiums is associated with a significant increase in mortgage denials due to a high DTI ratio.[76]

> "Insurance has increased tremendously in price. Because it is part of the debt-to-income ratio, it has a great effect on the size of a loan a member can be approved for. It kind of does limit the purchase price that a member can qualify for."
>
> - President, Credit Union Service Organization

> "Insurance costs now exceed mortgage payments for some low-income families. So how does someone qualify for homeownership when the combination of housing costs put it even further out of reach?"
>
> - Research Director, Affordable Housing Nonprofit

Applications for refinance loans can also be impacted for the same reason. Refinancing allows homeowners to reduce the interest rate on their mortgages if the market rate is lower than their original mortgage rate. Rising insurance premiums might make this harder for some, especially those who are more leveraged on their loans, such as a homeowner with a loan-to-value ratio above 80%. Research shows that refinance applications from those homeowners are far more likely to be declined as a result of rising premiums.[77]

The Impact of Commercial and Property Insurance on Renters

While renters do not need a homeowners insurance policy, they are not shielded from rising insurance costs. The majority of renters in the U.S. live in multifamily housing, and commercial insurance for multifamily properties has become far more expensive since 2019.[78]



[75] "First-Time Home Buyers Shrink to Historic Low of 24% as Buyer Age Hits Record High," National Association of Realtors, November 2024.

[76] Ralf Meisenzahl, Andy Polacek, Shanthi Ramnath, & Zakary Yudhishthu, "Measuring the Impact of Property Insurance Premiums on the Mortgage Market," Federal Reserve Bank of Chicago, February 2026.

[77] Ibid.

[78] "Multifamily Rentals Overtake Single-Family Homes In U.S. Rental Stock," National Mortgage Professional, February 2026.

One study found that nearly all of the initial increase in insurance costs was passed on to renters, although the relationship between rent and premium increases weakened over time.[79] Another study found that property owners bear more of the increase in insurance costs than renters.[80]

Renters' affordability challenges can also grow as affordable housing developers face sharp property insurance premium hikes that stall pipeline builds and trigger direct rent increases.[81,82] While large developers can better absorb these costs, smaller developers may try to find new ways to reduce costs, such as scaling back resident services or deferring maintenance. As a result, an increasing number of renters have fewer affordable units to choose from, and in some cases, may be forced to contend with poorly maintained units if providers can't implement rate increases.

Even tenants in rent-controlled units may be affected as steep increases in property insurance costs make offering units financially impossible for property owners. One affordable housing organization we interviewed mentioned that 30% to 50% of premium hikes in 2024 could not be passed onto renters, making its financial model for affordable housing unviable. As a result, supply of affordable housing might see a contraction in areas with the steepest increase in insurance premiums.

> "We really started hearing from our multifamily partners that the insurance costs were so unsustainable that they were having to either rethink or potentially abandon deals because the insurance costs had gone so high."
>
> - Senior Director of Research, Consumer Advocacy Organization

Rising property insurance costs, the affordability-availability paradox, and the resulting strain on consumers all point to the need for thoughtful interventions that protect households financially and ensure access to affordable coverage. We now turn to four state case studies illustrating how different policy approaches and insurance markets have responded to these challenges.

[79] Minjoo Kim, Prateek Mahajan, & Zirui Wang, "Who Bears Rising Commercial Property Insurance Costs?," SSRN, November 2024.

[80] Samuel K. Hughes & Raven Molloy, "Rising Property Insurance Costs and Pass-Through to Rents for Apartment Buildings," Board of Governors of the Federal Reserve System, September 2025.

[81] Nam D. Pham & Mary Donovan, "Increased Insurance Costs for Affordable Housing Providers," NDP Analytics, October 2023.

[82] Emma Waters, "Rising Insurance Costs and the Impact on Housing Affordability," Bipartisan Policy Center, June 2024.

Navigating the Crisis: State Spotlights

Each state has a unique approach to regulating the insurance industry based on its distinct exposure to climate risk, regulatory institutions, and political appetite for market regulation. The case studies we present in this report are not meant to be an exhaustive list, but rather to offer a glimpse into unique approaches in four states: Florida, California, North Carolina, and Alabama.

These spotlights provide a place-based look at how each state has been impacted by a changing home insurance landscape and how the private sector, regulators, consumer advocates, and policyholders have responded in distinct ways. Florida, battling extreme hurricane exposure and an ever-expanding policy count for its state-backed plan, has aggressively transitioned from an insurer of last resort toward private-market stabilization through tort reform. California faces a collision between strict consumer protection and escalating wildfire risk, necessitating market-modernization reforms. North Carolina uses a centralized rate-setting body to manage risk that is increasingly expanding from the coast inland, while Alabama prioritizes physical resilience as a cornerstone of market stability, using industry-funded grants to incentivize fortifying homes against catastrophe. The case studies below provide insights into the unique factors contributing to these challenges and how these states are tackling them.

Florida

The insurance landscape in Florida illustrates what happens when high claims litigation and extreme coastal exposure combine to nearly break an insurance market, and what an aggressive response can look like when policymakers address both. For years, the state's insurers absorbed not only one of the nation's steepest tropical cyclone risks, but also a legal environment that made claims litigation relatively easy and profitable to pursue. Since 2022, Florida has pursued an insurance reform agenda, pairing tort reform with an effort to shrink the state's insurer of last resort and push risk back into the private market.[83] The result is a market where insurer solvency and new carrier entry have improved, but where consumers are still paying some of the highest premiums in the nation.

Unique Challenges: A Market Battered From Multiple Directions



Florida's geography puts it in a category of its own. Few other parts of the country face comparable exposure to tropical cyclone destruction, and that exposure shows up directly in the price of coverage.[84] Florida homeowners pay some of the highest property insurance premiums in the country. According to the U.S. Census Bureau estimates for 2023, Florida had the highest median annual property insurance cost in the U.S.

[83] Tort reform refers to a movement to change civil laws by placing limits on personal injury lawsuits and damage payouts.

[84] Pat Howard, "Which US state experiences the most hurricanes?," Policygenius, May 2023.

at $2,273.[85] Depending on the data source, the average premium paid by Florida homeowners can vary, but Florida often tops the list irrespective of data source.[86,87]

Florida's high level of claims litigation has also drawn attention as a likely culprit of rising insurance premiums. A commonly cited data point shows that in 2019, Florida accounted for 76% of insurer litigation in the U.S., while only representing 8% of insurance claims.[88] There is no consensus, however, on whether claims litigation has been a significant driver of insurance premiums in Florida. Proponents of Florida's tort reform have argued that high cost of litigation has been passed on to homeowners through higher premiums. Others argue that many of the factors used to account for increased litigation were in place for years without resulting in increased premiums.[89]

In recent years, several major insurers have exited the state entirely, stopped writing new policies, or changed who they would cover.[90,91,92] Reduced availability of options have pushed more homeowners to the state-backed insurer of last resort, Citizens Property Insurance Corporation.

The consequences for consumers, particularly retirees, have been severe. As premiums climbed, many fixed-income homeowners saw a growing share of their income consumed by insurance costs, which may have contributed to some relocating within the state or moving out of the state altogether.[93,94]

Statewide, net migration into Florida has dropped roughly 93% from its 2022 peak, with rising insurance costs cited as one contributing factor.[95] Miami-Dade County posted the biggest population decline of any flood-prone county nationally.[96] More than a third of homes there face high flood risk; the county saw a net outflow of over 68,000 residents in 2024 and over 70,000 residents in 2025.[97] In addition to Miami-Dade, three other Florida counties ranked among the top 10 flood-prone places that lost the most residents in 2025: Pinellas (Clearwater and St. Petersburg), Collier (Naples), and Monroe (Key West).[98]

"The Census Bureau put out their 2025 county-level population totals, and the number two and number three counties in the U.S. that had the greatest amount of population decline were Pinellas County and Miami-Dade County. It's a fascinating development because those are two counties in Florida that have seen some of the highest premium growth in the last couple of years, even despite the reforms of the Florida insurance market."

– Senior Technical Executive, Reinsurance Broker

[85] Caroline Short, "Property Insurance Costs Can be High in Every U.S. Region," United States Census Bureau, June 2025.

[86] Sharon Cornelissen, Douglas Heller, Ethan Weiland, & Michael DeLong, "Overburdened: The Dramatic Increase in Homeowners Insurance Premiums and its Impacts on American Homeowners," The Consumer Federation of America, April 2025.

[87] "Average Premiums For Homeowners and Renters Insurance By State, 2007-2022," Insurance Information Institute, accessed September 2026.

[88] Amy O'Connor, "NAIC Data: Florida Property Lawsuits Total 76% of Insurer Litigation in U.S.," Insurance Journal, April 2021.

[89] Peter Molk, "Florida's Homeowners Insurance Problems," Connecticut Insurance Law Journal, April 2026.

[90] William Rabb, "Another Big Insurer Stops Writing Homeowners Policies in Florida," Insurance Journal, February 2022.

[91] Brendan Farrington, "Farmers pulls out of Florida property insurance despite efforts to stabilize the market," AP News, July 2023.

[92] "After a devastating 2022 hurricane season, AAA is not renewing some insurance policies in Florida," WUSF NPR, July 2023.

[93] "'Everything Has Gone Up': Retirees Feel Burdened by Inflation as Home Insurance Costs Surge," Insurance Newsnet, August 2024.

[94] Anne Ray, "New Census Data in Clearinghouse Shows Drop in Migration to Florida," Housing Action Lab at the Florida Housing Coalition, July 2026.

[95] Giulia Carbonaro, "Number of Americans Moving to Florida Plummets," Newsweek, February 2026.

[96] Lily Katz & Elijah de la Campa, "Thousands More People Are Moving In Than Out of Fire- and Flood-Prone America, Fueled by Migration to Texas and Florida," Redfin News, August 2024.

[97] Dana Anderson & Yingqi Xu, "Flood-Prone Parts of America Are Losing Residents at Nearly Twice Last Year's Rate," Redfin News, June 2026.

[98] Ibid.

Regulatory Landscape: From Crisis Response to Market Correction

Florida's regulatory response centered on two major levers: reshaping the legal environment that had driven up claims costs, and rightsizing Citizens Property Insurance Corporation, the state-created insurer of last resort.

Citizens was originally designed as a backstop for homeowners who couldn't find private coverage. As the private market struggled, with nine Florida-focused property and casualty insurers becoming insolvent between 2021 and 2023, Citizens' policy count ballooned, peaking at roughly 1.4 million policies in 2023 and briefly making it the largest property insurer in the state—a sign of just how much risk had migrated out of the private market.[99,100]

Starting in late 2022 and continuing through 2023, lawmakers passed a series of tort reforms aimed directly at the litigation drivers of the crisis. Senate Bill 2-A banned assignment of benefits for residential and commercial property policies, closing off a pathway that had allowed third parties to take over and litigate homeowners' claims. House Bill 837 went even further, eliminating the one-way attorney fee provision that had made suing insurers largely cost-free for plaintiffs' attorneys so long as the plaintiff obtained even a minimal recovery.[101]

Specific Approaches: Reform in Action

The results of these reforms have shown early signs of moving in the intended direction. Litigation volume fell 23% from 2023 to 2024 and another 25% in 2025.[102] In addition, 17 new insurance companies entered the Florida market following the reforms.[103] Citizens reduced its policy count by nearly 73%, from a high of 1.4 million in October 2023 to roughly 395,000 by early 2026.[104] Premium rates have also shown signs of beginning to plateau. Data show an average premium increase of between 0.4% and 1% for policies in 2025, among the smallest in the country.[105,106]

Yet there is a more nuanced way of interpreting these reforms' impacts. Part of Citizens' depopulation effort stemmed from legislative changes in 2022 requiring that any policy for which a private insurer offered comparable coverage at a price no more than 20% above the Citizens' renewal premium would not be eligible for renewal.[107] Additionally, no hurricanes made landfall in Florida during the 2025 season. If claims decline, litigation and pressure for premium increases will likely also fall. It will also be important to track whether the tort reforms overcorrect for the problem, discouraging not only fraudulent litigation but legitimate claims as well.

Key Takeaway

Florida's story is one of real, measurable progress alongside a still-difficult reality for consumers. On the industry and regulatory side, there is genuine optimism. Litigation is down, new carriers are entering the market, Citizens Property Insurance Corporation has shrunk back to its intended role, and rate increases have flattened. Regulators and industry groups point to this as evidence that targeted reform can restore private-market stability.

But for Florida homeowners, the financial reality remains mixed. Even after recent rate reductions,

[99] Arthur Fliegelman, "Wind, Fire, Water, Hail: What Is Going on In the Property Insurance Market and Why Does It Matter?," Office of Financial Research, December 2023.

[100] "Policies in Force," Citizens Property Insurance Corporation, September 2023.

[101] John Divine, "The Verdict on Florida's Tort Reforms," Casualty Actuarial Society, July 2024.

[102] Michael Yaworsky, "Property Insurance Stability Report," Florida Office of Insurance Regulation, July 2026.

[103] Flora Arabo & Andrew Jakabovics, "Curbing the Insurance Spiral: Policy and Practitioner Strategies to Help Stabilize Multifamily Affordable Housing," Enterprise Community Partners, February 2026.

[104] "Policies in Force," Citizens Property Insurance Corporation, September 2023.

[105] "Florida Residential Property Market Share," Citizens Property Insurance Corporation, December 2025.

[106] Maggie Gunara, "State of Home Insurance: 2026," LendingTree, June 2026.

[107] "Citizens Responds to Hurricane Idalia: New Rules for Citizens' Depopulation Program," Citizens Property Insurance Corporation, September 2023.

Florida homeowners still pay far more for coverage than anywhere else in the country. An estimated 15% to 20% of Florida homeowners remain uninsured, and affordability challenges continue to weigh most heavily on retirees and lower-income households with the least room to absorb it.[108] Florida's reforms have begun to restore market function, but restoring insurer profitability and restoring consumer affordability are not the same achievement, and the state has so far delivered more of the former than the latter.

California

California's homeowners insurance market has become an example of how climate risk and consumer protection regulation can collide, and what happens when homeowners are caught in the middle. As wildfire losses have mounted over the past decade, a market once defined by broad availability and comparatively stable rates has splintered, leaving hundreds of thousands of Californians to rely on a shrinking pool of private insurers or find coverage through the state's insurer of last resort, the California FAIR Plan.[109] In response, regulators have imposed reforms intended to modernize how rates are set.



Unique Challenges: A Market Under Pressure

The most visible signs of stress in the California home insurance market over the last decade have been insurer retractions and nonrenewals.[110] Facing escalating wildfire exposure, with 2018 being the deadliest wildfire season in California history, several of the state's largest insurers paused new policy writing or significantly scaled back renewals.[111,112] For homeowners, this has meant a shrinking set of choices precisely when they need coverage the most. Recent research showed that homeowners insurance premiums increased by over 80% since 2020, while unavailability of coverage has pushed more homeowners into the California FAIR Plan.[113]

Underlying this retreat has been a challenging pricing dynamic. For decades, California's rate-approval process kept premiums artificially low compared to the risks insurers were facing. When insurers began seeking and receiving larger rate increases that reflected true wildfire exposure, the result wasn't a gradual adjustment but a compounding shock.

For example, one insurer received approval for a 7% rate increase in both 2022 and 2023.[114] By 2024, the company requested and received a 20% increase, only to be followed by an emergency interim increase of 17% after the Los Angeles wildfires and then a 22% increase.[115] As a result, the company's average homeowners premium in California roughly doubled between 2020 and 2024.[116] This example

[108] Lillian Hernández Caraballo, "Central Florida homeowners join rising trend, opting out of property insurance," WUSF NPR, January 2025.
[109] "California FAIR Plan," California Department of Insurance, accessed September 2026.
[110] "California's Homeowners Insurance Market Is a National Bellwether," Joint Center for Housing Studies of Harvard University, May 2025.
[111] "2018 Fire Season Incident Archive," CalFire, 2018.
[112] "State Farm in California: What you need to know," Insurance.com, January 2026.
[113] Rob Jordan, "California's home insurance crisis is spreading beyond wildfire country," Stanford Woods Institute for the Environment, June 2026.
[114] Levi Sumagaysay, "Big homeowner rate hike from State Farm shot down by California regulator," CalMatters, February 2025.
[115] Giulia Carbonaro, "State Farm Asks to Increase California Insurance Prices Again," Newsweek, May 2025.
[116] "State Farm Agreement Allows 17% Home Insurance Rate Increase to Continue in California," ProgramBusiness, March 2026.

illustrates the overall challenge in California: Insurance rates stayed low in the past despite increasing disaster risk, then had to play catch up as recent wildfire losses mounted.

Rapid increases in premiums and reduced coverage options have put an uneven burden on households. Research shows that in California, low-income households pay a higher share of their income on homeowners insurance compared with the typical California homeowner—3% of their income compared with 1%—exacerbating the housing cost burden they may already face.[117]

Regulatory Landscape: Regulators Attempt a Reset

California's regulatory framework has long been shaped by Proposition 103, the 1988 ballot measure that gave the state one of the strictest rate-approval systems in the country. It required insurers to get prior approval from the California Department of Insurance before changing property and casualty rates, made the insurance commissioner an elected position, and created a formal process for consumer advocates to challenge proposed rate hikes.

For decades, those responsible for approving rates relied on backward-looking historical loss data rather than forward-looking risk projections, leaving rate-setting poorly matched to a climate in which past losses increasingly understate future risk.[118] These gaps left the state's insurance market especially exposed as wildfire risk accelerated, setting the stage for the availability crisis and rate shocks California faces today.

> "In California, the long story short is insurance carriers cannot cover their costs. What we're seeing is "rent control" for insurance companies, and in response some of them are scaling back. More people are also moving to high-risk areas, making it more expensive to rebuild homes after a natural disaster."
>
> – Director, Industry Association

Specific Approaches: Modernization Reforms

In response to market challenges, Insurance Commissioner Ricardo Lara introduced the Sustainable Insurance Strategy (SIS) in 2023, described as the most significant insurance reform since Proposition 103 passed in 1988. The strategy centers on modernizing how rates are set and how coverage is guaranteed. Regulatory implementation was largely completed by the end of 2024, with insurers beginning to file new rates under the reformed system in 2025.[119]

The centerpiece of California's reform strategy has been a shift away from purely historical loss data toward forward-looking catastrophe modeling, allowing insurers to price risk based on projected future hazard with the intended outcome of more accurate risk pricing. The industry has also begun turning to AI for more accurate risk modeling, where hundreds of years worth of climate data can be simulated in just one day.[120,121] Insurers that use catastrophe modeling must write at least 85% of

[117] Hongwei Dong, Carolina Reid, Zack Subin, & Quinn Underriner, "The California Home Insurance Challenge in Eight Charts," Terner Center for Housing Innovation, December 2025.

[118] Lawrence Powell, R.J. Lehmann, & Ian Adams, "Rethinking Prop 103's Approach to Insurance Regulation," International Center for Law & Economics, November 2023.

[119] "Commissioner Lara announces Sustainable Insurance Strategy to improve state's market conditions for consumers," California Department of Insurance, September 2023.

[120] Susan Meyer, "How AI is Forecasting and Assessing Risk," The Zebra, October 2025.

[121] Gillian Dohrn, "This AI model simulates 1000 years of the current climate in just one day," University of Washington, August 2025.

their statewide market share in wildfire-distressed areas, a mechanism designed to pull consumers off the state's insurer of last resort, the FAIR Plan, and back into the private market.[122]

The strategy has also modernized the FAIR Plan itself, most notably by expanding its commercial coverage limits through a new high-value commercial policy offering. This has provided more adequate coverage to commercial properties, including affordable housing developers, than they could otherwise find, helping bridge the gap while private-market reforms take hold.[123] On the prevention side, the state's "Safer from Wildfires" framework ties insurance discounts and, increasingly, rate-setting itself to community- and home-level risk-reduction measures, an attempt to move the market from reacting to fires toward reducing the odds of catastrophic loss in the first place.[124]

Legislators have also added a layer of consumer protections. New laws make it easier for wildfire survivors to recover contents coverage without a detailed inventory, extend nonrenewal protections beyond homeowners to businesses and homeowners associations after a disaster, and give the FAIR Plan new financing tools, like catastrophe bonds and lines of credit, to help ensure claims get paid after a major event.[125,126,127]

Key Takeaway

California illustrates a unique case of decades-long consumer protections colliding with the rising risk of climate disasters, and the price-availability puzzle consumers subsequently face. Regulatory constraints in the face of rising climate risks limited the insurance industry's ability to price based on historical losses or receive rate increases when requested. The result has been both a sudden increase in the cost of homeowners insurance and a rapid migration onto the FAIR Plan, where policies in force have grown 152% since September 2022, turning what was designed as a temporary safety net into a de facto primary insurer for a growing share of the state.[128]

The Sustainable Insurance Strategy, along with recent legislative action, represents a significant attempt to rebuild market stability by aligning pricing with risk and giving insurers a reason to re-enter distressed areas. But for consumers, especially lower-income and minority households most exposed to coverage gaps, and for the renters and developers squeezed by rent-control frameworks that can't easily accommodate rising insurance costs, the benefits of reform remain largely prospective. Whether California's recalibration restores an affordable, accessible market will be the central test of the years ahead.

North Carolina

North Carolina's home insurance market is unique in how rates are established. Unlike most states, where insurers individually file rate requests with their state insurance regulators, North Carolina relies on a single centralized body, the North Carolina Rate Bureau (NCRB), to negotiate base homeowners rates on behalf of the entire industry. Yet beneath that stability, the state's risk profile is shifting in ways that are testing the model's limits, as climate-driven hazards spread well beyond the coastline that has traditionally defined the state's insurance risk.

Unique Challenges: A Widening Risk Footprint

For decades, North Carolina's insurance risk was concentrated along its coast, where hurricanes

[122] "Commissioner Lara takes major step to increase insurance availability in wildfire-distressed areas," California Department of Insurance, November 2024.

[123] "Commissioner Lara approves major FAIR Plan expansion to help HOAs, builders, farmers, and businesses access insurance coverage," California Department of Insurance, March 2025.

[124] "Safer from Wildfires," California Department of Insurance, accessed September 2026.

[125] "SB 495: Insurance," Cal Matters, October 2025.

[126] "SB 547: Commercial property insurance cancellation and nonrenewal," Cal Matters, October 2025.

[127] "AB 226: California FAIR Plan Association," Cal Matters, October 2025.

[128] "Key Statistics & Data," California Fair Plan Property Insurance, accessed September 2026.

and tropical storms posed the primary threat. As tropical storms and hurricane risk are expanding inland, interior communities are now exposed to severe windstorm activity they historically weren't priced for. Shifting precipitation patterns are compounding the problem. Intense rainfall bursts are now capable of triggering catastrophic flash flooding even in mountainous, noncoastal terrain, a risk that became devastatingly clear when Hurricane Helene struck western North Carolina in 2024, causing an estimated $60 billion in damage and more than 100 deaths in the state alone.[129]



At the same time, high-frequency convective storms, which produce damaging wind and hail rather than hurricane-force winds, have become a larger source of roof damage claims than hurricanes themselves. This has spread carrier payouts across a much broader footprint of the state than the traditional coastal risk zone.

These strains have begun showing up in premium rates. Although North Carolina is still quite affordable compared to other states—with 2025 premiums just 7% above the U.S. average and ranking 22nd overall—premiums nonetheless increased 47% between 2020 and 2025.[130]

Regulatory Landscape: A Model Under Strain

North Carolina's insurance rate-setting process runs through a structure found in no other state. The NCRB aggregates loss data across all homeowners insurers and files a single, unified rate increase request with the Department of Insurance on behalf of all carriers who, by statute, must be members of the NCRB. The elected insurance commissioner then reviews the request and either approves, rejects, or negotiates an agreed upon rate increase for the industry.

While bringing some efficiency to the rate-setting process, this structure has also produced growing reliance on a statutory workaround known as "consent to rate." Under this provision, insurers facing a property they consider underpriced by the approved base rate can charge up to 250% of the state's approved rate. While consent from the policyholder had been required for the insurer to charge above the base rate, that requirement was removed in 2019. Insurers now just need to notify the policyholder of the rate, making “consent” to rate a misnomer.[131] Once a niche exception, consent to rate now applies to an estimated 63% of the state's homeowners policies, up sharply over the past decade, a clear signal that the manual rate structure has fallen out of step with actual risk and cost conditions in large parts of the state.[132]

In 2024, the NCRB requested an average statewide rate increase of 42.2%, with some coastal territories facing proposed hikes as high as 99.4%. After months of hearings, the Department of Insurance negotiated a settlement: a two-year phased increase of 7.5% in June 2025 and another 7.5%

[129] “Hurricane Helene Recovery: Revised Damage and Needs Assessment,” Office of State Budget and Management, December 2024.

[130] Maggie Gunara, “State of Home Insurance: 2026,” LendingTree, June 2026.

[131] “North Carolina: Consent to Rate,” Woop Insurance, March 2024.

[132] “N.C.G.S. §58-36-30(b2) - Consent-to-Rate Data,” State of North Carolina Department of Insurance, April 2026.

in June 2026, with no territory rising more than 35% and no new rate request permitted before June 2027.[133] The agreement was projected to save homeowners roughly $777 million relative to the industry's original request, though the Rate Bureau has publicly cautioned that the settlement rates remain inadequate given the pace of storm losses, construction cost inflation, and rising reinsurance costs.

Specific Approaches: A Different Kind of Reform Playbook

North Carolina's approach to its insurance challenges looks different from the rate-setting or litigation-focused reforms pursued elsewhere. The state's centralized bargaining structure means the fight over affordability plays out through a single annual negotiation between the Rate Bureau and the Commissioner, rather than through individual company rate filings. So far, this process has preserved comparatively low base rates even as underlying risk has grown.

And these underlying risks have indeed grown. North Carolina had the third highest nonrenewal rate of any state in 2023. In the same year, 13 inland counties ranked in the top 100 nationwide for highest nonrenewal rates. These counties include the cities of Charlotte, Greensboro, and Fayetteville. Insurers are feeling the damage of landfalling hurricanes beyond the coast and how this impacts insurance markets hundreds of miles inland.[134]

Perhaps because of these recent challenges, regulators and the Rate Bureau have both signaled a shift toward greater transparency about the true cost of insurance. The Bureau's recent filings have highlighted rising construction costs, reinsurance expenses, and climate-related losses, even when doing so means requesting politically difficult rate increases.

On the resilience side, the North Carolina Insurance Underwriting Association (NCIUA) has built one of the more credible mitigation track records in the country. Its Strengthen Your Roof program provides grants up to $10,000 to eligible coastal homeowners toward the installation of an Insurance Institute for Building and Home Safety (IBHS) FORTIFIED roof. Since 2017, the program has funded more than 20,000 roof installations in coastal communities. Research shows these upgraded roofs meaningfully outperform standard roofs in storm losses, with 35% fewer claims during hurricanes and 23% less damage.[135]

Key Takeaway

North Carolina's insurance market remains relatively stable by national standards, in part because of its unusual centralized rate-setting structure. That stability, however, is increasingly a product of a workaround. The sharp rise in consent-to-rate policies shows that the approved rate structure itself is no longer adequate for a meaningful share of the market, effectively pricing risk outside the regulated system rather than within it.

The risk landscape driving that gap is no longer confined to the coast. As hurricanes push further inland, mountain communities face greater flood risks while convective storms cause losses across the state. The challenge for North Carolina is whether it can adapt quickly enough to a risk landscape that increasingly extends beyond the coast.

Alabama

Alabama's home insurance market has been shaped as much by policy choices as by weather events. Rather than responding primarily through rate regulation, Alabama has built its strategy largely around the premise that reducing the physical vulnerability of homes, not just repricing the risk,

[133] "Commissioner Causey negotiates settlement on Rate Bureau's homeowners' insurance request," North Carolina Department of Insurance, January 2025.

[134] "Next to Fall: the Climate-driven Insurance Crisis Is Here – And Getting Worse," Senate Budget Committee, December 2024.

[135] "Historic $600 million insurance innovation links storm-resilient construction with financial markets," University of North Carolina at Chapel Hill, Department of Law, October 2025.

is the more durable path to market stability. This approach has increasingly drawn national attention as other states search for alternatives to the cycle of rate suppression and market retraction.

Unique Challenges: A State Exposed on Multiple Fronts

Alabama has had to contend with its fair share of severe catastrophe losses over the past two decades, including Hurricanes Ivan in 2004 and Katrina in 2005, the devastating 2011 tornado Super Outbreak, Gulf hurricanes that regularly batter its coastline, and the tornado-prone corridor known as Dixie Alley.[136,137] The dual exposure of hurricane risk on one end of the state and tornado risk on the other leaves few Alabama homeowners fully insulated from catastrophic wind risk.

The financial stakes of this exposure fall hardest on the state's rural, lower-income households. Alabama has a higher concentration of low-income rural homeowners than many of its coastal peer states, and these households have limited capacity to absorb sudden premium increases or unexpected repair costs. Indeed, Alabama has the ninth-highest average annual home insurance cost in the country at $3,254, about 36% above the national average. Rates climbed 41% cumulatively between 2020 and 2025, though that increase was still comparatively moderate, ranking just 31st among all 50 states.[138]



> "I was starting to see the decline of the insurance market in Alabama. And about that time, there was consideration for doing something to course correct these insolvencies, [specifically] figuring out how to reduce the risk of loss. When we started looking at where the losses really occurred, it was on the homeowners front. So if we could figure out a way to reduce losing homes, then perhaps we could course correct this [challenge] in the market."
>
> - Former Regulatory Expert, State Department of Insurance

Regulatory Landscape: Building Resilience Into the Regulatory Framework

Alabama's regulatory approach centers on aligning insurance incentives directly with physical risk reduction. State law requires insurers to provide minimum premium discounts to properties that meet certified resilience standards, most notably homes built or retrofitted to the Insurance Institute for Building and Home Safety (IBHS) FORTIFIED construction standard. Other states, including California, Florida, and North Carolina, also have similar programs.

Alabama's program differs in that its funding model relies solely on private insurance companies to

[136] "Fact Sheet: Five Years After The 2011 Tornadoes," Insurance Information Institute, accessed September 2026.
[137] "High Wind Risk in Alabama," DisasterAware Enterprise, accessed September 2026.
[138] Maggie Gunara, "State of Home Insurance: 2026," Lending Tree, June 2026.

fund the program incentives.[139] Homeowners who achieve a FORTIFIED Roof designation receive up to 35% off the wind portion of their premium, while those who reach the higher FORTIFIED Gold standard can receive discounts of up to 55%. Insurers are legally required to apply these discounts once a home is certified, a mandate found in no other state.[140]

Regulators have also moved on multiple fronts to protect policyholders from abrupt loss of coverage. The Alabama Department of Insurance issued Bulletin 2025-08, effective in early 2026, which prohibits insurers from canceling, nonrenewing, or raising premiums on property and auto policies based solely on a claim tied to a catastrophe, natural disaster, or weather event.[141] At the same time, the state's Beach Plan, which serves coastal properties unable to secure private coverage, has tightened its underwriting standards to protect its own solvency as private insurers pull back their risk appetite in the most exposed coastal areas.[142] In April 2026, legislation passed making the Alabama Resilience Council a permanent part of state government, creating a chief resilience officer and requiring a statewide resilience plan based on an assessment of risks and vulnerabilities.[143]

Specific Approaches: Mitigation as Market Strategy

The centerpiece of Alabama's approach is the Strengthen Alabama Homes program, created by the state legislature in 2011 and funded entirely through insurance industry licensing fees rather than state tax dollars. The program provides grants of up to $10,000 with no income restrictions to help homeowners retrofit existing roofs to the FORTIFIED standard, covering the full cost of eligible mitigation work up to that cap.[144]

The results have been impressive among the more than 50,000 homes that have been fortified. A peer-reviewed study by the University of Alabama's Center for Risk and Insurance Research, examining more than 40,000 homes affected by Hurricane Sally in 2020, found that FORTIFIED-designated homes experienced roughly 73% fewer claims than conventional construction. FORTIFIED homes also accounted for only 9% of the claims, despite representing one-quarter of insured homes affected by Sally.[145] Researchers estimated that insurers would have saved more than $100 million on Sally-related claims alone had every affected home met the FORTIFIED standard.[146] The program has also helped build a local mitigation workforce. Certified FORTIFIED contractors and evaluators have proliferated across coastal Alabama, embedding the resilience standard into the ordinary construction market rather than treating it as a one-time subsidized retrofit.

That said, the model has a real limitation acknowledged even by its supporters. Mitigation requires upfront investment. Grants cover only up to $10,000, and homeowners are responsible for any costs above that amount. The enhanced standards can add between 0.5% to 3% more for new construction, and 6% to 16% for retrofits.[147] An assessment of Louisiana's fortified roof program, which also offers a $10,000 incentive, found that the average cost of a roof retrofit was $16,229.[148] While homeowners may end up saving a significant amount of money through premium discounts over

[139] Chase Parry & David Wessel, "What incentives are states offering to make houses less vulnerable to extreme weather damage?," Brookings Institution, March 2026.

[140] Gabriela Aoun Angueira, "Alabama Study Shows Fortified Homes Paying Off for Insurers, Homeowners," Insurance Journal, May 2025.

[141] "Revised Bulletin 2025-08," State of Alabama Department of Insurance, February 2026.

[142] "AIUA Rules and Procedures for Submitting Applications," AIUA, accessed September 2026.

[143] "Alabama Senate Bill 137," LegiScan, April 2026.

[144] Joshua Saks, "*The Strengthen Alabama Homes* Program: A State Model for Wind Mitigation Retrofits," Georgetown Climate Center, February 2026.

[145] "Performance of IBHS FORTIFIED HomeTM Construction in Hurricane Sally," Alabama Department of Insurance & Center for Risk and Insurance Research, May 2025.

[146] Gabriela Aoun Angueira, "Alabama Study Shows Fortified Homes Paying Off for Insurers, Homeowners," Insurance Journal, May 2025.

[147] Gabriela Aoun Angueira, "Alabama Study Shows Fortified Homes Paying Off for Insurers, Homeowners," Insurance Journal, May 2025.

[148] Michael J. "Mike" Waguespack, "Louisiana Fortify Homes Program," Louisiana Legislative Auditor, March 2025.

the lifetime of a fortified roof, the upfront cost can be prohibitive for some. For lower-income households, precisely the population most exposed to Alabama's storm risk and least able to absorb a premium spike, that upfront cost can put the benefits of mitigation and its associated insurance discount out of reach without additional support.[149]

> "What the grant program does that's so important is it catalyzes private market uptake. So the grants help create a supply and demand for FORTIFIED roofs. On the supply side, it's about a trained workforce. It's about the roofers who want the business from the grant program so they get trained in how to [build] FORTIFIED, and then they can start upselling that to their other customers."
>
> - Managing Director, Research Organization

Key Takeaway

Alabama has emerged as something of a national blueprint for an alternative approach to insurance market stability. Rather than relying primarily on rate-setting regulation, the state has built a system that pays homeowners to reduce disaster losses before they happen. Mandatory premium discounts tied to FORTIFIED certification, backed by an industry-funded grant program, have demonstrably reduced claims frequency and severity in real storms, and have helped stabilize a market that faced real insolvency risk after the 2011 Super Outbreak. Other states have taken notice, with more than a dozen now offering similar FORTIFIED-linked discounts or considering grant programs of their own.[150]

But Alabama's model is not a complete answer to affordability. The program's reliance on upfront homeowner investment means its benefits accrue unevenly, with lower-income and rural households often the least able to front the cost of qualifying. Alabama's experience suggests that physical mitigation can meaningfully reduce the losses driving up insurance costs nationally, but that mitigation-based strategies still require deliberate design to ensure their benefits reach the households under the most financial strain.

[149] Laura Hausman, "How Do Hazard Mitigation Measures Impact Homeowners' Property Insurance Premiums?," Bipartisan Policy Center, April 2025.
[150] Chase Parry & David Wessel, "What incentives are states offering to make houses less vulnerable to extreme weather damage?," Brookings Institution, March 2026.

Conclusion

Multiple forces have driven up the cost of homeowners insurance over the last decade. While the public discourse has primarily focused on the increased frequency and severity of climate events to account for these increases, other factors continue to play a key role. Increases in home replacement costs due to pandemic-induced inflation in the price of construction materials, rising reinsurance costs, and continued consumer demand for housing in high-risk areas also contributed to the premium increases.

To stay current on their mortgages, homeowners are therefore forced to adjust strategies to maintain housing stability by paying increased premiums, reducing coverage, or relying on their state's insurer of last resort. Regulators, meanwhile, face the difficult job of protecting consumers without discouraging insurers from remaining in the market. In short, the market is caught in an affordability-availability paradox.

The financial health impacts of this evolution are significant. With insurance representing an increasingly large portion of a potential homeowner's monthly payment, access to homeownership is narrowing. Current homeowners face greater risk of mortgage delinquency as insurance costs continue to rise. In some cases, consumers are also retaining a greater share of the risk as they navigate difficult tradeoffs between price and coverage, leaving some borrowers dangerously underinsured.

Multifamily housing is also affected. Higher insurance costs are often passed through to tenants through increased rents. In affordable and rent-controlled housing units, providers may instead respond by cutting resident services or deferring maintenance.



Consumers across the country continue to feel the effects of increased premiums in already tight budgets. While there is growing momentum around increased resilience efforts, those opportunities need to be accessible and affordable to all consumers, not just the ones who can afford to take advantage of them.

The nuances of these financial health impacts must be better understood. Consumer research will be critical to understanding how homeowners, prospective homeowners, and renters have experienced the changing dynamics of the property insurance market, how they've coped with rising costs, and how they are planning for future uncertainty. Our work will continue with this focus front and center.

Appendix

Table A1. Rate filing methods for property/casualty insurance.

Prior approval	Rates must be filed with and approved by the state insurance department before they can be used. Approval can be by means of a deemer provision, which indicates approval if rates are not denied within a specified number of days.
Modified prior approval	Rate revisions involving change in expense ratio or rate relativity require prior approval. Rate revisions based on experience only are subject to "file-and-use" laws.
Flex rating	Prior approval of rates required only if they exceed a certain percentage above (and sometimes below) the previously filed rates.
File-and-use	Rates must be filed with the state insurance department prior to their use. Specific approval is not required but the department retains the right of subsequent disapproval.
Use-and-file	Rates must be filed with the state insurance department within a specified period after they have been placed in use.
No file	Rates are not required to be filed with or approved by the state insurance department. However, the company must maintain records of experience and other information used in developing the rates and make these available to the commissioner upon request.

Source: PA-10 Rate Filing Methods for Property Casualty Insurance Workers Comp Title (p. 26).

Table A2. Types of organizations interviewed.

Type of organization	Number of Orgs. Contacted	Number of Orgs. Interviewed
Insurance Company*	6	0
Insurance Agent	2	2
Reinsurance Company	2	1
Reinsurance Broker	2	2
Bank, Credit Union Service Organization	6	2
Insurtech	1	1
Industry Association	4	2
Research Organization, Academic Researcher	4	4
Affordable Housing Nonprofit	7	7
Consumer Advocacy / Community Development Nonprofit	5	5
Community Development Financial Institution (CDFI)	2	2
State Department of Insurance	5	2
Consultancy	2	2
TOTAL	**48**	**32**

** Including one state-backed insurer of last resort*

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