Trends and Challenges in Homeowners Insurance Markets
An Overview & Outlook

Scottsdale, AZ
September 29, 2025

Robert P. Hartwig, PhD, CPCU
Clinical Associate Professor of Finance, Risk Management & Insurance
Darla Moore School of Business ♦ University of South Carolina
Robert.Hartwig@moore.sc.edu ♦ 803.777.6782

UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Homeowners Insurance: Turbulent Times

- State of the US Homeowners Insurance Market
  - Underwriting Performance
  - Profitability
  - By State Comparisons
  - Affordability
  - Rate Change Trends
- Key Mortgage Market Metrics: Canaries in the Coal Mine?
- Catastrophe Loss Trends
- Stressors: Capital, Capacity, Ratings Agency Actions and Reinsurance
- Economic Overview for the US, Housing and Residential Construction
- Inflation & Tariffs—Impacts on Residential Construction
  - Potential property claim severity impacts
- Summary and Q&A

State of the Homeowners Insurance Market

Inflation, High Catastrophe Losses Are Challenges for Home Insurers and Policyholders Across the Country

Homeowners Insurance Combined Ratios: US, 2010 – 2025F

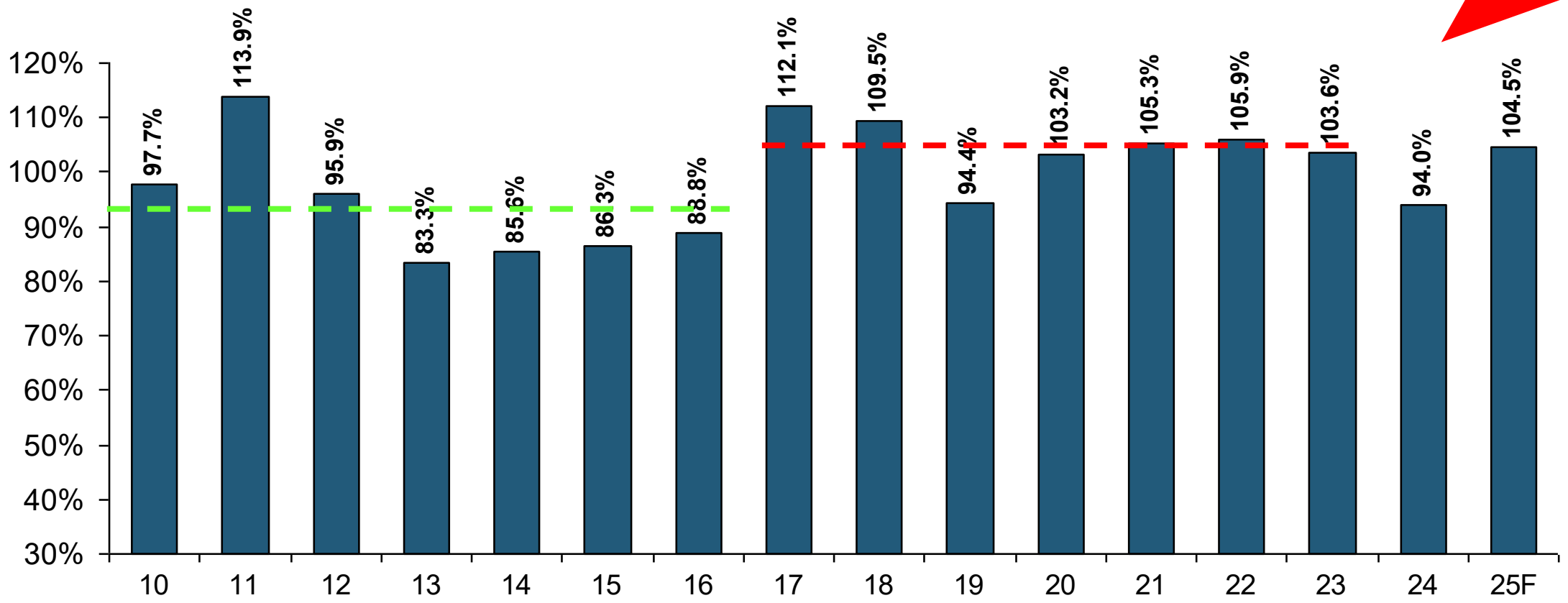
Average:

98.6% (2010-2024)

93.1 (2010-2016)

104.9% (2017-2023)

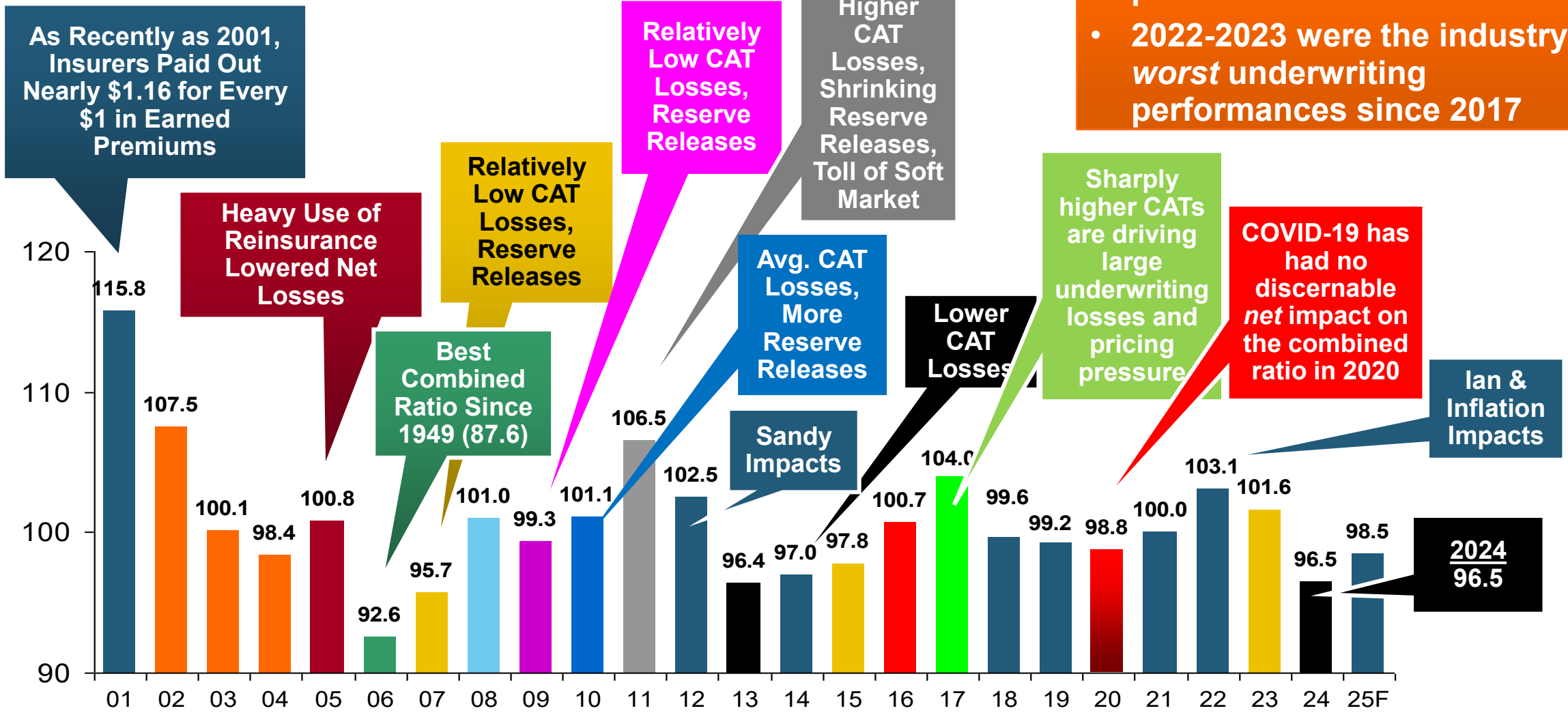
The Homeowners combined ratio from 2017-2023 (106.1) was 13 points higher from than from 2010-2016 (93.1)



Sources: APCIA estimates using S&P Global Market Intelligence data; A.M. Best Review & Preview (Feb. 20, 2025) for 2025F); University of South Carolina, Risk & Uncertainty Management Center.

All P/C Lines Combined Ratio, 2001–2025F*

- 2024 was the *best* underwriting performance since 2013.
- 2022-2023 were the industry's *worst* underwriting performances since 2017



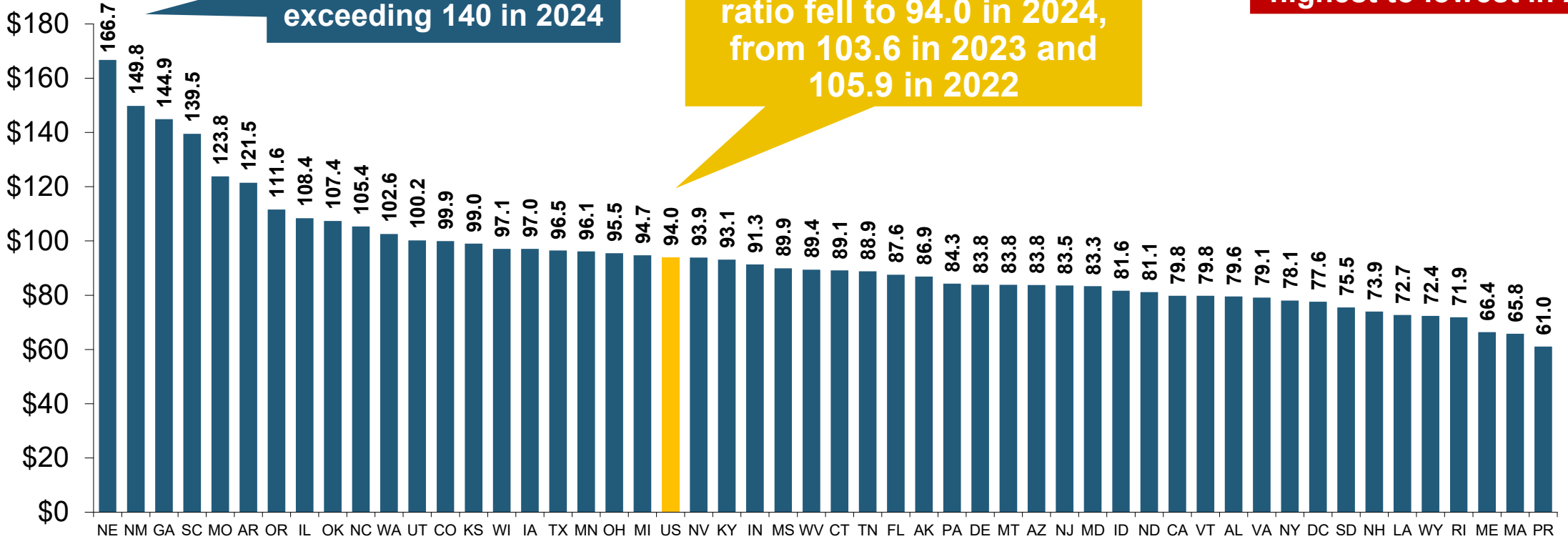
*Excludes Mortgage & Financial Guaranty insurers 2008–2025F.
Sources: A.M. Best, ISO (2001-2023). S&P Global Intelligence (2024).

Homeowners Insurance Combined Ratio by State in 2024

Nebraska, New Mexico and Georgia all had HO combined ratios exceeding 140 in 2024

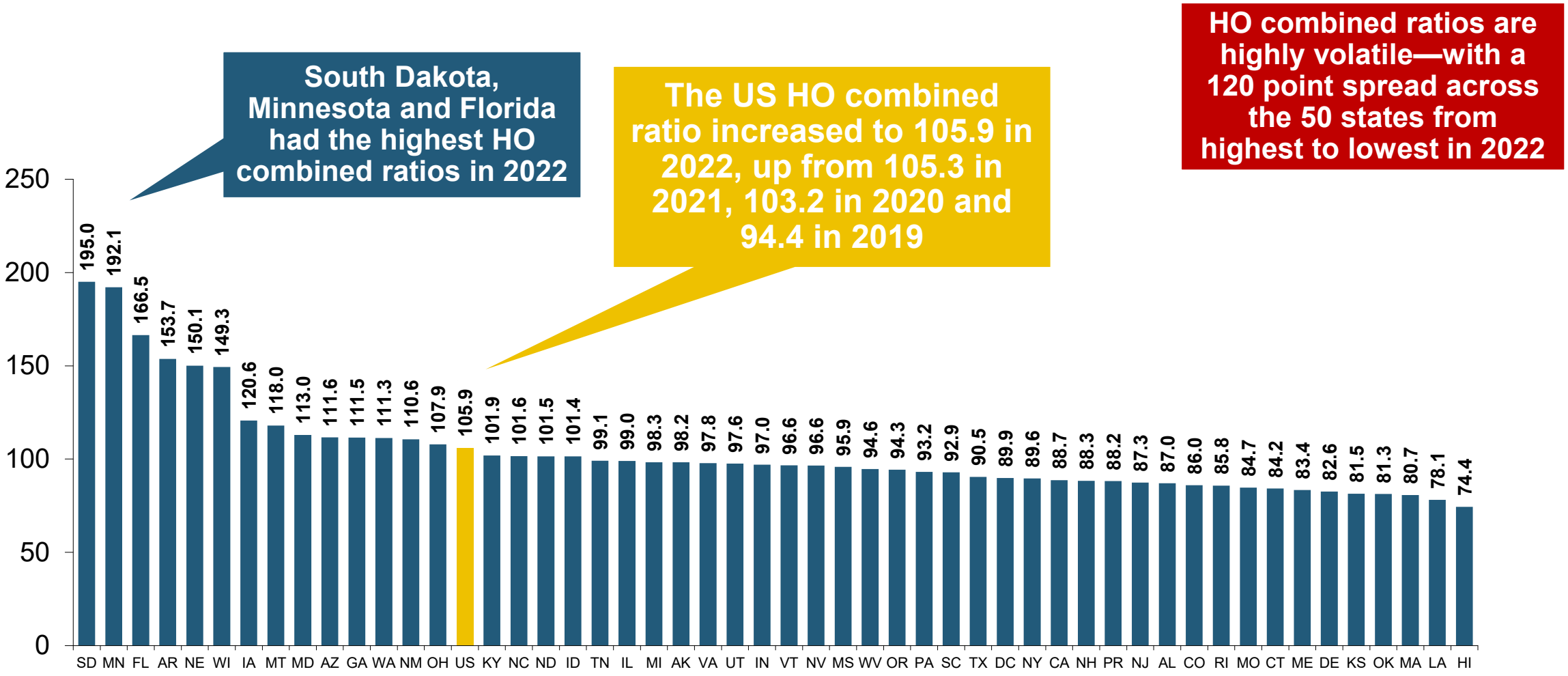
The US HO combined ratio fell to 94.0 in 2024, from 103.6 in 2023 and 105.9 in 2022

HO combined ratios are highly volatile—with a 100.9 point spread across the 50 states from highest to lowest in 2024



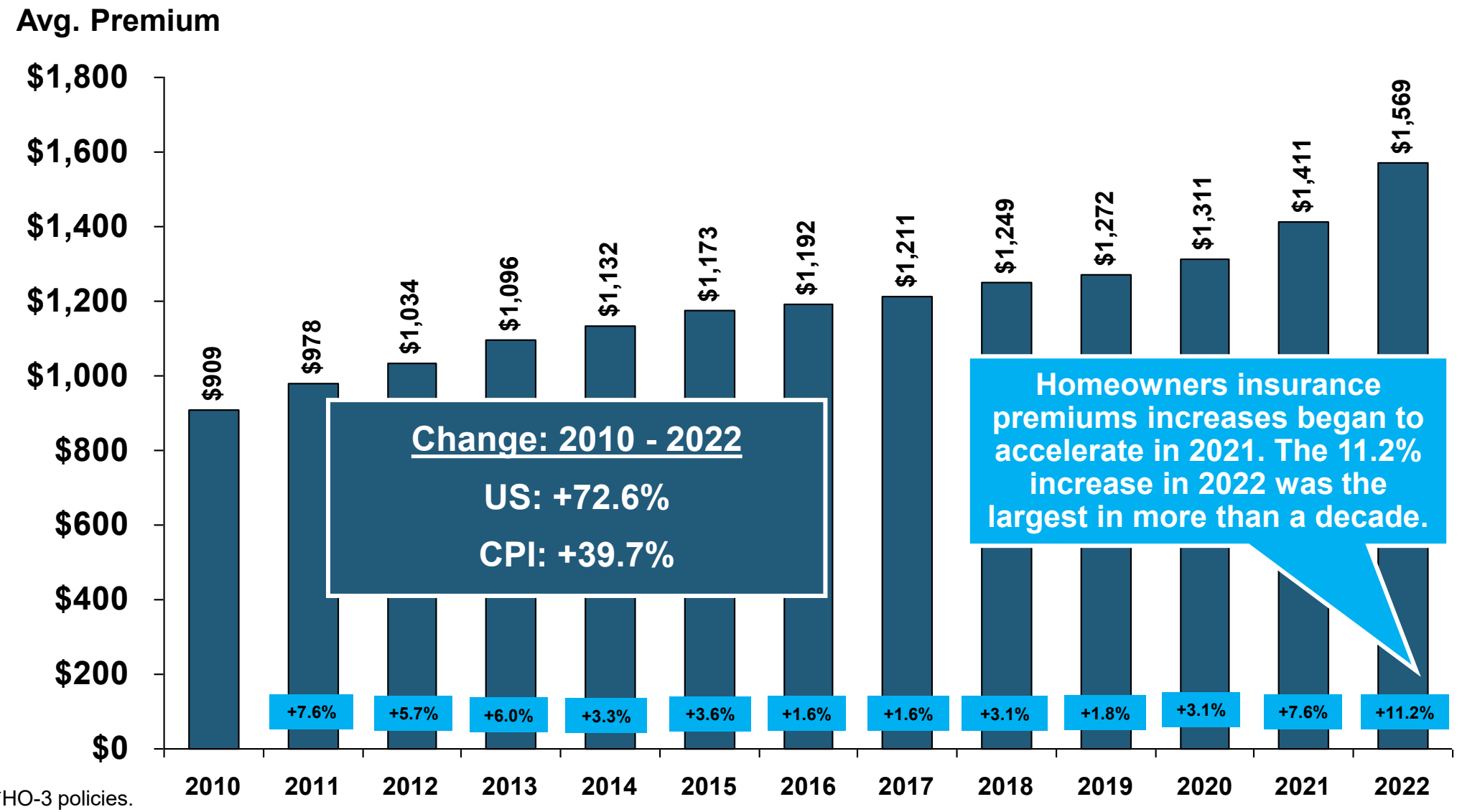
Sources: American Property Casualty Insurance Association, based on NAIC Annual Statement database via S&P Global Market Intelligence; University of South Carolina Risk & Uncertainty Management Center.

Homeowners Insurance Combined Ratio by State in 2022



Sources: American Property Casualty Insurance Association, based on NAIC Annual Statement database via S&P Global Market Intelligence; University of South Carolina Risk & Uncertainty Management Center.

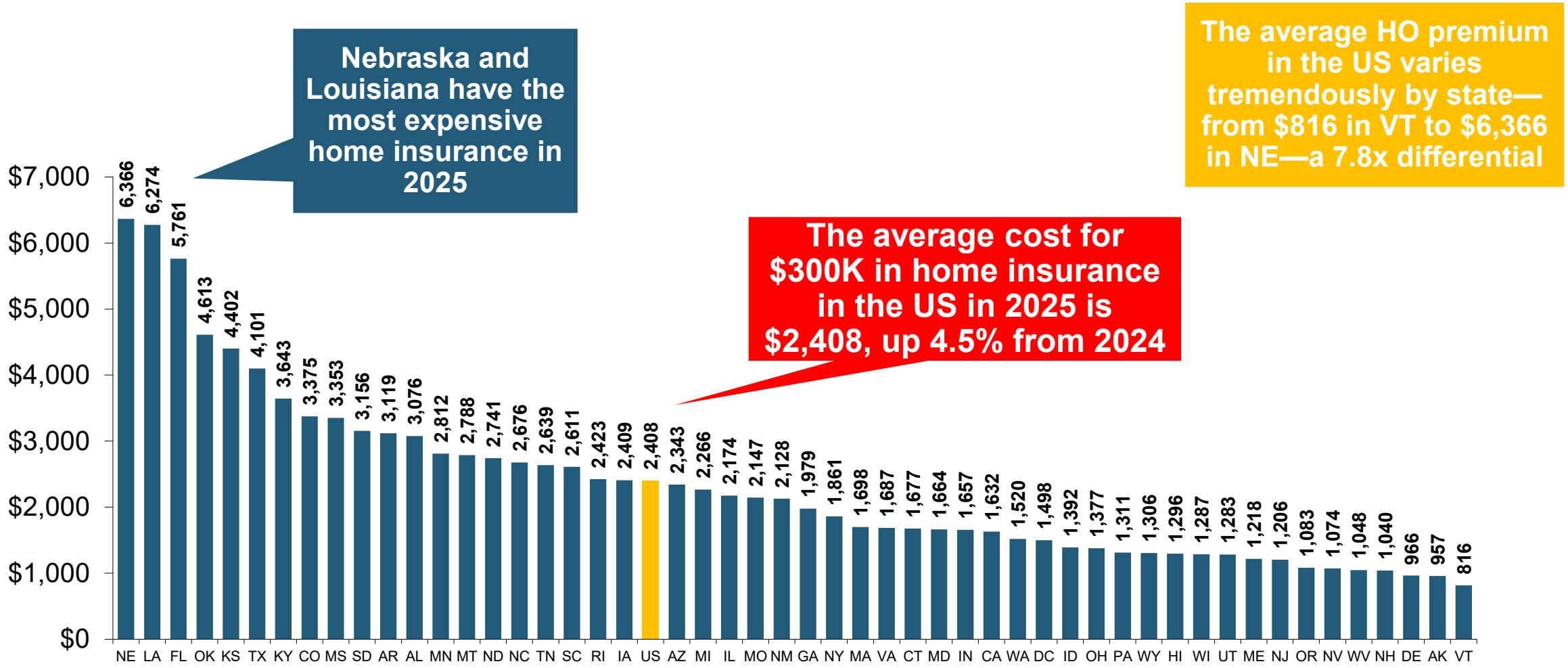
US Average Homeowners Insurance Premium, 2010-2022*



*HO-3 policies.

Sources: NAIC *Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report: Data for 2022* (May 2025) and previous years, *available at: https://content.naic.org/sites/default/files/publication-hmr-zu-homeowners-report.pdf*.

Average Cost of Homeowners Insurance by State in 2025 for $300,000 in Dwelling Coverage*



*As of September 1, 2025.

Sources: Bankrate.com. Accessed at: https://www.bankrate.com/insurance/homeowners-insurance/states/; University of South Carolina Risk & Uncertainty Management Center.

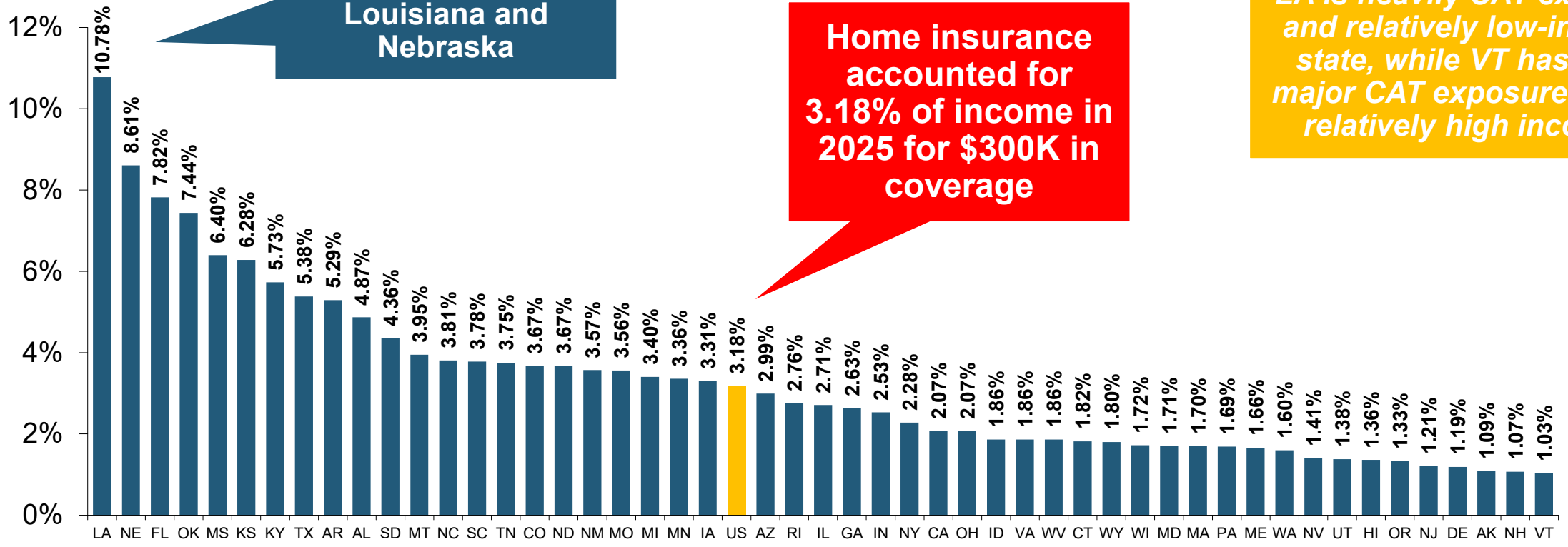
Homeowners Insurance Cost as a Share State Median Income, 2025*

As a share of income, home insurance is most expensive in Louisiana and Nebraska

Home insurance accounted for 3.18% of income in 2025 for $300K in coverage

The average HO premium as a share of income varies tremendously by state—from 1.03% in VT to 10.78% in LA—a 10.5x differential.

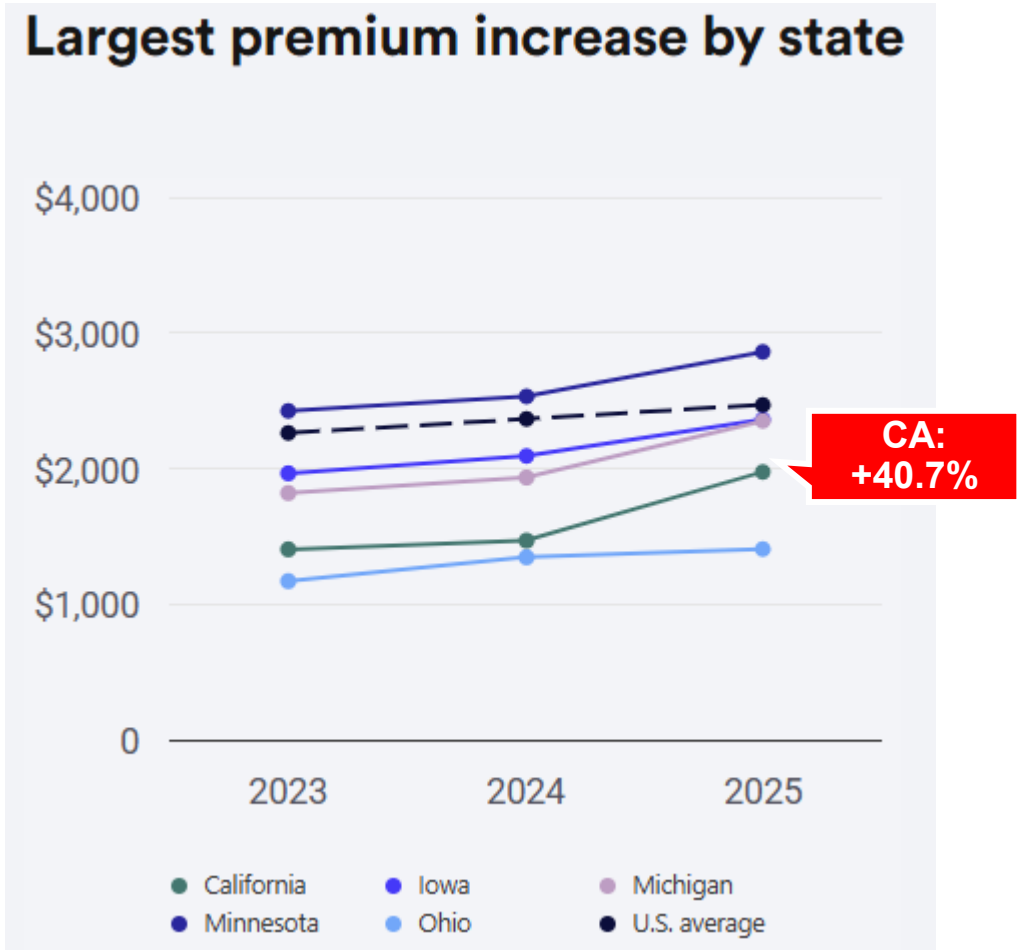
LA is heavily CAT exposed and relatively low-income state, while VT has little major CAT exposure and is relatively high income.

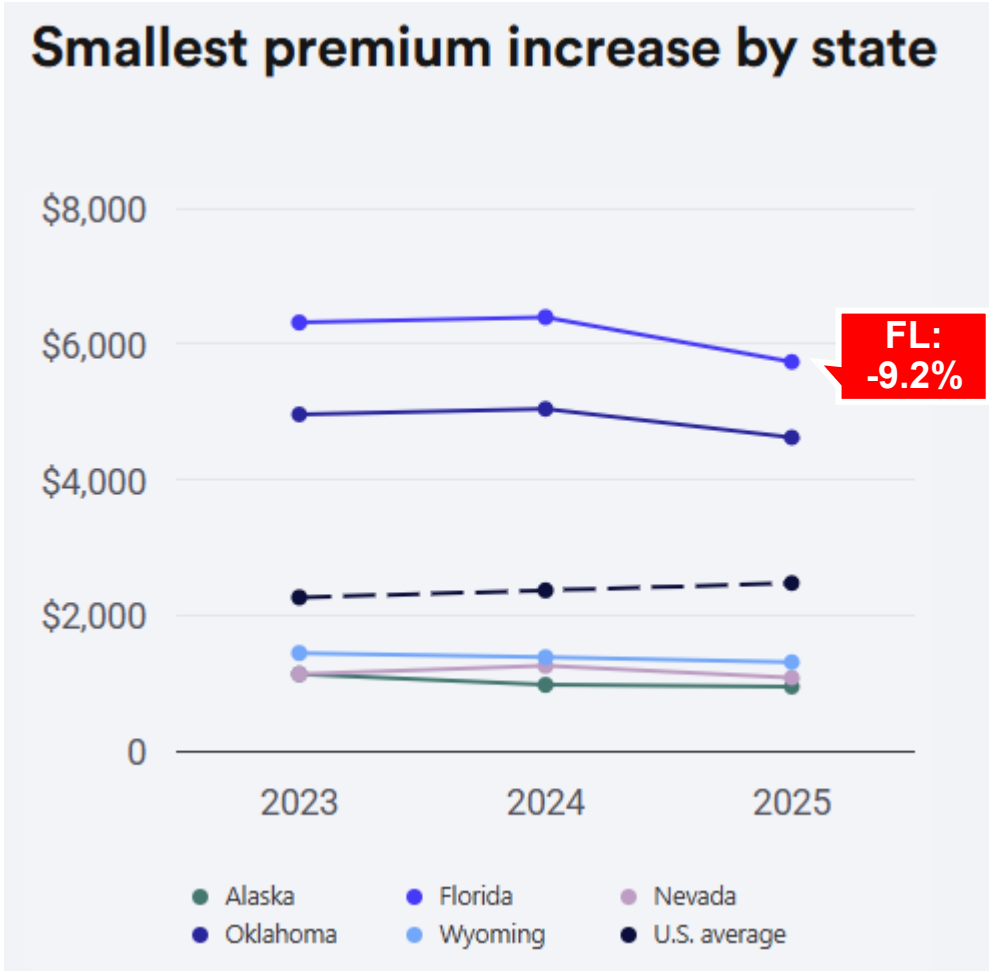


*As of September 1, 2025. Figure is for $300,000 in coverage.

Source: Bankrate.com. Accessed at: https://www.bankrate.com/insurance/homeowners-insurance/states/; University of South Carolina Risk & Uncertainty Management Center.

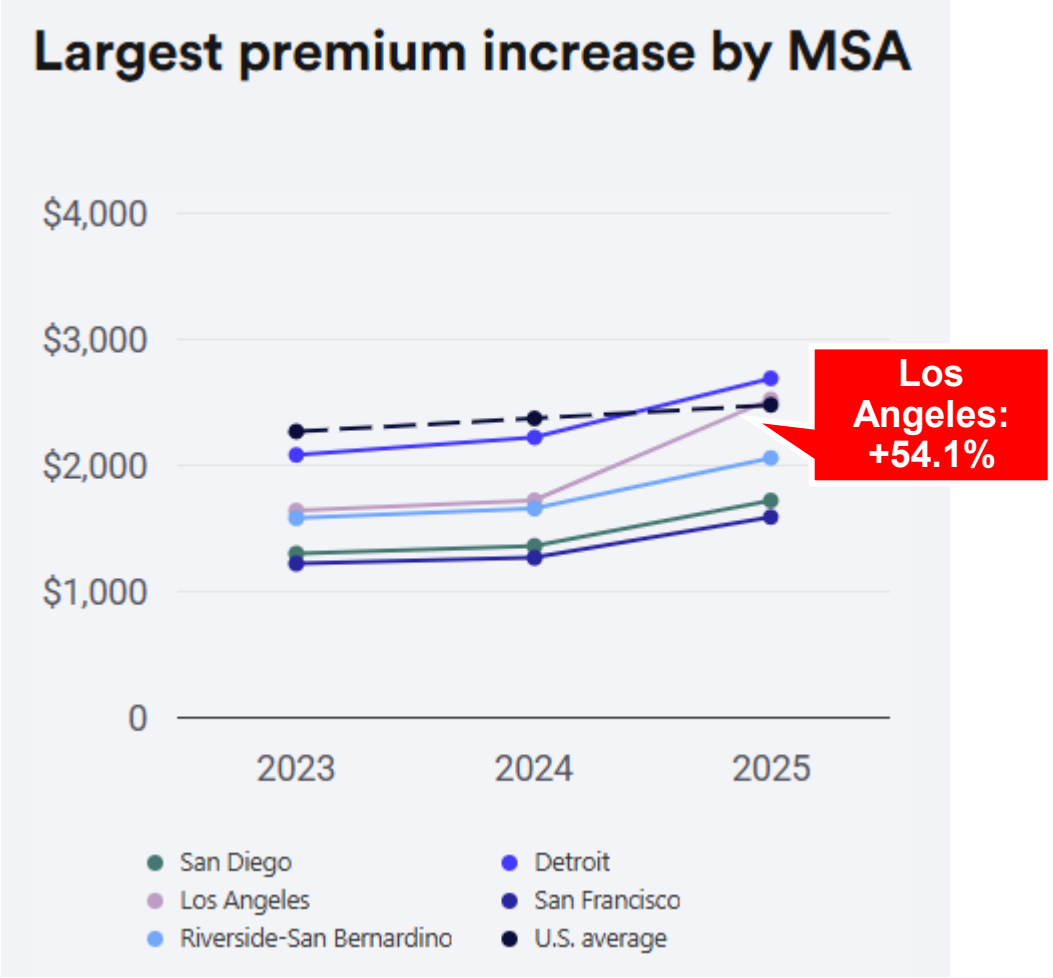
States with the Largest and Smallest HO Premium Increases, 2023 – 2025* *(For $300K in Coverage)*

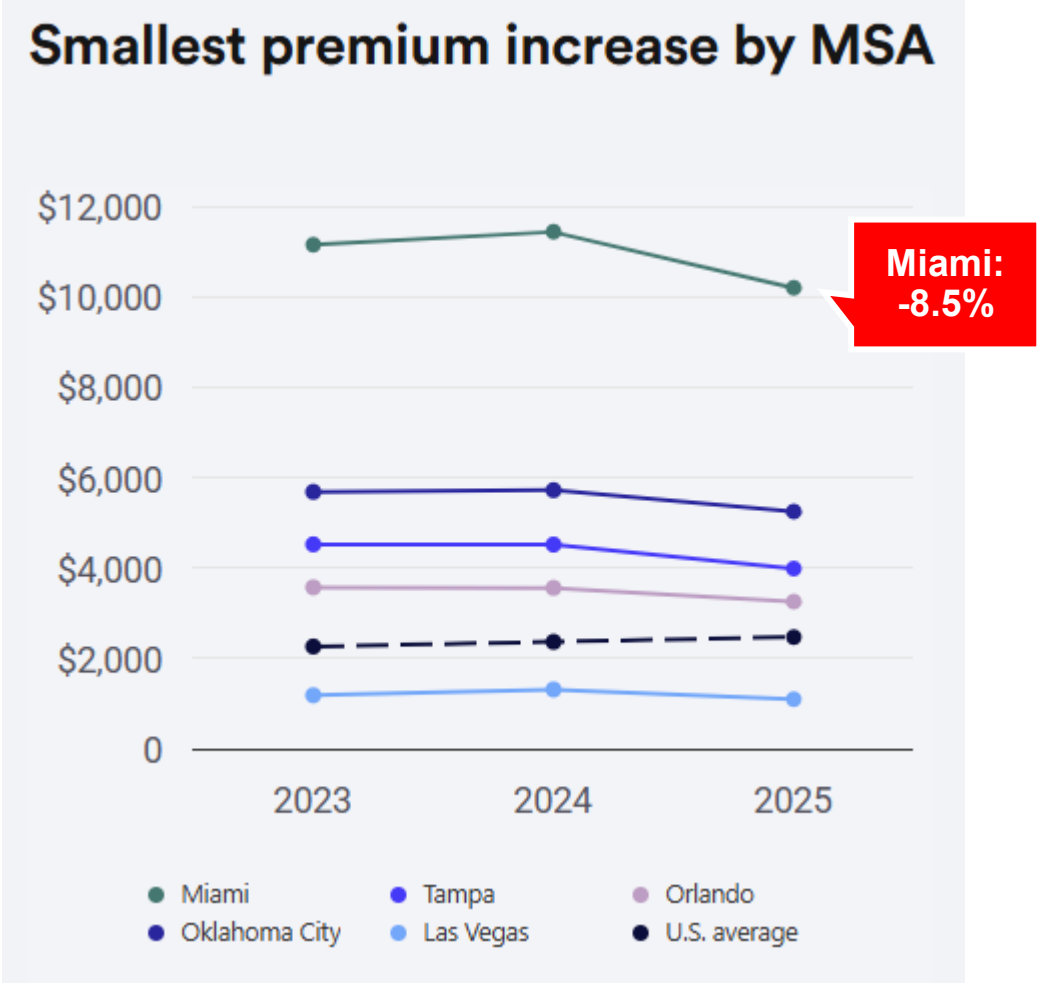




Source: Bankrate.com. Accessed 9/3/25: https://www.bankrate.com/insurance/homeowners-insurance/the-true-cost-of-home-insurance/.

MSAs with the Largest and Smallest HO Premium Increases, 2023 – 2025* *(For $300K in Coverage)*





Source: Bankrate.com. Accessed 9/3/25: https://www.bankrate.com/insurance/homeowners-insurance/the-true-cost-of-home-insurance/.

Highest and Lowest Median Property Insurance Premiums for Homes with Mortgages, 2023

10 States With Among the Highest Median Annual Property Insurance for Homes With a Mortgage: 2023

State (region)	Insurance cost (in dollars)	Margin of error
Florida (South)	2,273	18
Louisiana (South)	2,140	39
Oklahoma (South)	2,041	28
Colorado (West)	1,974	31
Texas (South)	1,957	14
Nebraska (Midwest)	1,814	36
Kansas (Midwest)	1,773	28
Mississippi (South)	1,625	44
Minnesota (Midwest)	1,598	19
Rhode Island (Northeast)	1,538	71

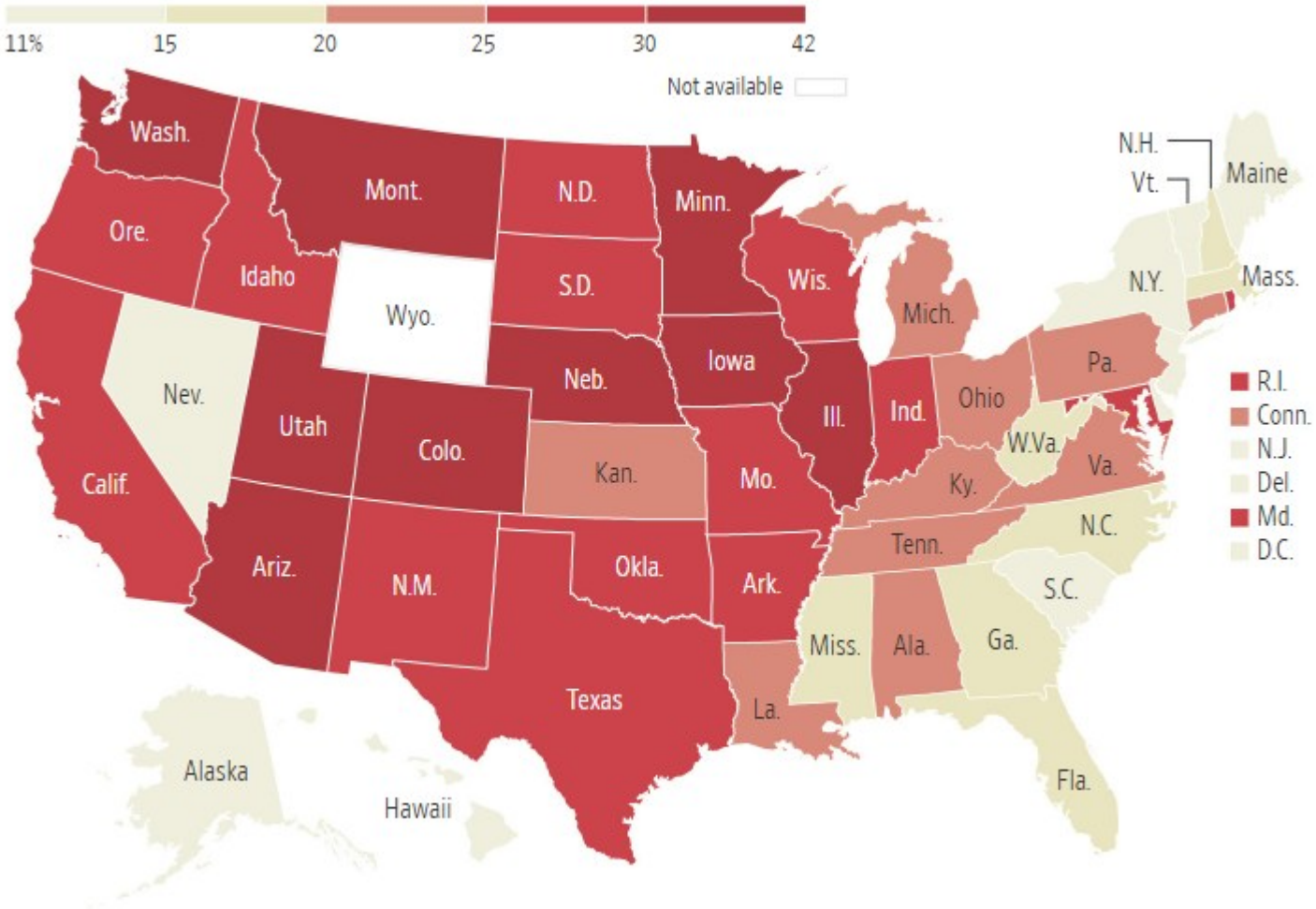
10 States With Among the Lowest Median Annual Property Insurance for Homes With a Mortgage: 2023

State (region)	Insurance cost (in dollars)	Margin of error
Nevada (West)	929	19
Utah (West)	939	20
Maine (Northeast)	944	20
West Virginia (South)	949	29
Delaware (South)	970	27
Vermont (Northeast)	994	30
Wisconsin (Midwest)	1,009	11
Oregon (West)	1,012	19
Idaho (West)	1,016	27
Pennsylvania (Northeast)	1,026	10

Home insurance costs can be among the highest and lowest in the country in every region of the US

Source: US Census Bureau American Community survey, "Property insurance Costs Can Be High in Every US Region," (June 10, 2025). Available at: https://www.census.gov/library/stories/2025/06/property-insurance.html.

Aggregate Approved Homeowners Insurance Rate Changes, 2023 – 2024*

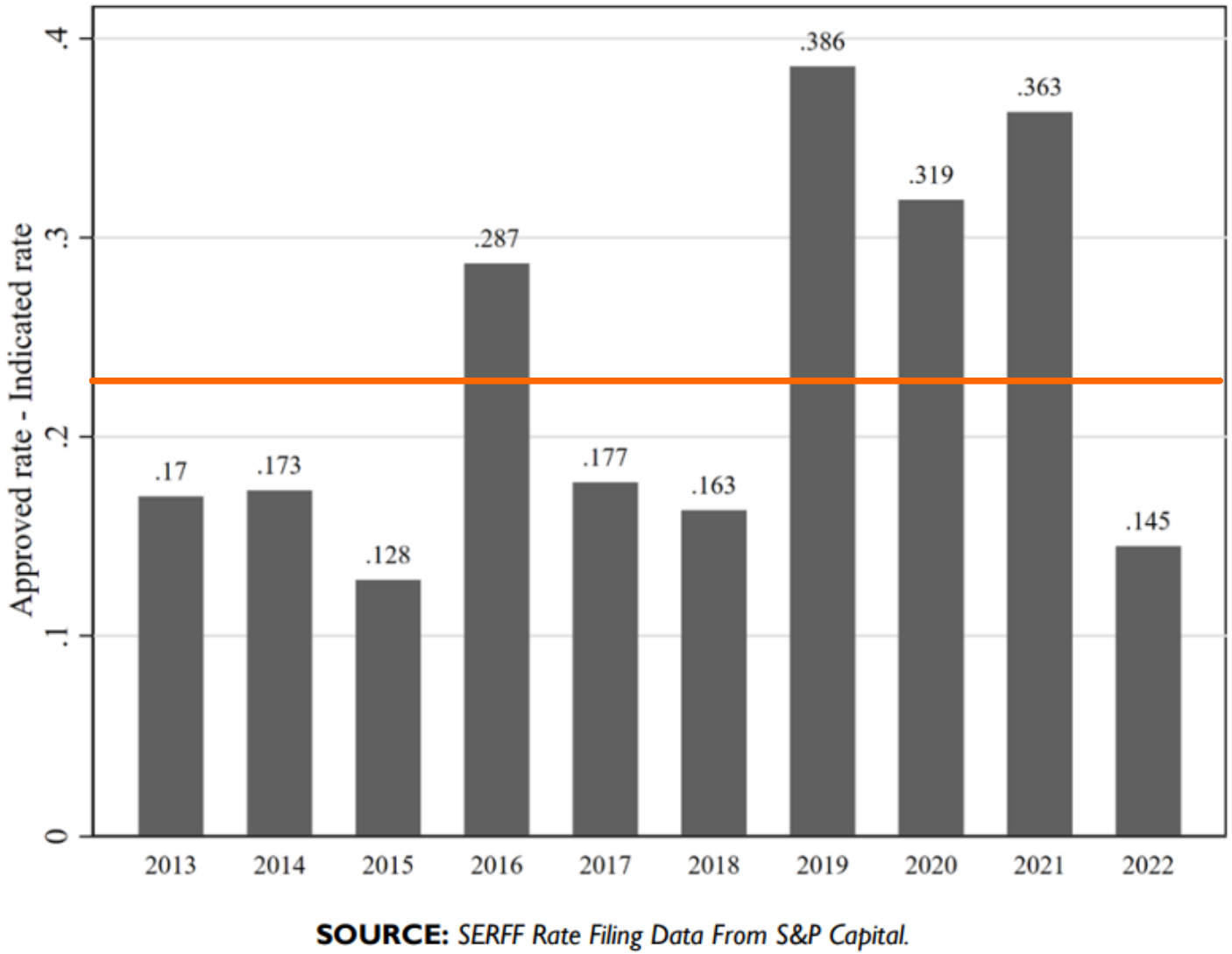


The average increase in Homeowners insurance rates was 10% - 15% in most states between 1/23 and 6/24

*As of 11/29/24.

Sources: S&P Global Market Intelligence from from the WSJ (12/13/24) "Your Home-Insurance Bill Has Only One Way to Go: Up." Accessed at https://www.wsj.com/finance/homeowners-insurance-rates-disasters-4f3e826d?mod=article_inline; Risk and Uncertainty Management Center, University of South Carolina.

Rate Suppression in California Homeowners Insurance, 2013 - 2022

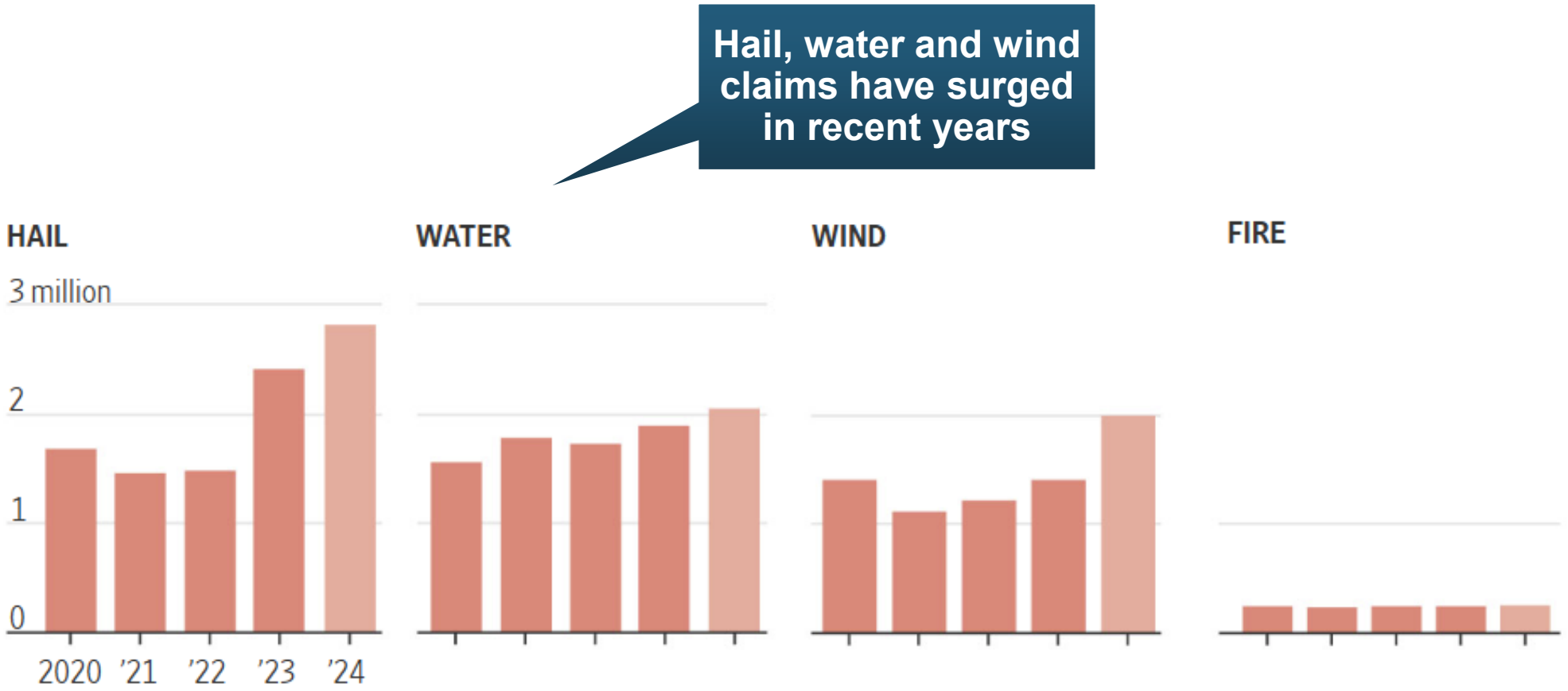


SOURCE: *SERFF Rate Filing Data From S&P Capital.*

Rate suppression in CA's homeowners insurance market averaged 23.1% from 2013-2022

Source: International Center for Law & Economics, ICLE White Paper 2023-11-06, "Rethinking Prop 103's Approach to Insurance Regulation." Accessed at: https://laweconcenter.org/wp-content/uploads/2023/11/Rethinking-Prop-103s-Approach-to-Insurance-Regulation-2.pdf

Number of Homeowners Insurance Claims, by Type of Peril, 2020 – 2024*



*2024 data are through November.

Sources: Verisk Analytics from the WSJ (12/13/24) "Your Home-Insurance Bill Has Only One Way to Go: Up." Accessed at https://www.wsj.com/finance/homeowners-insurance-rates-disasters-4f3e826d?mod=article_inline; Risk and Uncertainty Management Center, University of South Carolina.

ROE: Homeowners Insurance vs. Property/Casualty All Lines and Fortune All Industry, 2013–2023*

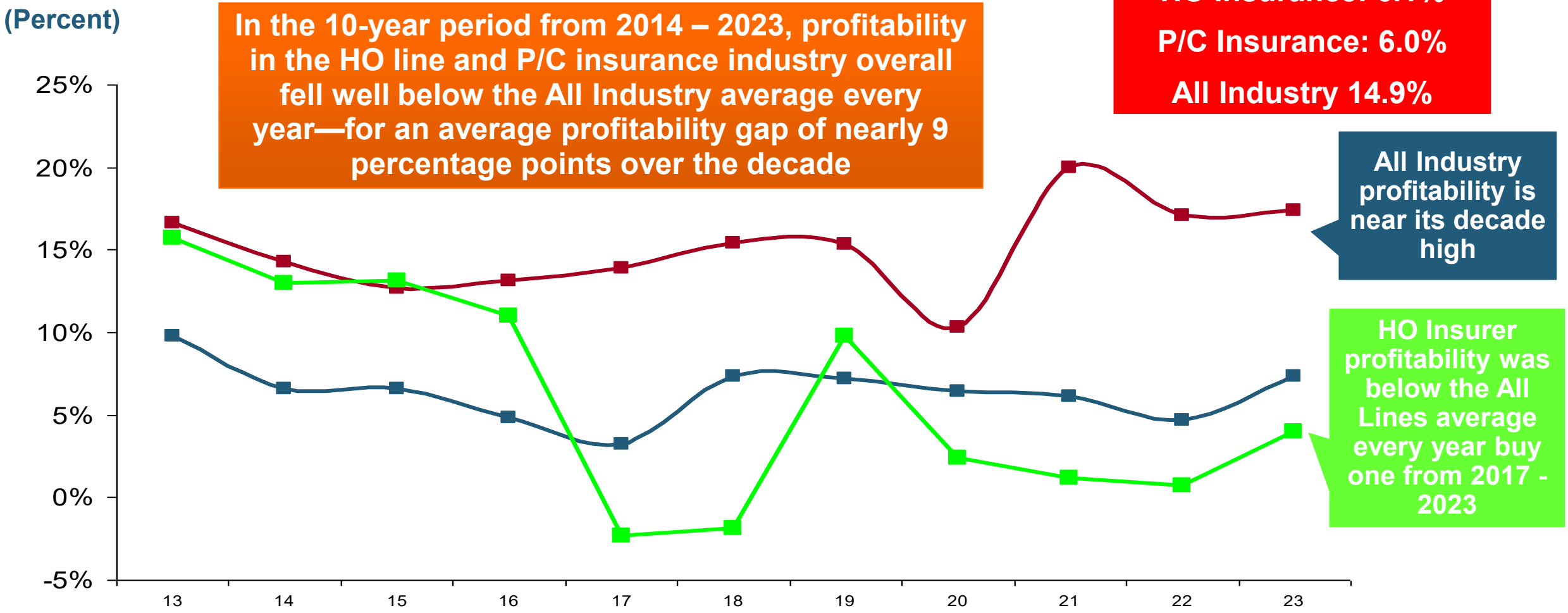
Avg. ROE*

HO Insurance: 6.1%

P/C Insurance: 6.0%

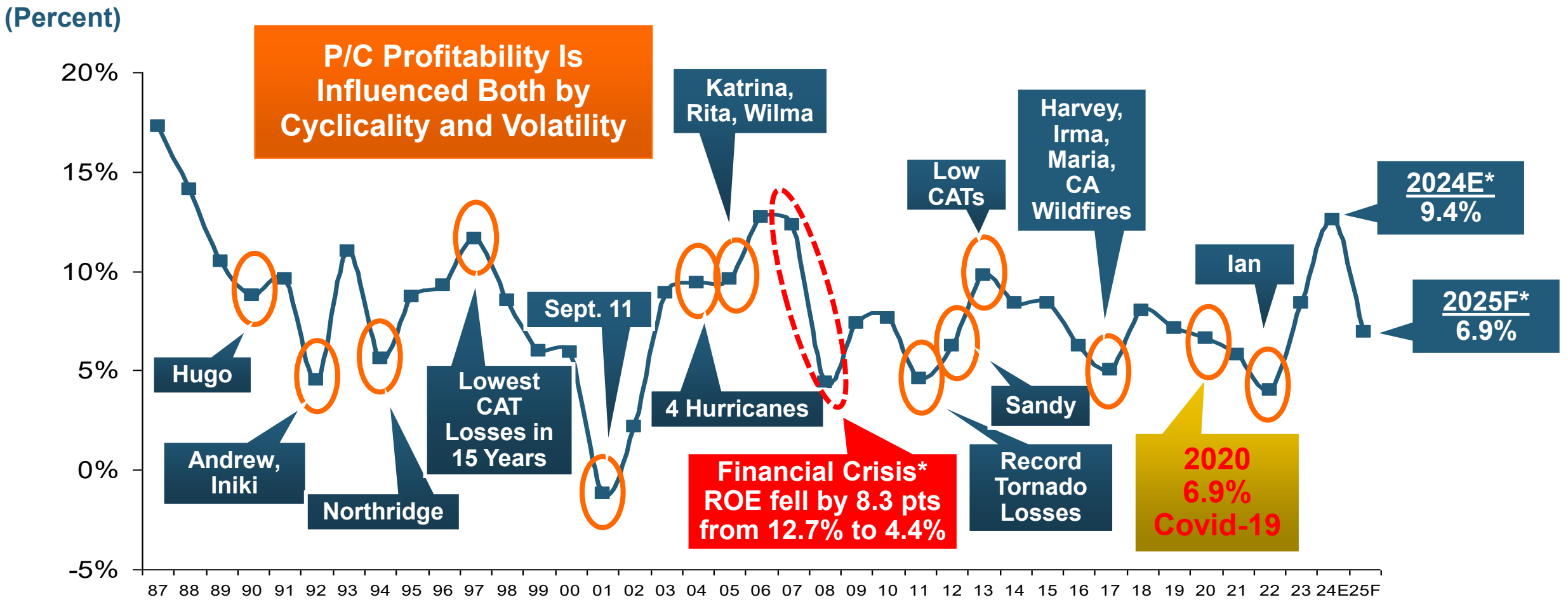
All Industry 14.9%

In the 10-year period from 2014 – 2023, profitability in the HO line and P/C insurance industry overall fell well below the All Industry average every year—for an average profitability gap of nearly 9 percentage points over the decade



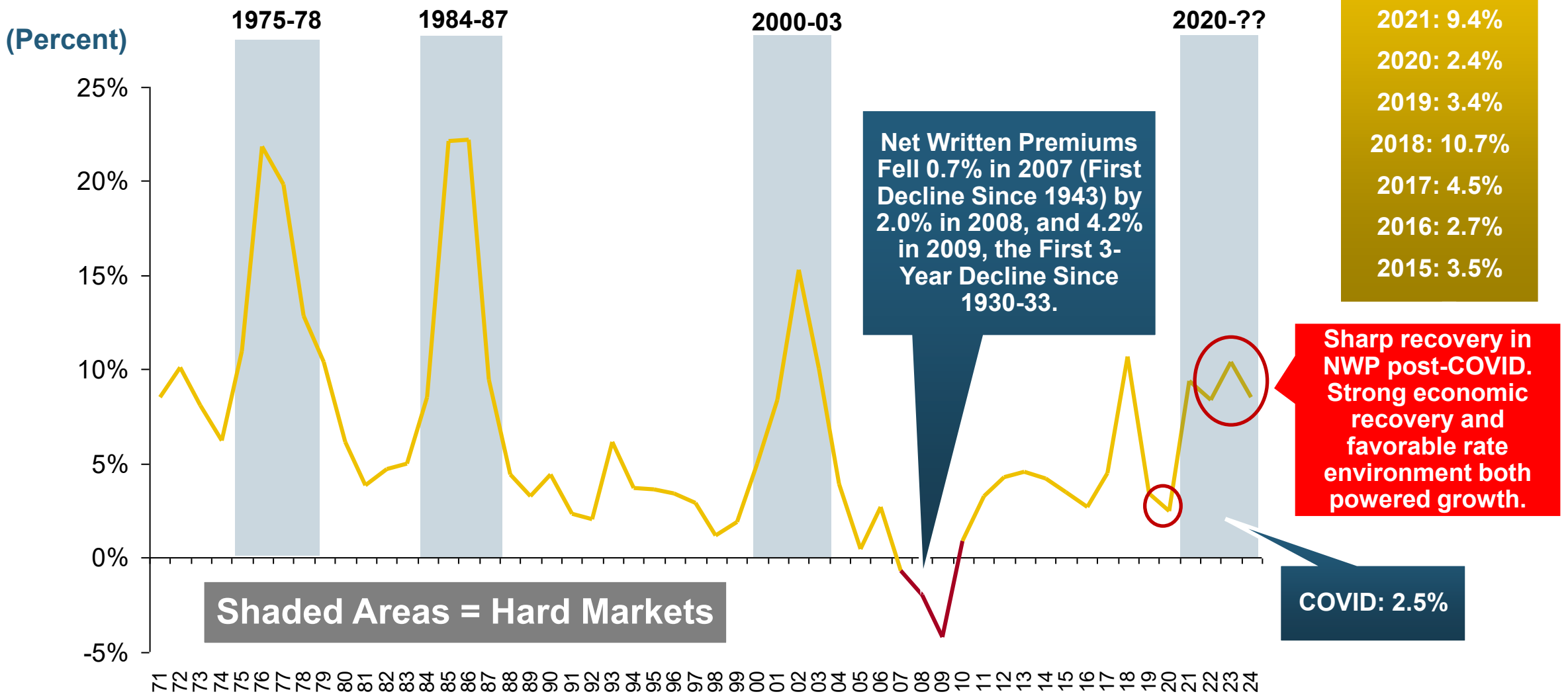
*Latest available from NAIC Profitability by Line, by State reports available at: https://content.naic.org/sites/default/files/publication-pbl-pb-profitability-line-state.pdf.
Sources: NAIC; USC RUM Center.

ROE: Property/Casualty Insurance by Major Event, 1987–2025F



*Excludes Mortgage & Financial Guarantee in 2008 – 2025F.
Sources: A.M. Best, ISO, *Fortune,* APCIA; USC RUM Center.

Net Written Premium Growth (All P/C Lines): Annual Change, 1971–2024

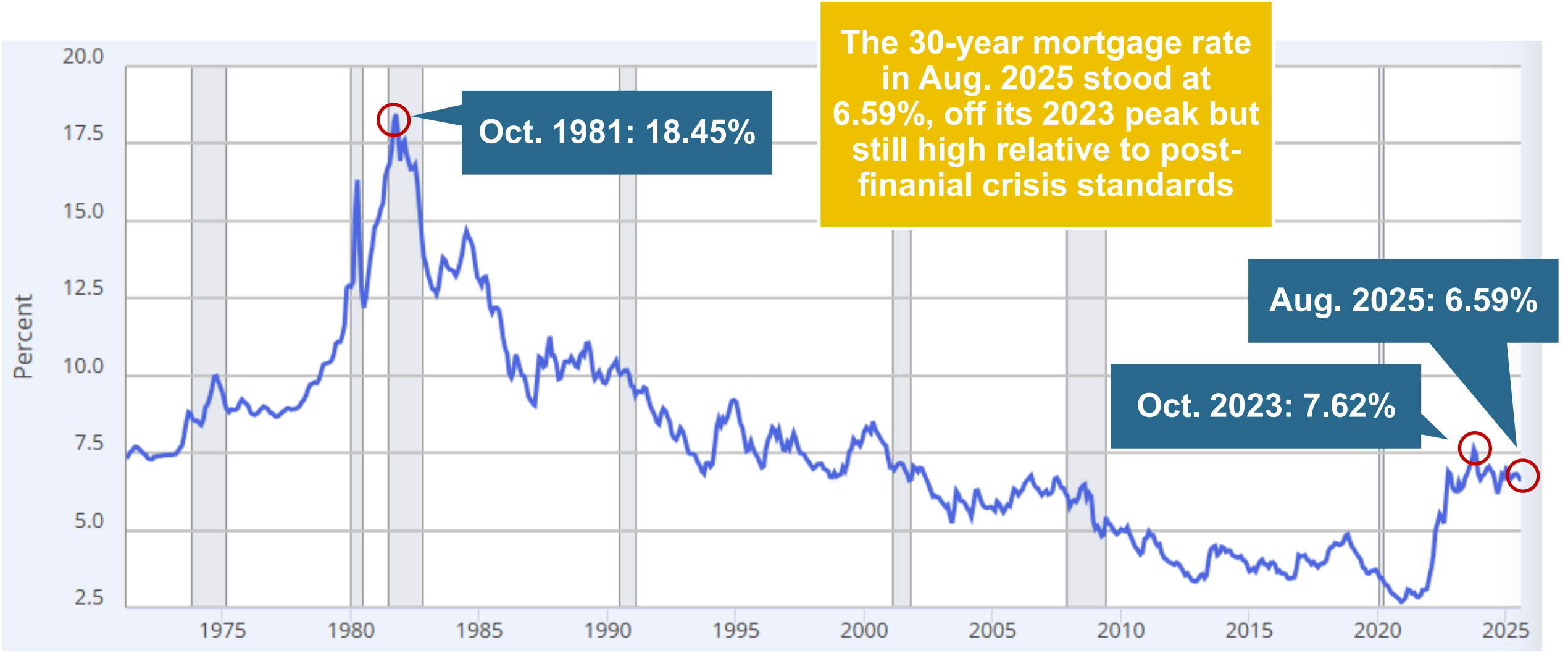


NOTE: Shaded areas denote “hard market” periods.
Sources: A.M. Best (1971-2013, 2020-2024), ISO (2014-2019); Risk & Uncertainty Management Center, Univ. of South Carolina

Key Mortgage Market Metrics

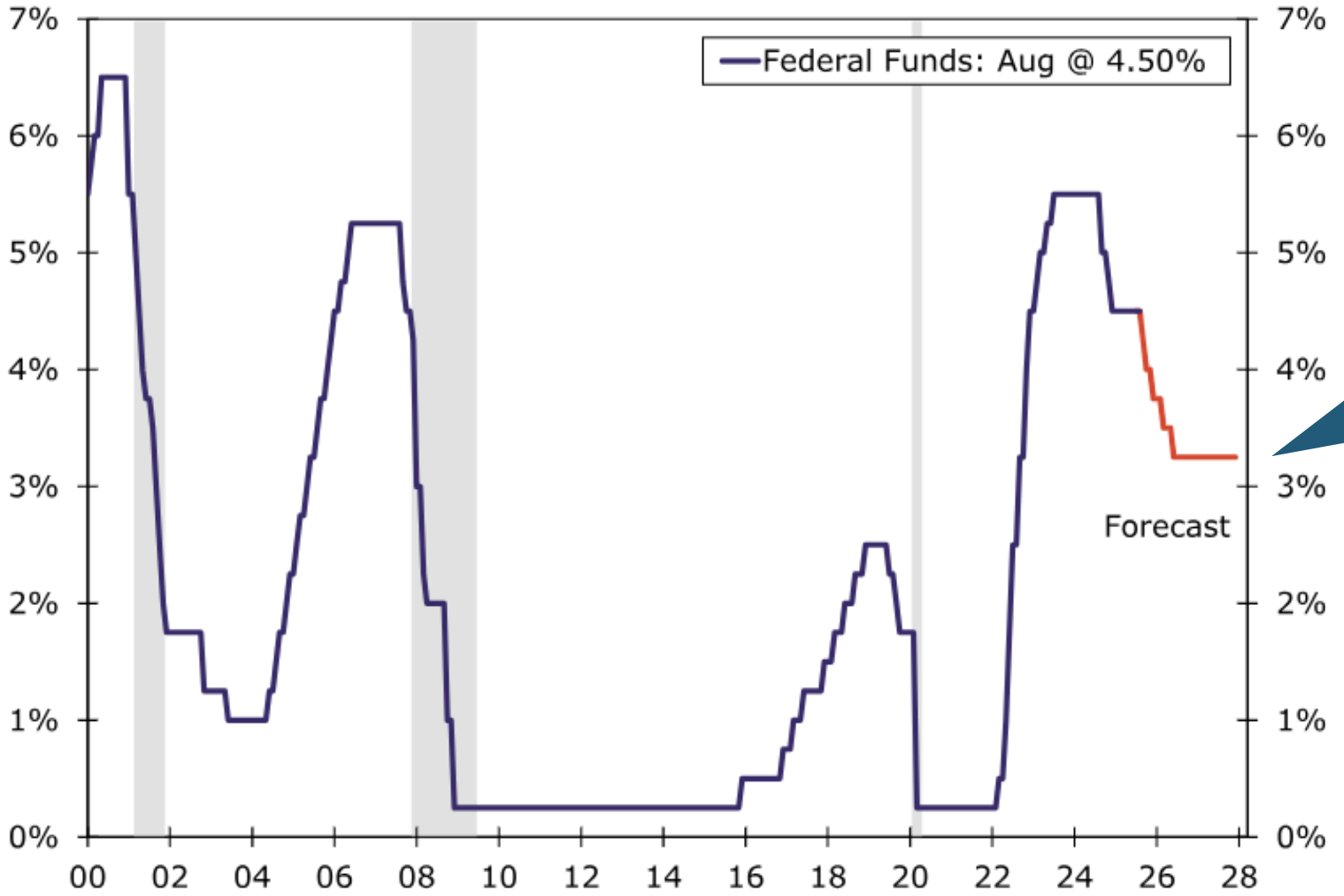
Are Homeowners Under Increasing Stress?

30-Year Fixed Mortgage Rate, Jan. 1971 – Aug. 2025



Sources: Freddie Mac via Federal Reserve Bank of St. Louis: https://fred.stlouisfed.org/series/MORTGAGE30US; Risk and Uncertainty Management Center, University of South Carolina.

Federal Funds Target Rate: *Easing in Store*

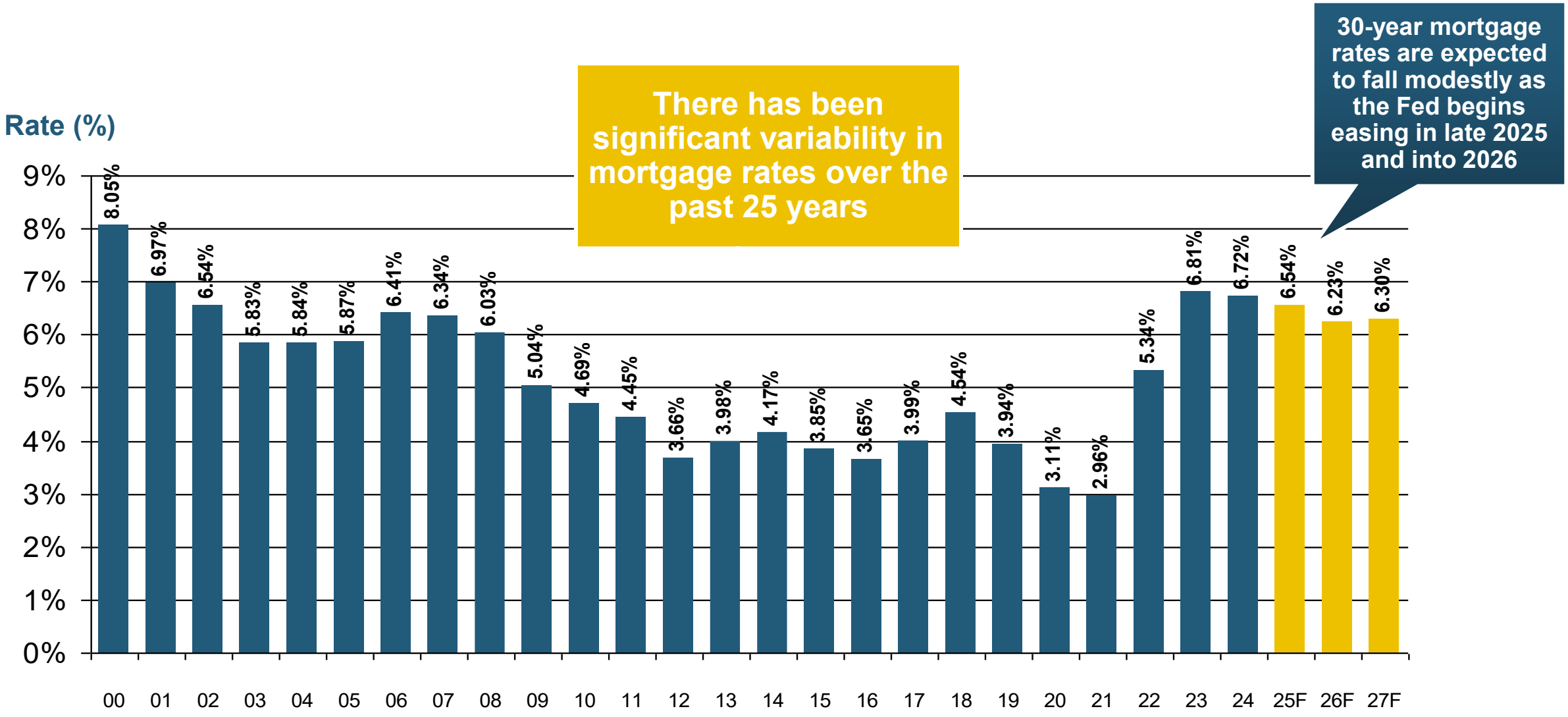


Labor market concerns are leading the Fed to ease despite ongoing inflation concerns.

Cuts of 25BP are expected at each Fed meeting into June 2026.

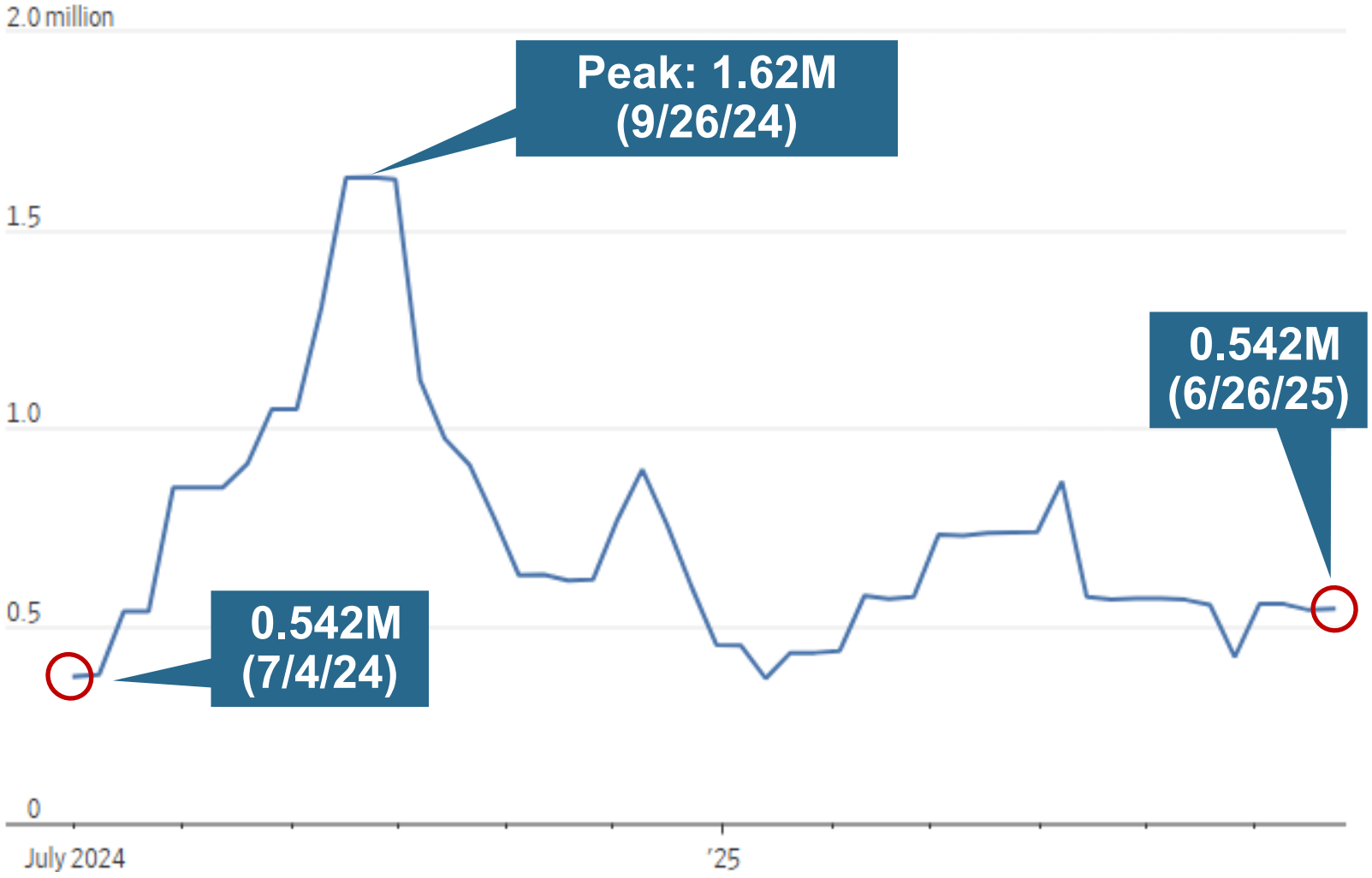
Source: Federal Reserve Board and Wells Fargo Economics.

30-Year Fixed Rate Mortgage: 2000 – 2027F



Sources: Wells Fargo Securities (9/25) for 2025F – 2027F; Freddie Mac via Federal Reserve Bank of St. Louis (2000 – 2024); Risk and Uncertainty Management Center, University of South Carolina.

Number of Homeowners Who Could Save by Refinancing at Current Rates, July 2024 – June 2025

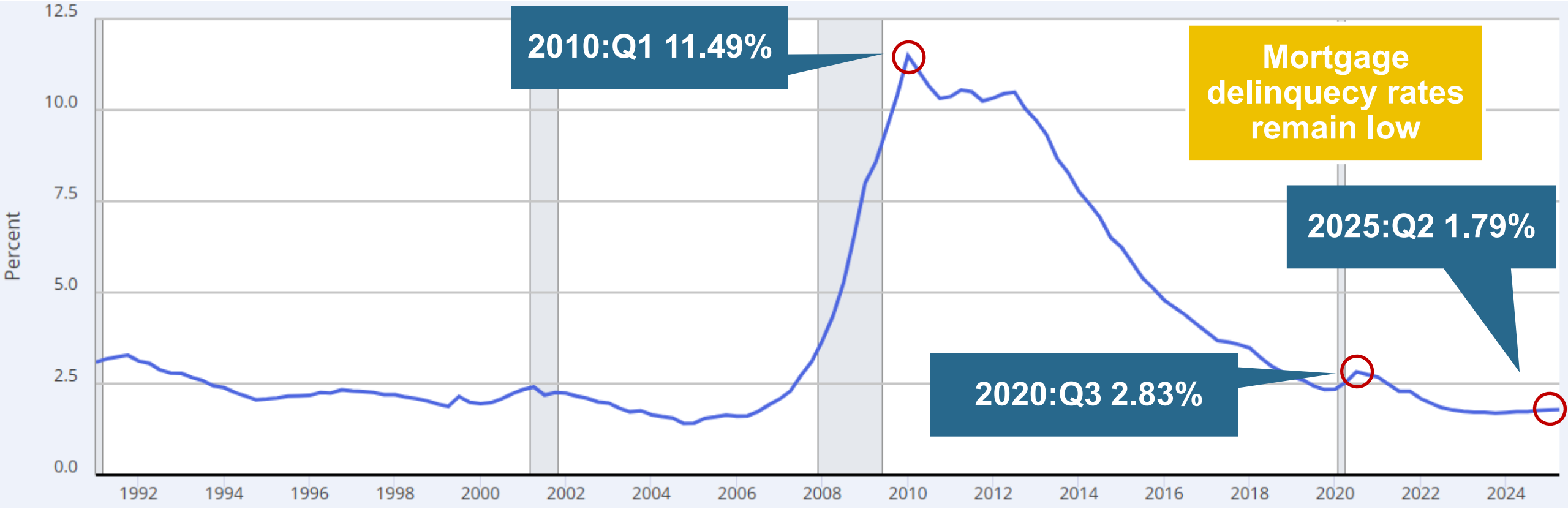


Many homeowners feel "locked" by their current low-rate mortgages

Note: Counts only homeowners with at least 20% equity and 720+ credit score, who are current on payments and could cut 0.75 percentage points off existing mortgage.

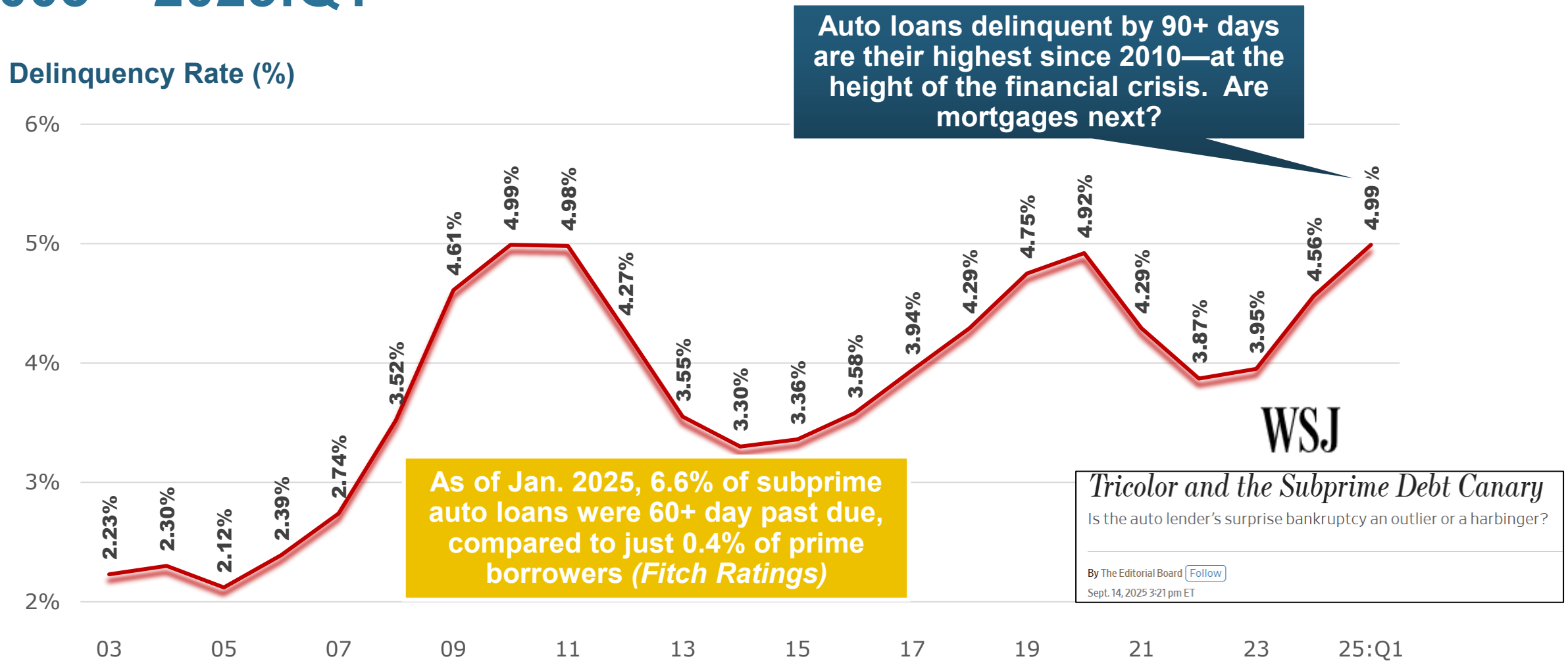
Sources: Intercontinental Exchange from the WSJ (7/5/25) "Homeowners Who Gambled on Lower Rates Are Paying the Price." Accessed at https://www.wsj.com/economy/housing/mortgage-rates-refinancing-211fa026?mod=article_inline; Risk and Uncertainty Management Center, University of South Carolina.

Delinquency Rate on Single-Family Residential Mortgages, 1991:Q1 – 2025:Q2



Sources: Freddie Mac via Federal Reserve Bank of St. Louis: https://fred.stlouisfed.org/series/MORTGAGE30US; Risk and Uncertainty Management Center, University of South Carolina.

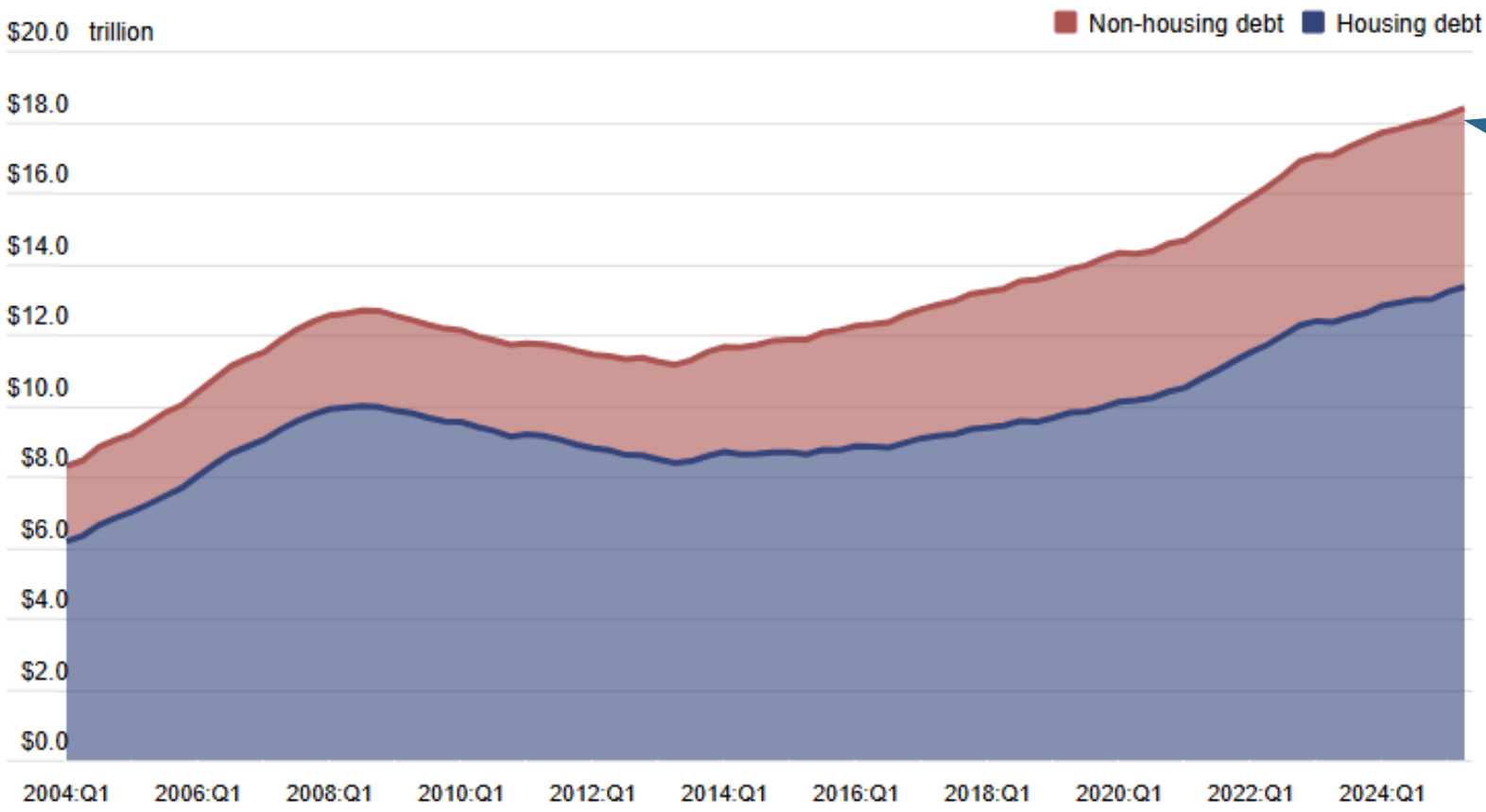
Canary in the Coal Mine?
Share of Auto Loans Delinquent 90+ Days Mortgage: 2003 – 2025:Q1



Sources: Federal Reserve bank of New York, Household Debt and Credit Report (June 2025 and earlier editions); Risk and Uncertainty Management Center, University of South Carolina.

Total Household Debt, 2004:Q1 – 2025:Q2

Peak: 1.62M (9/26/24)



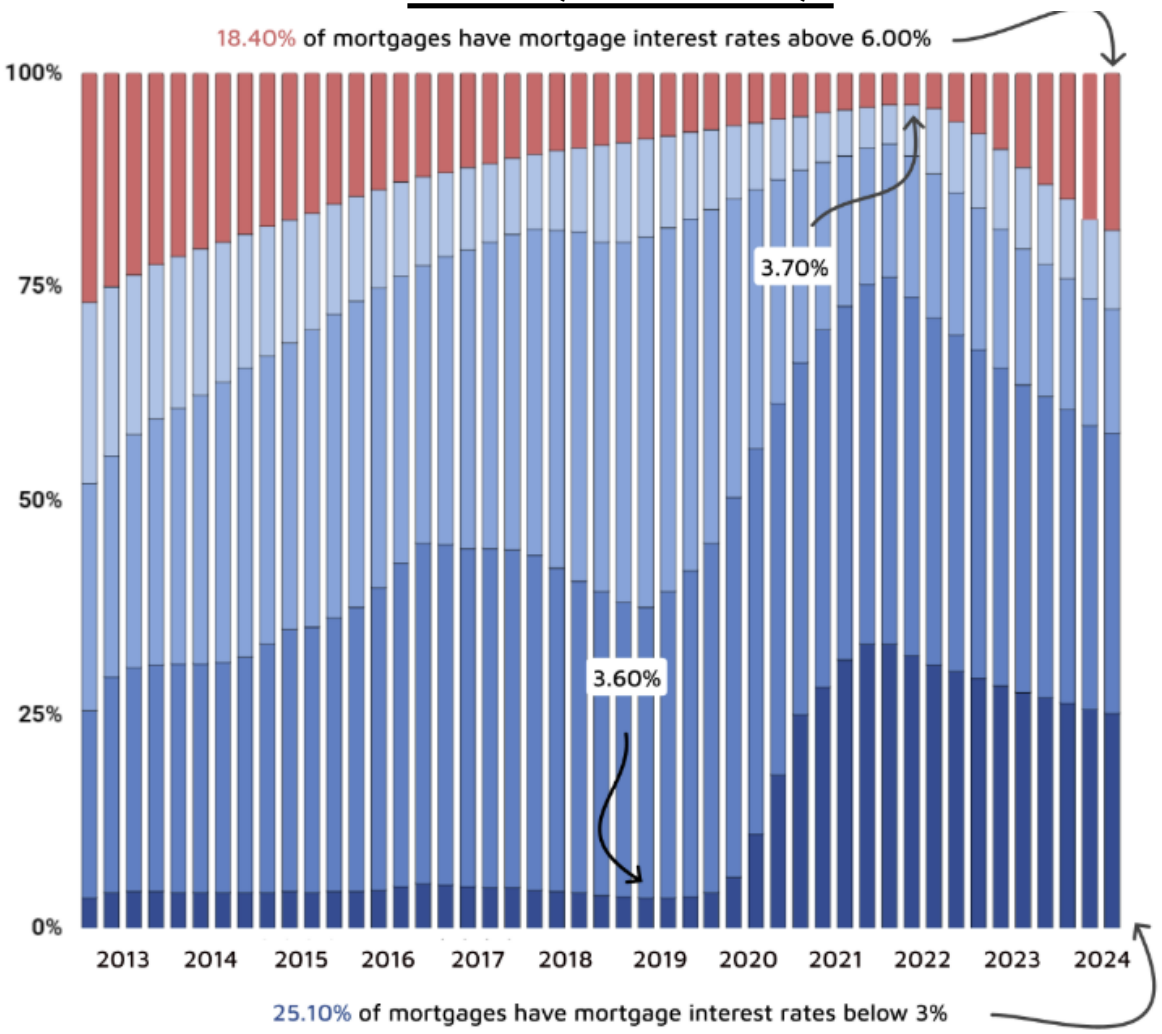
As of Q2 2025, housing debt accounted for 72.6% ($13.35 trillion) of total household debt (totaling $18.35 trillion), slightly below the 74.4% share in Q1 2004

Many homeowners feel "locked" by their current low-rate mortgages

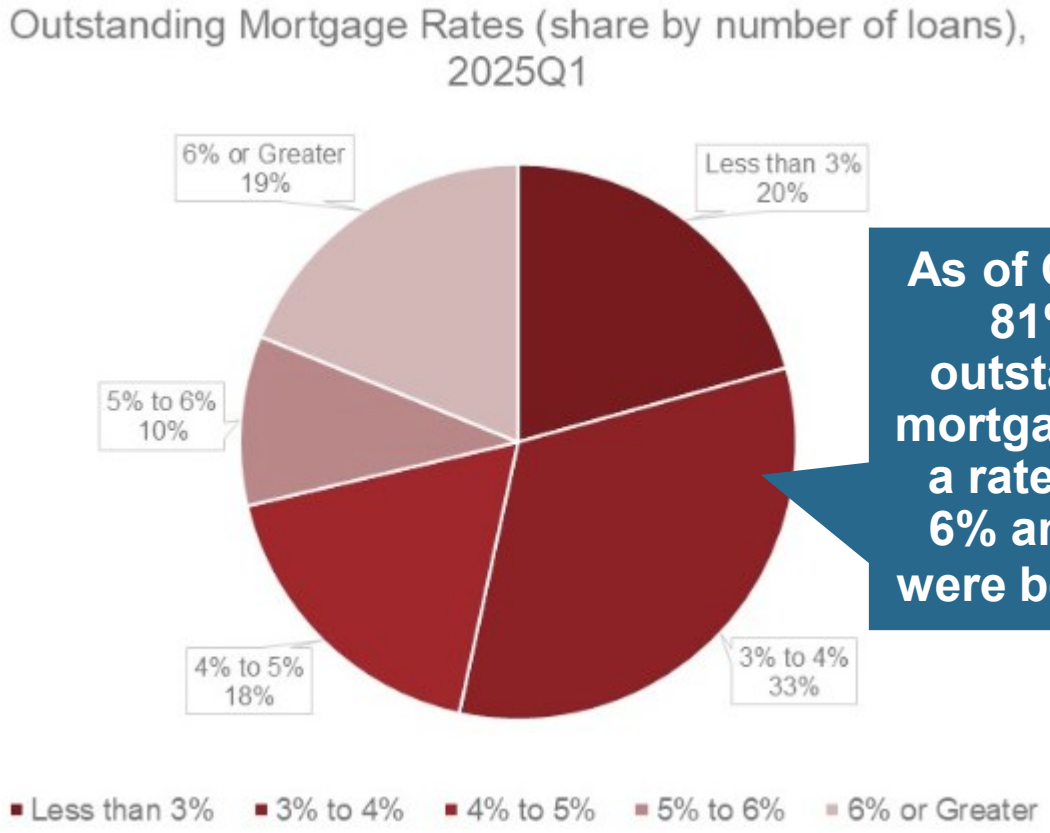
Sources: Federal Reserve Bank of New York, *Household Debt and Credit Report* (Q2 2025). Accessed at https://www.newyorkfed.org/microeconomics/hhdc; Risk and Uncertainty Management Center, University of South Carolina.

Percentage of Outstanding Mortgages by Interest Rate 2013:Q1 – 2024:Q4

2013:Q1 – 2024:Q4



2025:Q1



As of Q1 2025, 81% of outstanding mortgages had a rate below 6% and 53% were below 4%

Sources: For data from 2013 – 2024 Wealthvieu.com from Federal Housing Finance Agency. Accessed at: https://www.fhfa.gov/data/national-mortgage-database-aggregate-statistics; For 2025:Q1, Realtor.com from FHFA Mortgage Datatbase, accessed at:

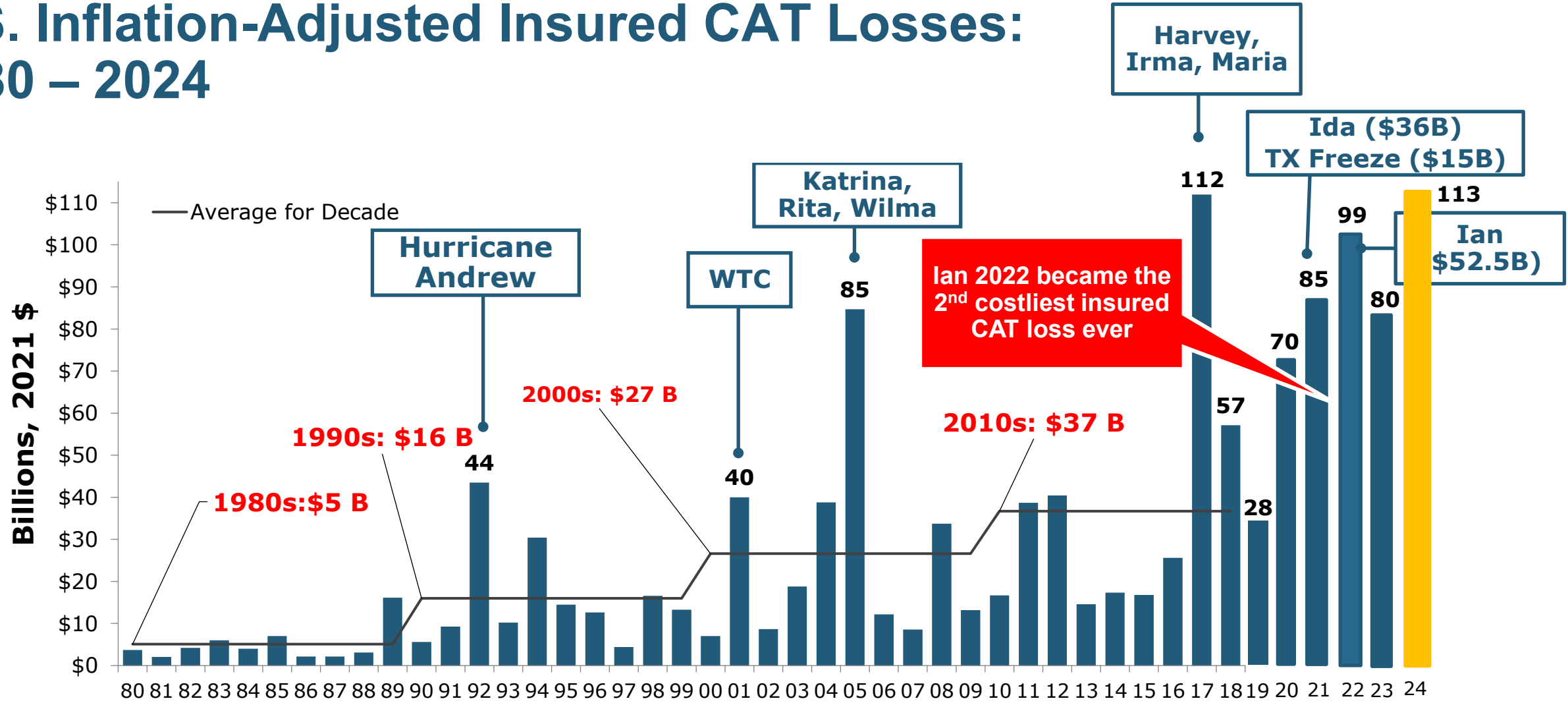
Catastrophe Loss Trends

The Rise in CAT Losses Shows No Signs of Easing

The 2020s Are Off to an Ominous Beginning

The Los Angeles Wildfires, Hurricanes Helene and Milton Are Just the Latest in a Long Series of Mega-Disasters

U.S. Inflation-Adjusted Insured CAT Losses: 1980 – 2024



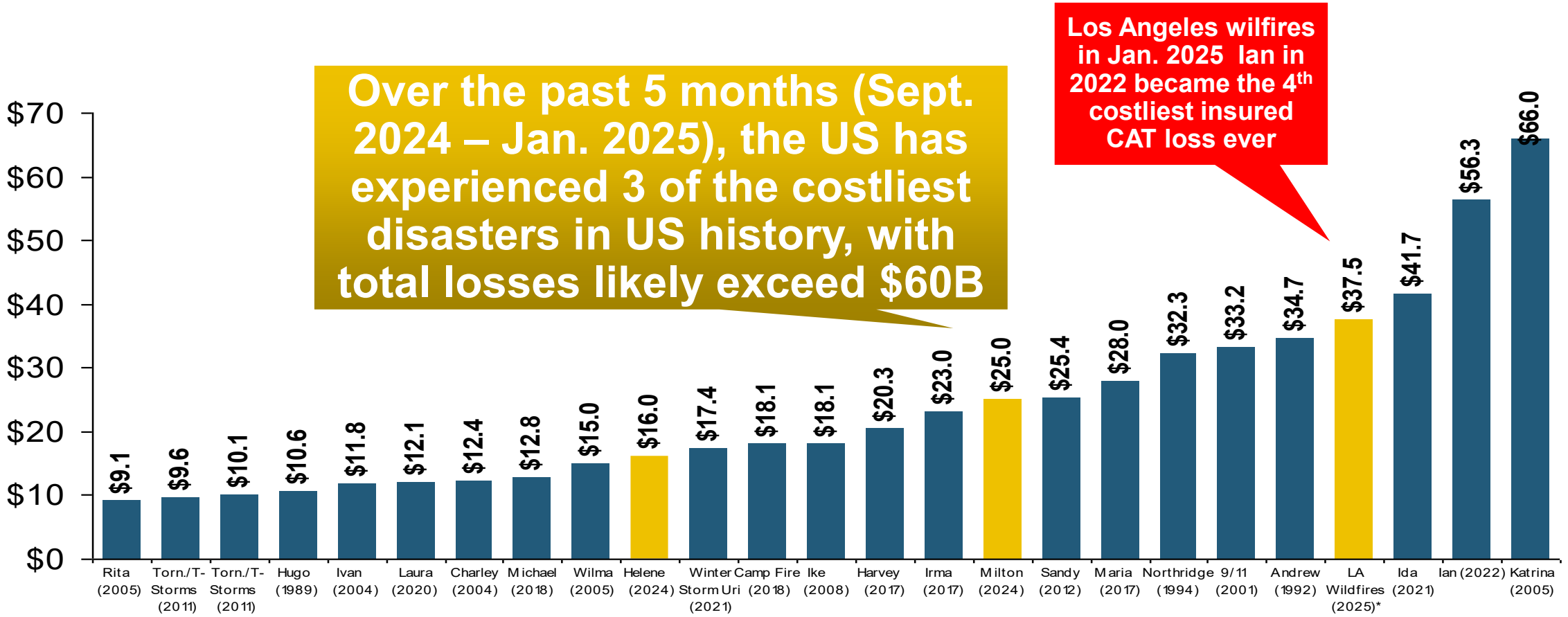
Average Insured Loss per Year*
1980-2021: $23.8 Billion
2012-2021: $44.1 Billion

The 2020s are off to an ominous start with $89.4B in average annual insured losses (2020-24)

*Stated in 2021 dollars except 2022 -2024 (in current dollars).
Sources: Property Claims Service, a Verisk Analytics business (1980-2019); 2020-22 figures from Munich Re; 2023 and 2024 figures from Aon. Insurance Information Institute; University of South Carolina, Risk & Uncertainty Management Center.

Top 26 Most Costly Disasters in U.S. History

(Insured Losses, 2024 Dollars, $ Billions)



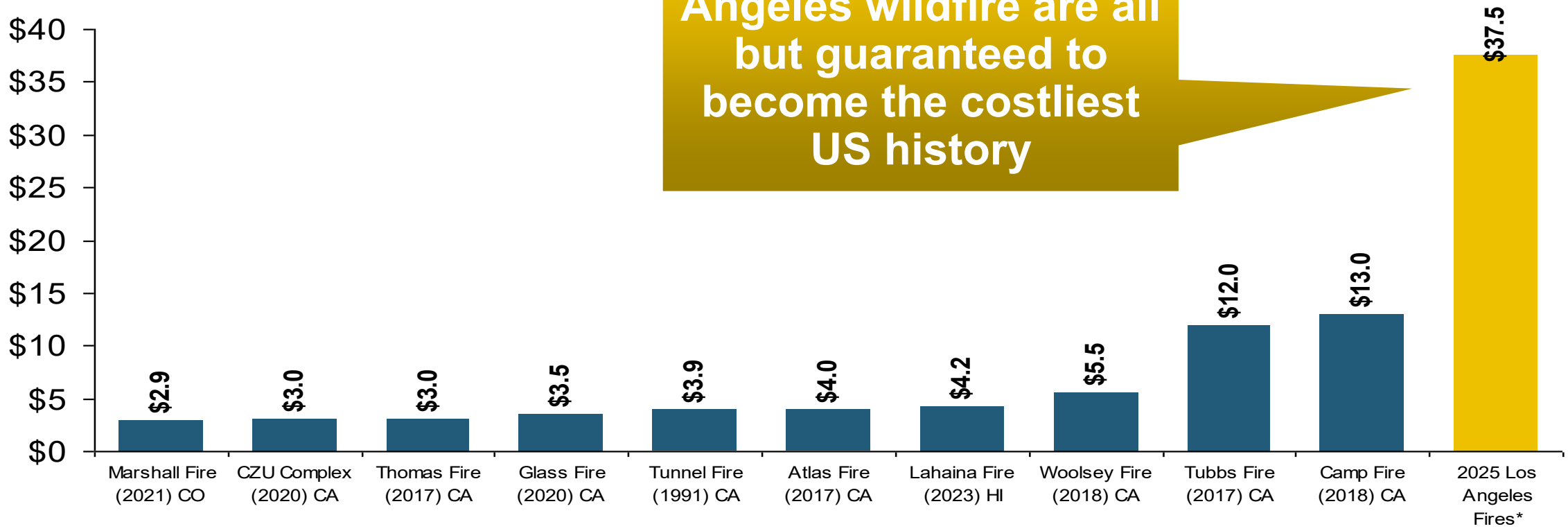
23 of the 26 Most Expensive Insurance Events in US History Have Occurred Since 2004.

*2025 dollars; Munich Re estimates as of Jan. 2025 for Hurricanes Helene and Milton; Aon estimate as of Apr. 2025 for LA wildfires.

Sources: PCS, RMS, Aon, Karen Clark & Co; USC Center for Risk and Uncertainty Management adjustments to 2024 dollars using the CPI.

Top 11 Most Costly Wildfires in U.S. History

(Insured Losses, 2024 Dollars, $ Billions)

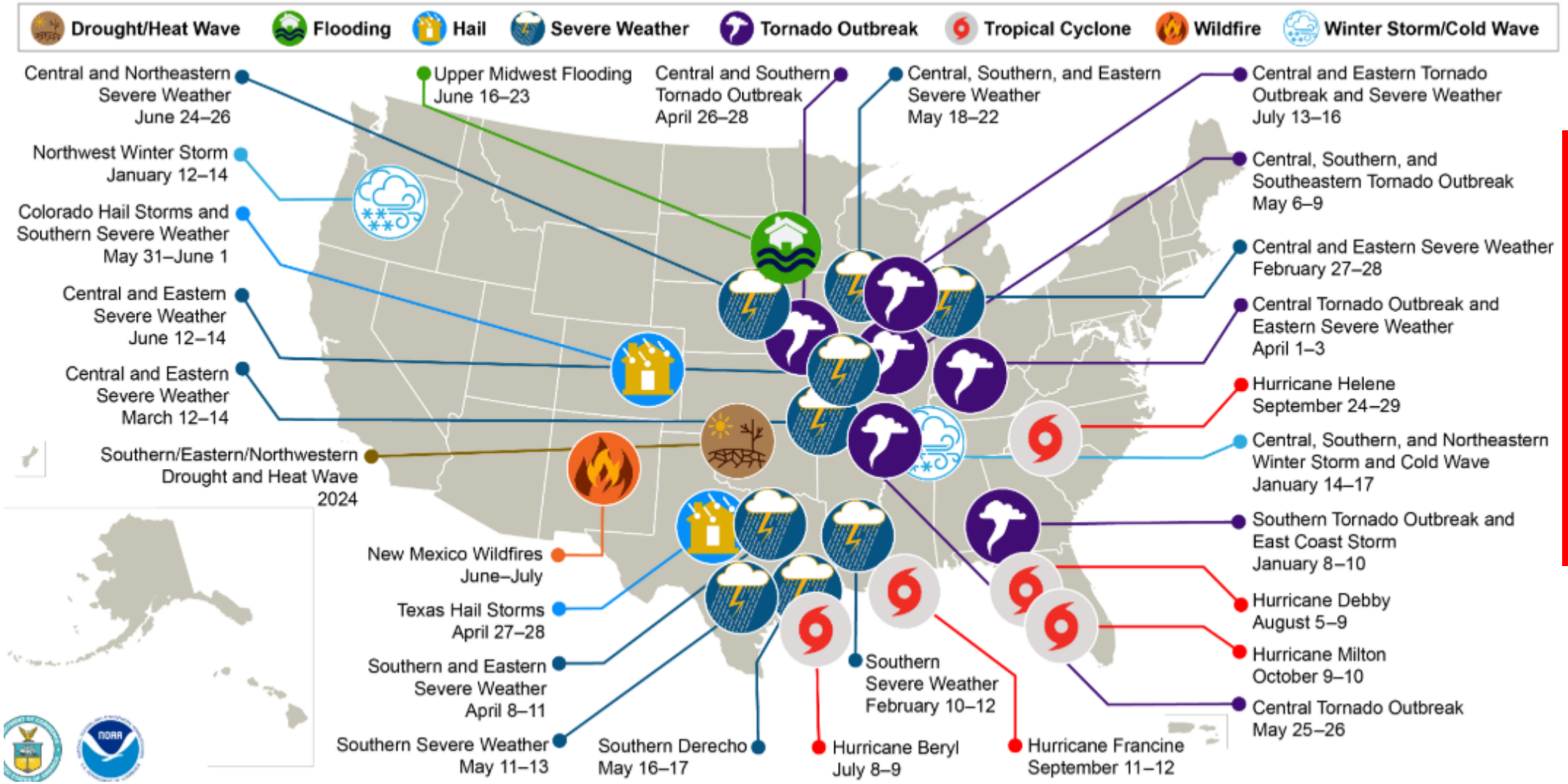


9 of the 11 Most Expensive Wildfire Events Occurred in California. All but One Occurred Since 2017.

*Aon estimate as of Apr. 21, 2025

Sources: Artemis.bm from Gallagher Re at: https://www.reinsurancene.ws/insured-la-wildfire-losses-to-notably-exceed-10bn-gallagher-re/; USC Risk and Uncertainty Management Center

US Billion-Dollar Weather and Climate Disaster Events, Economic Costs, 2024*

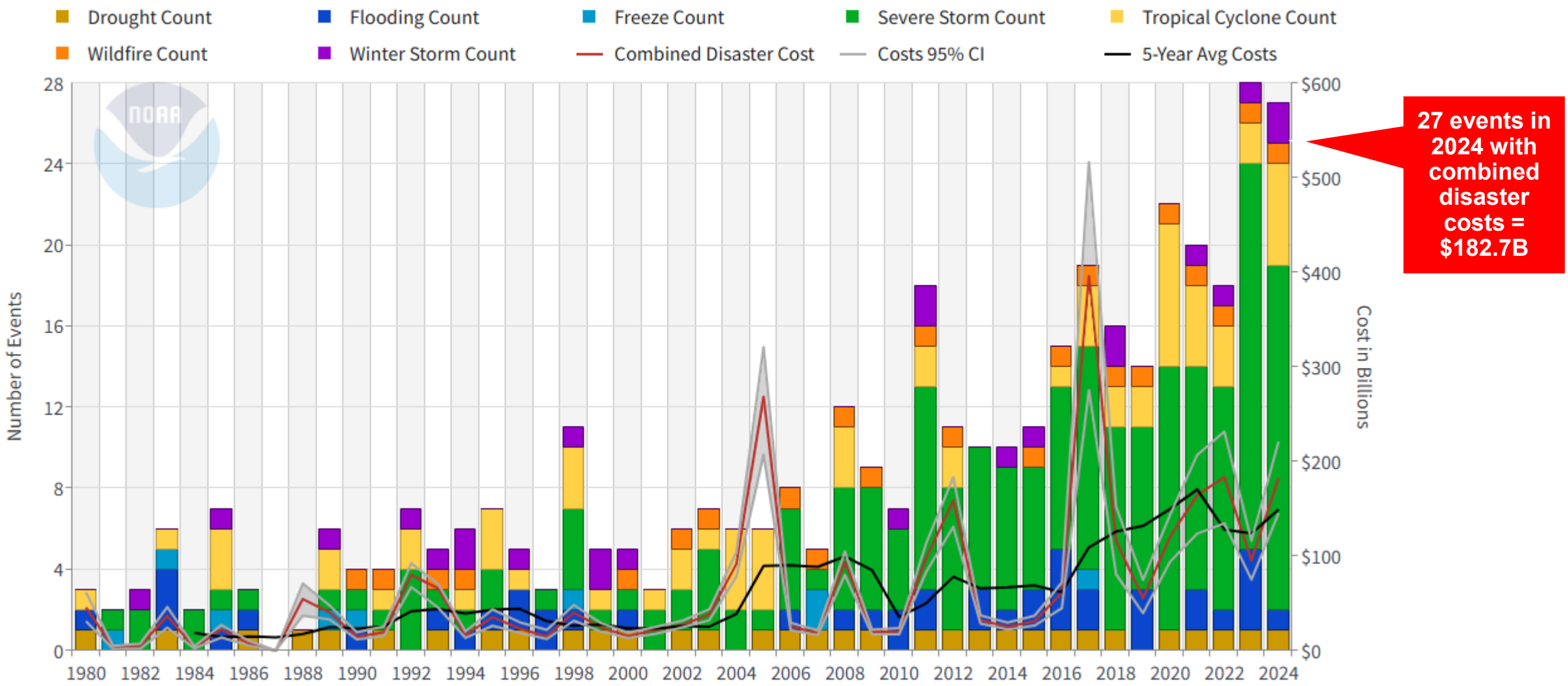


There were 27 events in the US in 2024 that caused at least $1B in economic damage, down from a record 28 in 2023

*As of Feb. 1, 2025.

Source: NOAA, accessed at: https://www.ncei.noaa.gov/access/billions/.

US Billion-Dollar Weather and Climate Disaster Events, Economic Costs, by Type, 1980 – 2024* (CPI-Adjusted)



*As of Jan. 10, 2025.

Source: NOAA. Chart created by USC Risk and Uncertainty Management Center by accessing: https://www.ncei.noaa.gov/access/billions/time-series.

P/C Insurer Upgrade and Downgrade Trends

Underwriting Performance, CATs and Capital Are Impacting Insurer Ratings

US P/C: Rating Upgrades & Downgrades, by Segment, 2024

There were 43 ratings downgrades in 2024, down from 55 in 2023. Personal lines insurers accounted for 31 (72%) of total downgrades in 2024.

Upgrades Up, Downgrades Down

AM Best Rating Actions for Full-Year

	2024		2023		2022		2024 Change		2023 Change	
	Upgrades	Downgrades	Upgrades	Downgrades	Upgrades	Downgrades	Upgrades	Downgrades	Upgrades	Downgrades
Personal	8	31	9	39	10	18	-1	-8	-1	21
Commercial	34	12	21	15	26	11	13	-3	-5	4
Reinsurance	0	0	5	1	0	1	-5	-1	5	0
Total	42	43	35	55	36	30	7	-12	-1	25

Source: AM Best, March 13, 2025, U.S. Property/Casualty: Rating Upgrades Up, Downgrades Down in 2024; AM Best, March 11, 2024, U.S. Property/Casualty Downgrades Outpace Upgrades in 2023

Source: A.M. Best Review & Preview 2025 and 2024 from Carrier Management (March 16, 2025) at: https://www.carriermanagement.com/news/2025/03/16/273012.htm.

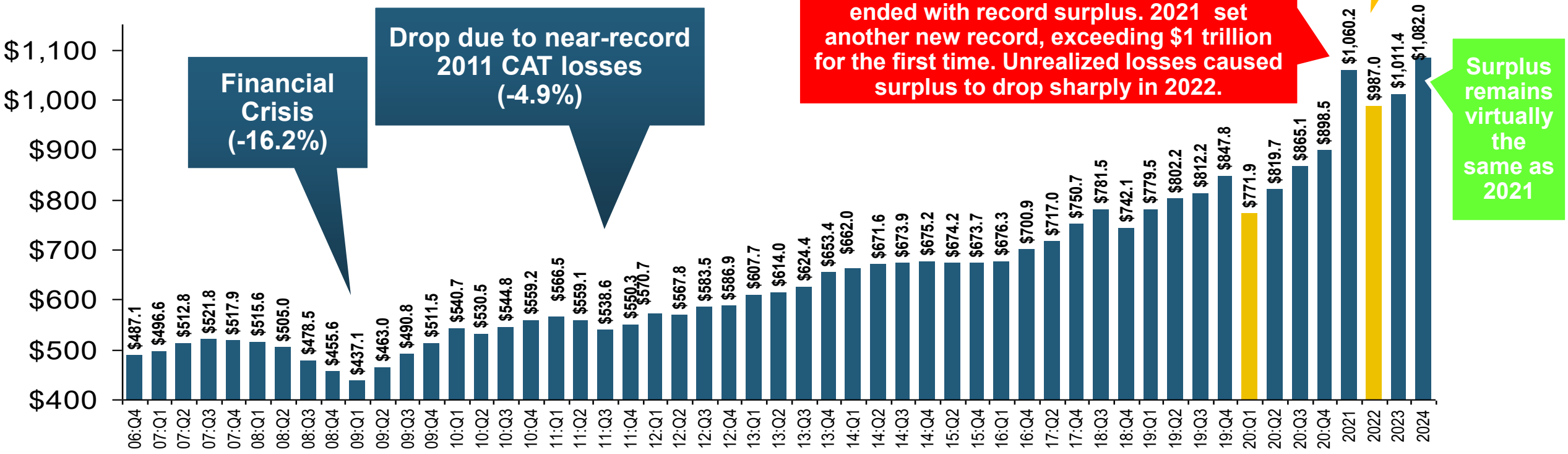
Insurance/Reinsurance Capital and Capacity

P/C Insurance: Is the Industry's Capital Crunch Over?

Availability of Capital Has Been a Driver of Price for Both Insurers and Reinsurers

Policyholder Surplus (Capacity), 2006:Q4 – 2024

($ Billions)



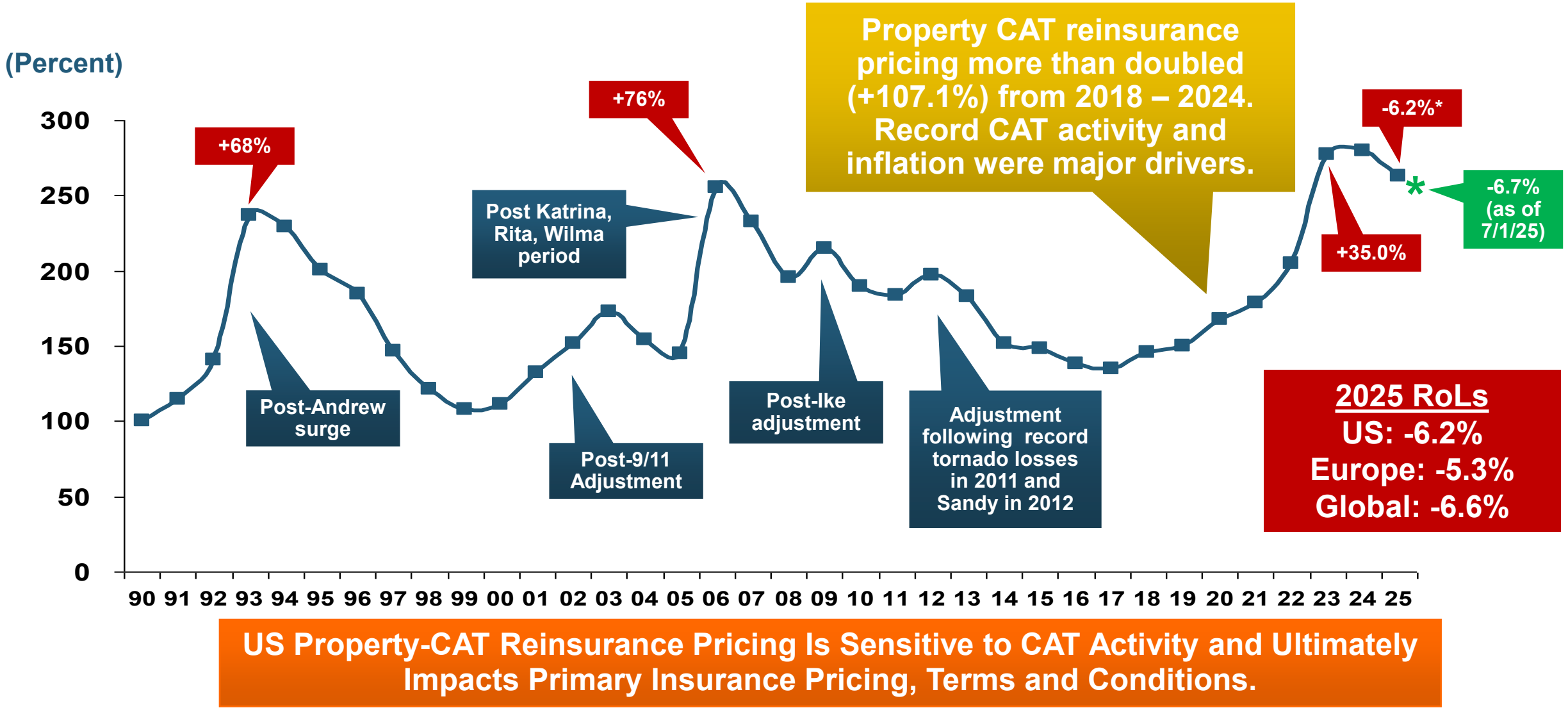
Policyholder Surplus is the industry's financial cushion against large insured events, periods of economic stress and financial market volatility. It is also a source of capital to underwrite new risks.

Sources: ISO, A.M. Best, NAIC. Risk and Uncertainty Management Center, University of South Carolina.

Reinsurance Markets: Pricing and Capacity

Reinsurance Market Pressures Are Important Drivers of Rate and Availability

US Property Catastrophe Rate-on-Line Index: 1990 – 2025*



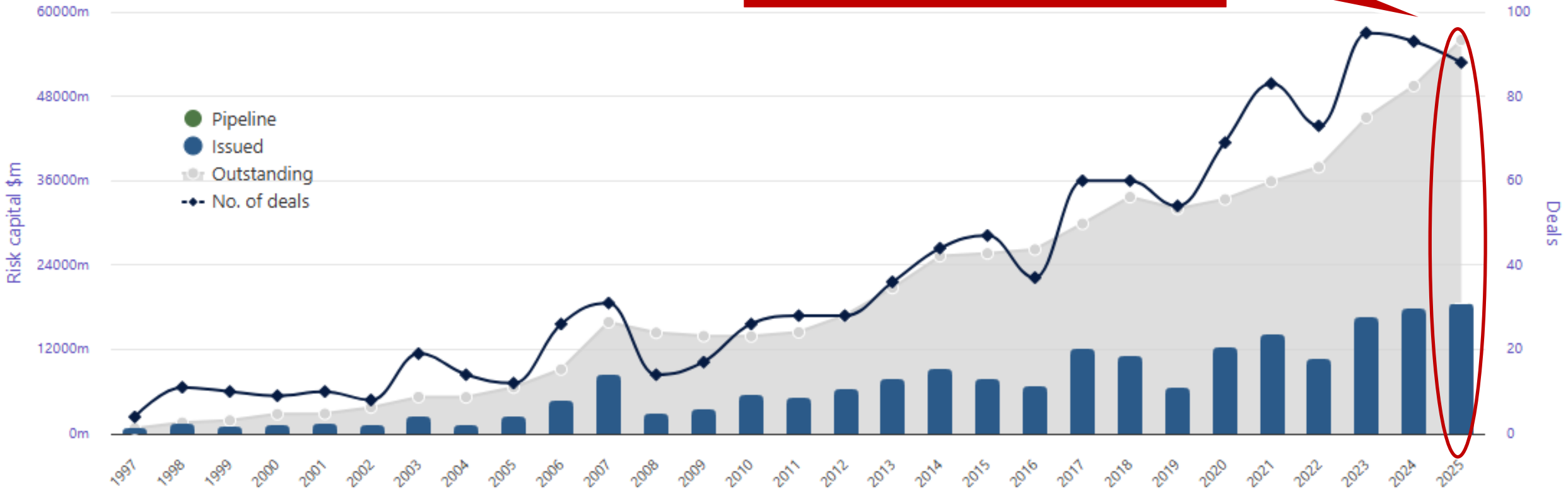
US Property-CAT Reinsurance Pricing Is Sensitive to CAT Activity and Ultimately Impacts Primary Insurance Pricing, Terms and Conditions.

*As of January 1 each year.

Source: Guy Carpenter; Artemis.bm accessed at: http://www.artemis.bm/us-property-cat-rate-on-line-index

Catastrophe Bond & ILS Risk Capital Issued and Outstanding, 1997 – 2025*

The number of new CAT bond & ILS deals, risk capital issued and outstanding will all likely set new records in 2025



*As of 8/31/25.

Source: Artemis.bm Deal Directory accessed at: https://www.artemis.bm/dashboard/catastrophe-bonds-ils-issued-and-outstanding-by-year/

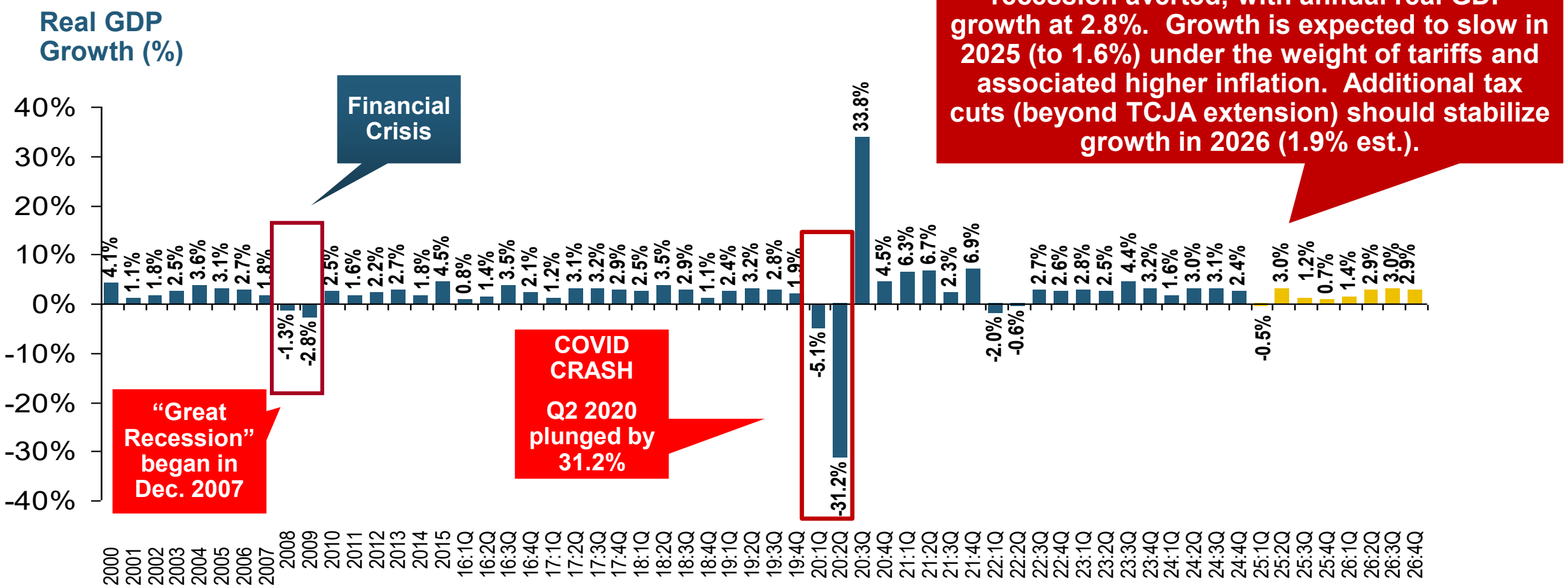
Economic Overview
The U.S. Economy Remains Resilient but Consumers Remain Gloomy

Housing is Among the Most Economically Sensitive of All Segments of Economy

Lower Interest Rates Should Bolster the Economy in 2026

42

US Real GDP Growth, 2000 – 2026F*

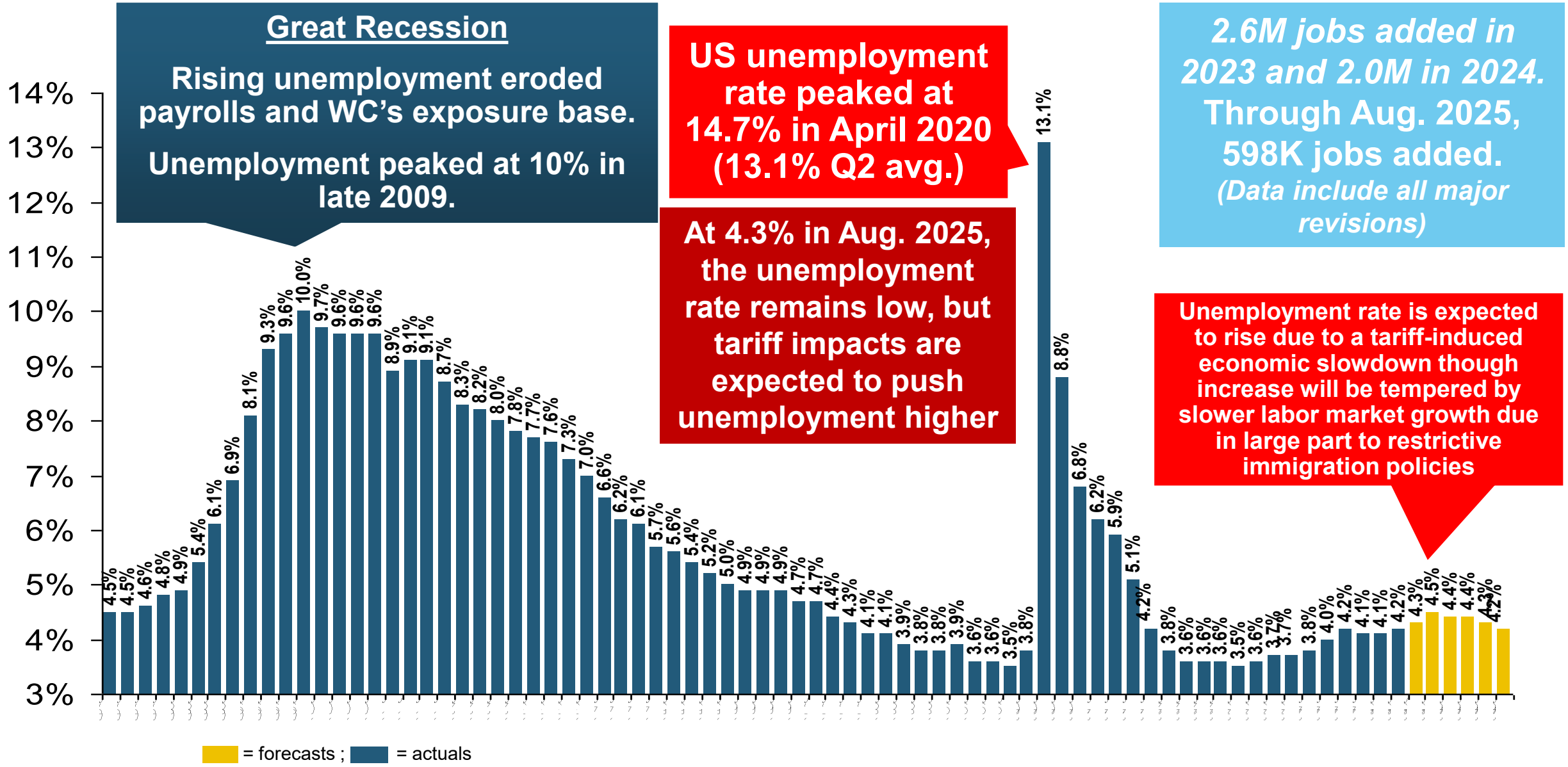


Demand for Insurance Increased Materially in 2021/22 During Recovery from the Pandemic—Particularly in Economically Sensitive Commercial Lines Such as WC. Premium growth will likely slow as Economy Slows in 2025-26.

* Estimates/Forecasts from Wells Fargo Securities.

Source: US Department of Commerce, Wells Fargo Securities (8/25); Center for Risk and Uncertainty Management, University of South Carolina.

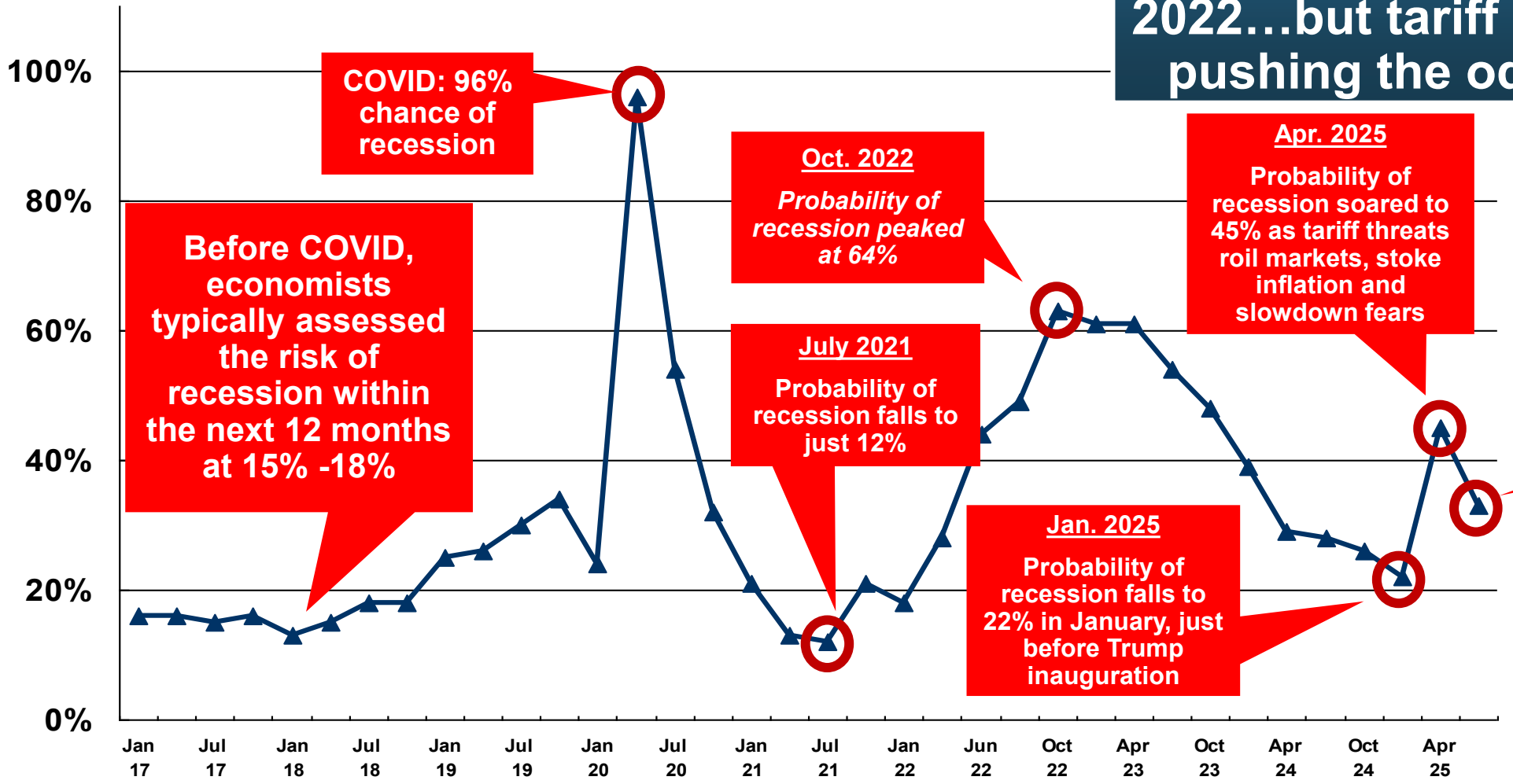
US Unemployment Rate Forecast: 2007:Q1–2026:Q4



Sources: US Bureau of Labor Statistics; Wells Fargo Securities (9/25 edition); Risk and Uncertainty Management Center, University of South Carolina.

Probability the U.S. Is in a Recession Within Next 12 Months: Jan. 2017 – July 2025*

Recession odds decreased substantially since 2022…but tariff concerns are pushing the odds back up

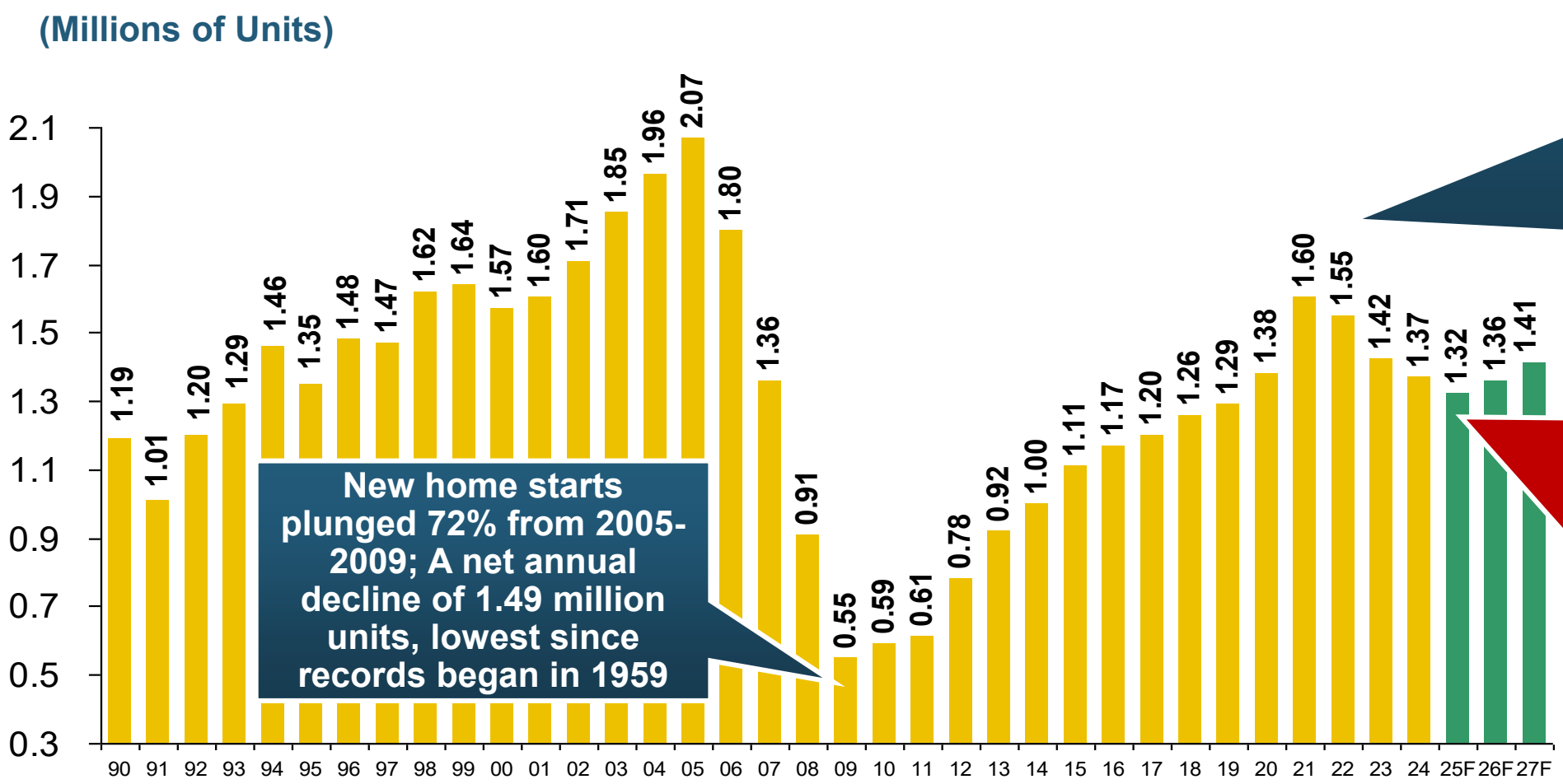


Recession?

The economy achieved a "soft landing" in 2024, averting a recession most thought would result from higher interest rates—but tariffs are raising recession worries

*July 2025 survey included the responses of 69 economists.
Source: Wall Street Journal surveys of economists: https://www.wsj.com/economy/central-banking/where-do-economists-think-were-headed-these-are-their-predictions-b3db91ea?mod=hp_listb_pos1; Risk and Uncertainty Management Center, University of South Carolina.

New Private Housing Starts, 1990-2027F



Job growth, low inventories of existing homes, low mortgage interest rates and demographics propelled new home construction into 2022, though materials prices, supply chain problems, lack of labor were headwinds

High prices, rising mortgage rates, tempered new home construction activity through 2025. Falling mortgage rates should help in 2026-27. Tariffs will add pressure to building costs

No Repeat of the Housing Collapse that Began in 2007

Insurers Are Continue to See Meaningful Exposure Growth in the Homeowners Line as well as Lines Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure

Source: U.S. Department of Commerce; Wells Fargo Securities (9/25); Univ. of South Carolina, Center for Risk and Uncertainty Management..

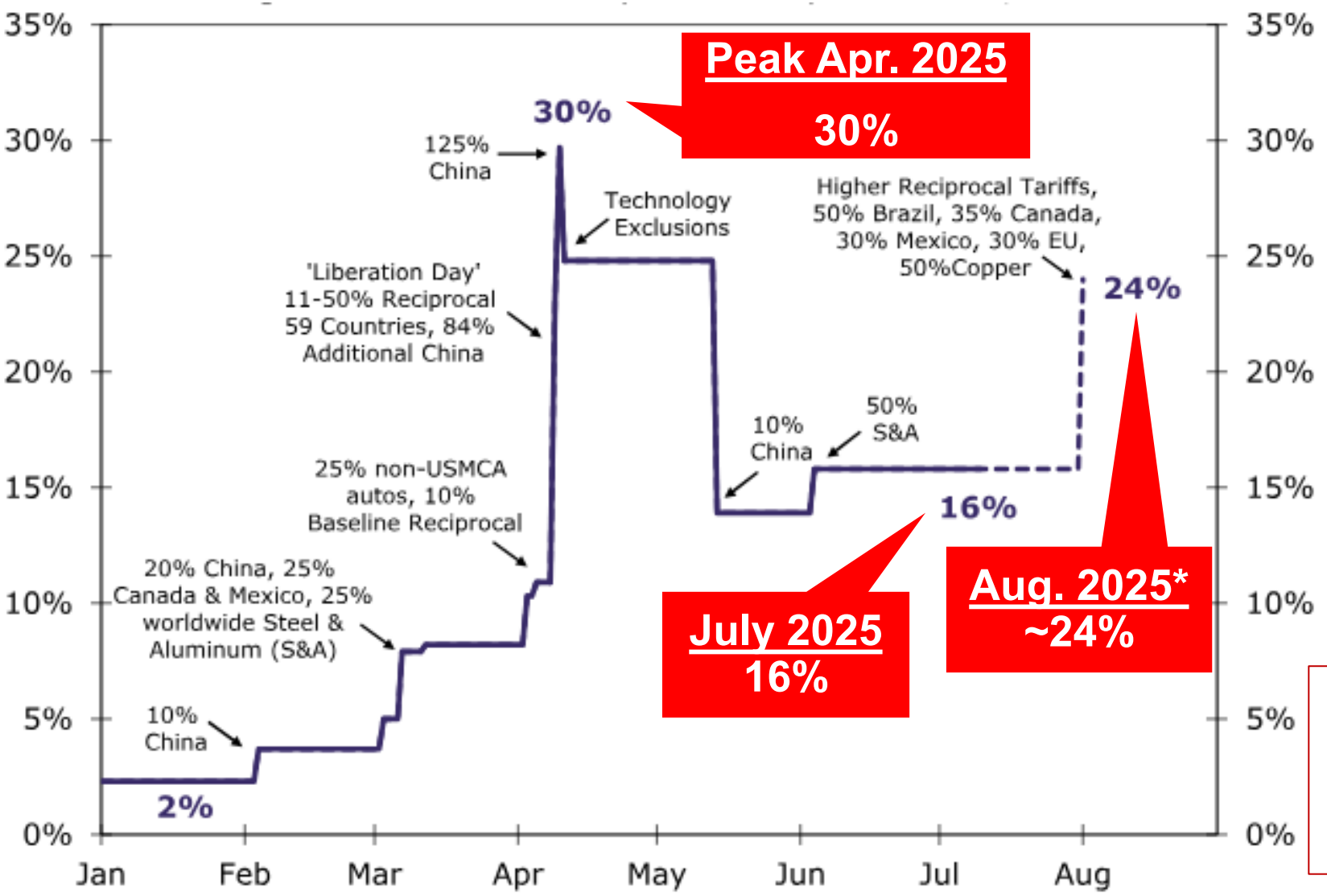
How Will US Policy Shifts Impact the P/C Insurance Industry?

Trade Policy Can Impact US Property Markets

Tariffs Will Increase Building and Repair Costs Leading to Higher Property Claim Severities

47

Est. US Average Effective Tariff Rate, Jan. – Aug. 2025*



Effective tariff rates have fluctuated wildly in 2025, starting the year ~2%, peaking at 30% and currently standing at 14%

Renewed tariff threat could push effective rate far higher as of Aug. 1. (e.g., EU, Mexico, Brazil)

Estimated Impact of Tariffs

New Home Price: $9,200 (NAHB)

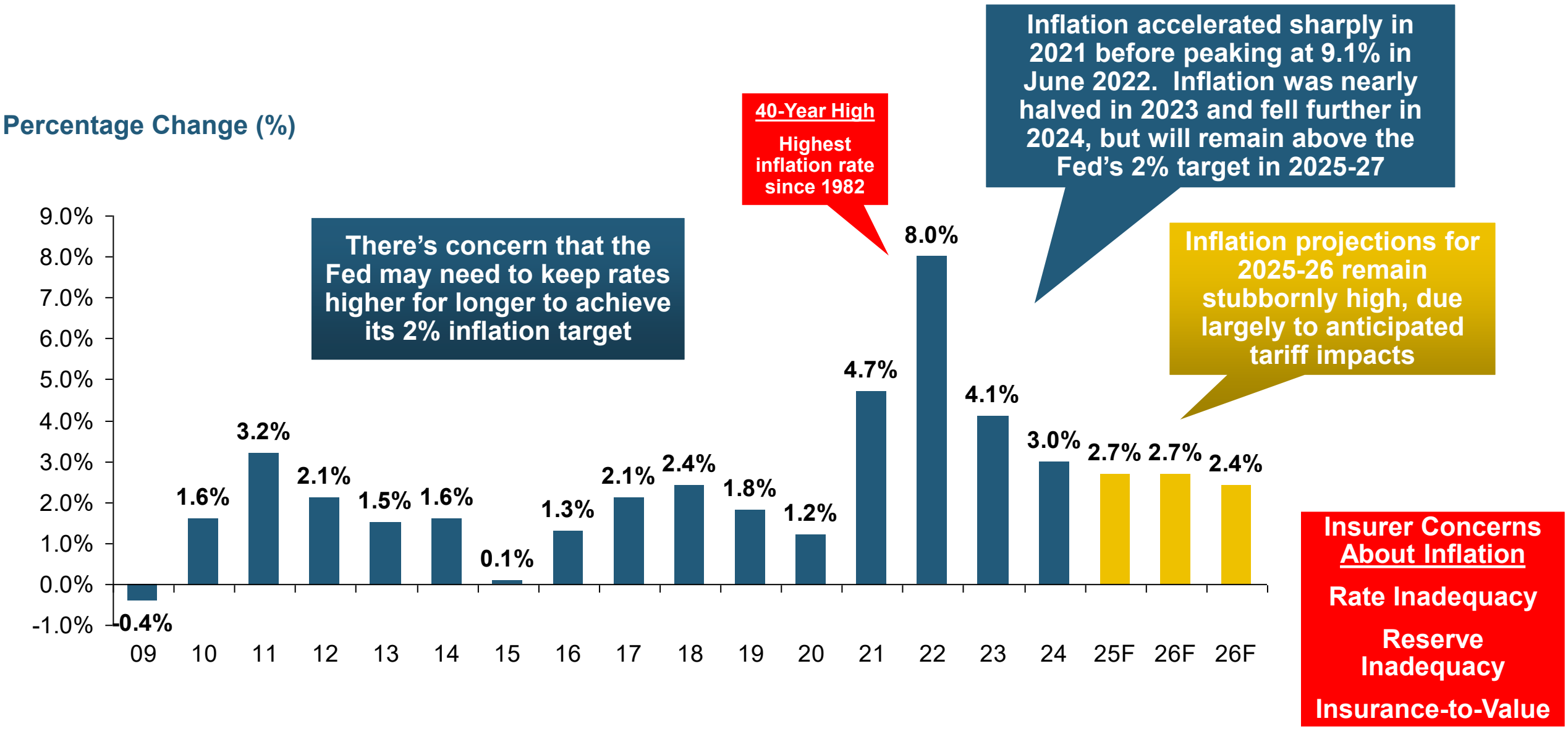
*August 2025 figures are estimates based on information available as of 7/23/25.
Source: US Dept. of Commerce and Wells Fargo Economics.

The Inflation Threat

Inflation Has Been a Major Driver of Auto and Property Claims Severities

Will Tariffs Reignite Inflation?

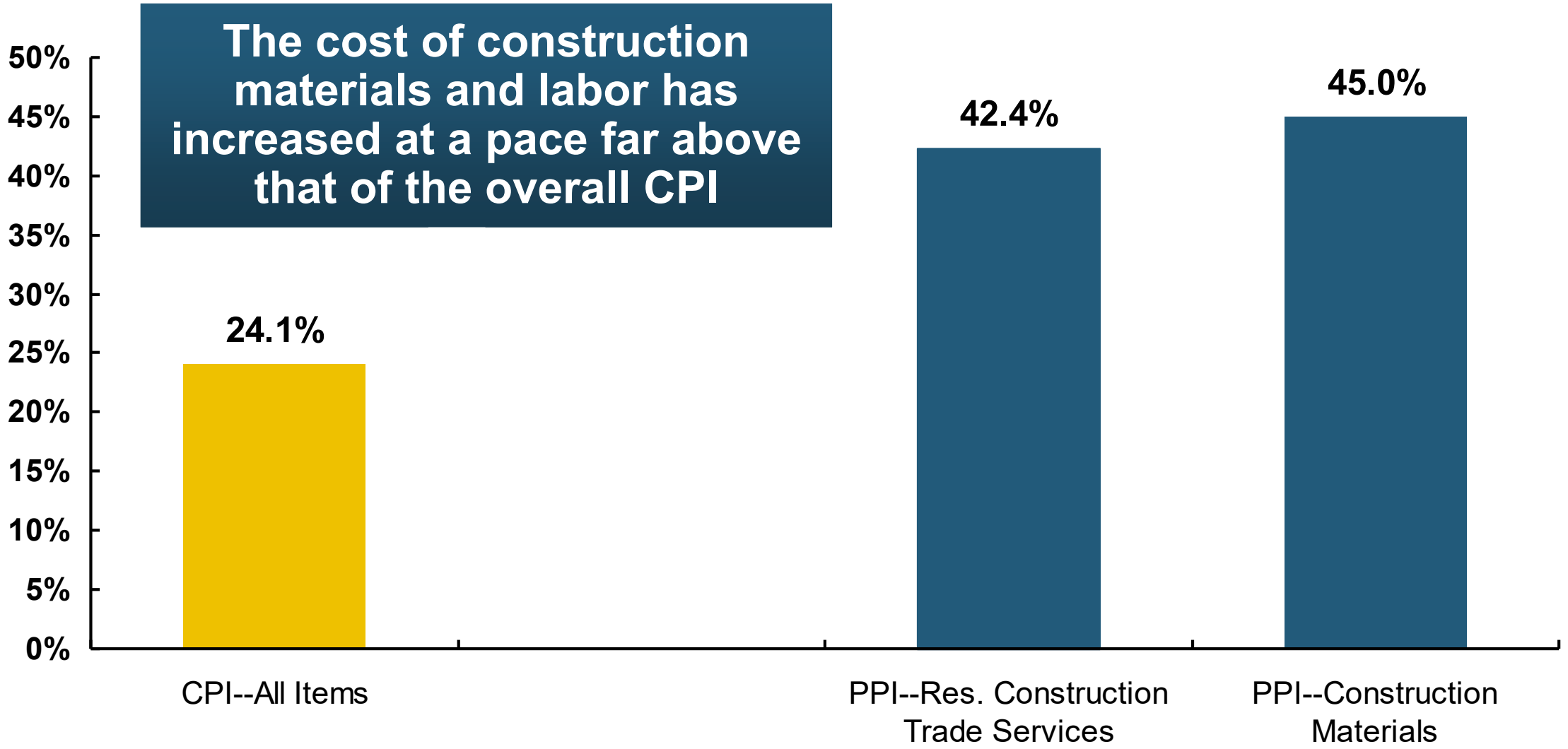
U.S. Inflation Rate: 2009-2027F*



*Annual change in Consumer Price Index for All Urban Consumers (CPI-U).

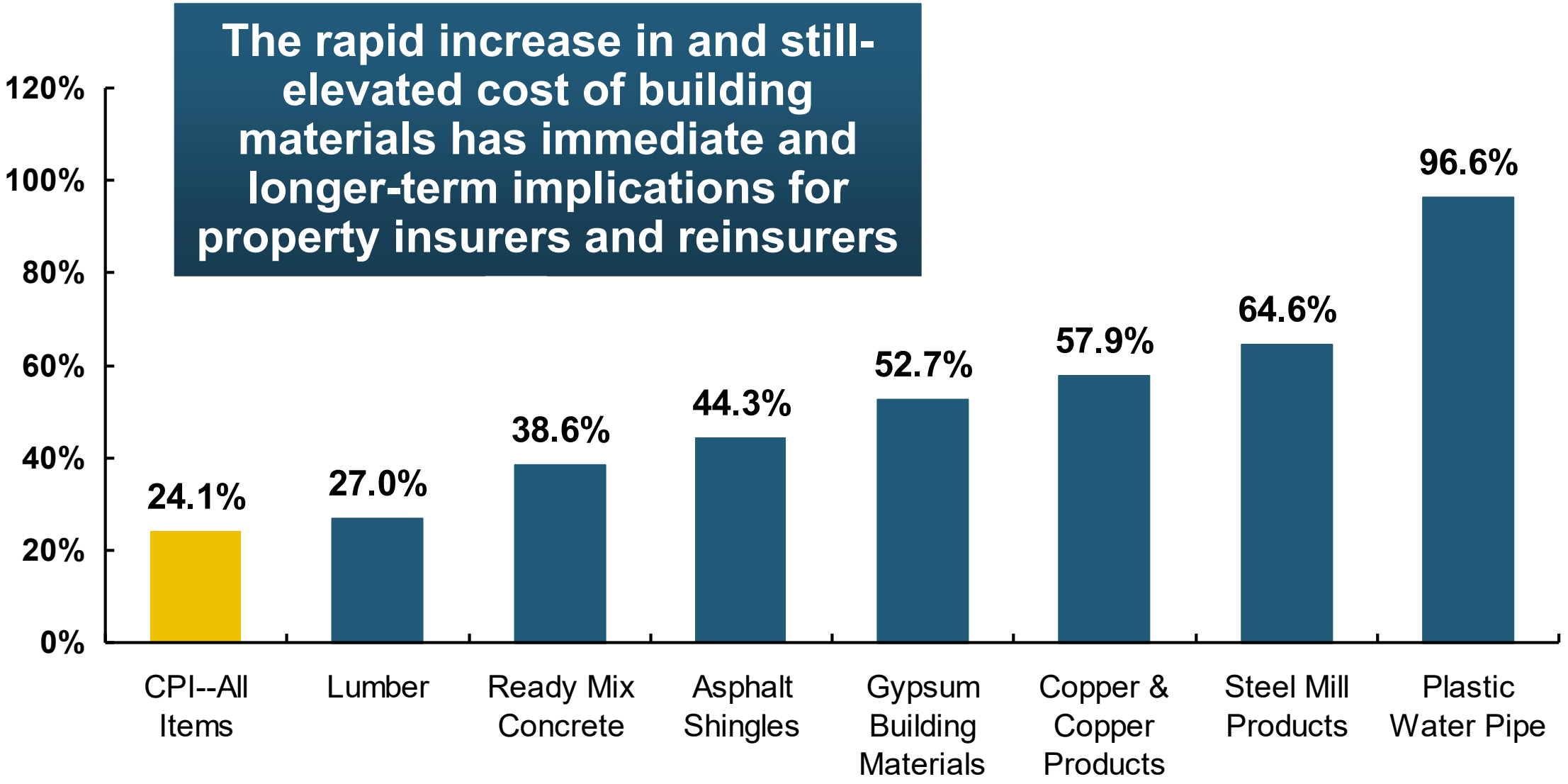
Source: U.S. Bureau of Labor Statistics; Wells Fargo Securities (9/25); USC Center for Risk and Uncertainty Management.

Cost Indicators for Residential Const., Price Index Changes, Jan. 2020 – June 2025



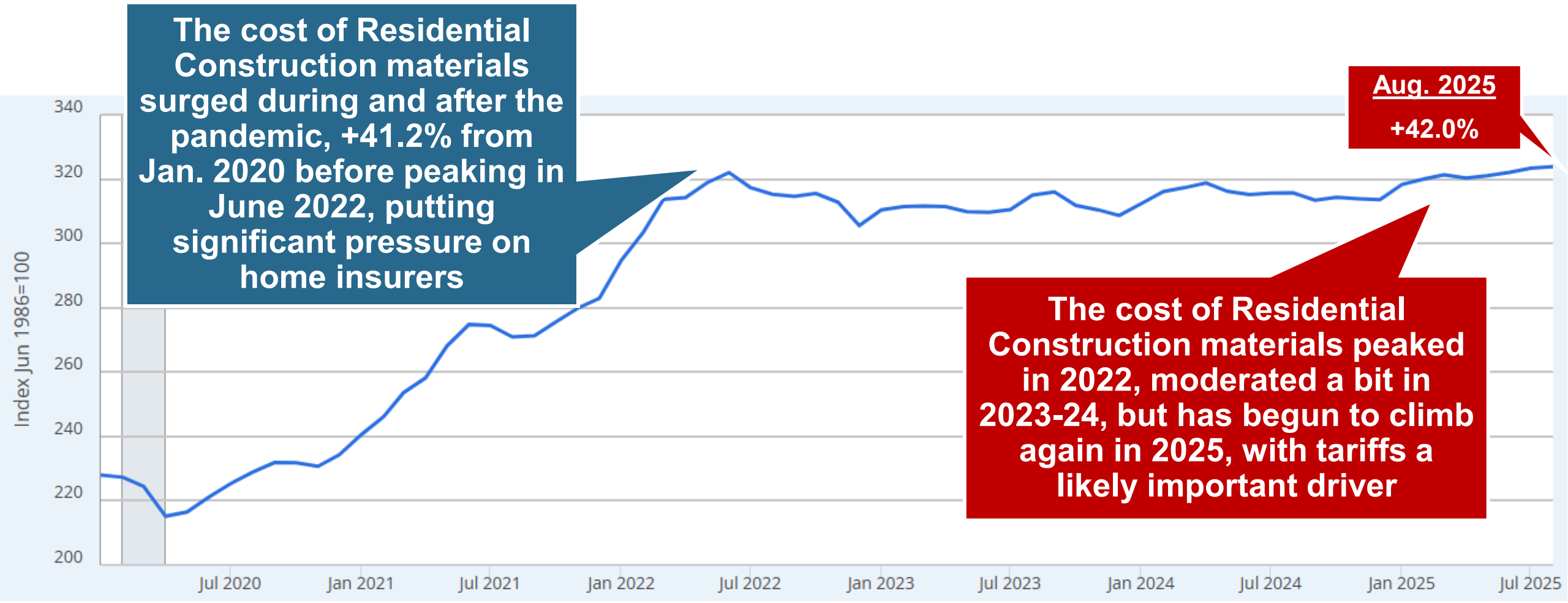
Source: U.S. Bureau of Labor Statistics from Federal Reserve Bank of St. Louis: https://fred.stlouisfed.org/series/WPUIP23111021 (Trade Services) and https://fred.stlouisfed.org/series/WPUSI012011 (Construction Materials).

Change in Cost Indicators for Selected Construction Inputs, Jan. 2020 – June 2025



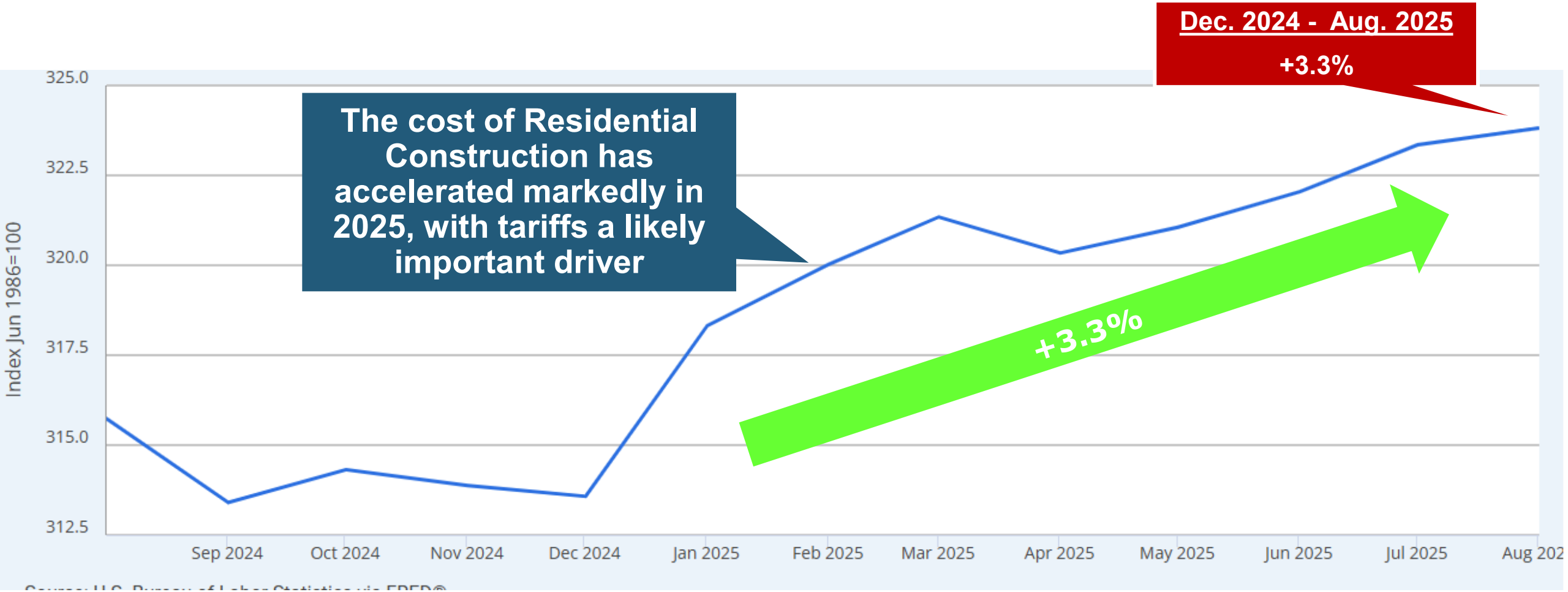
Source: U.S. Bureau of Labor Statistics.

PPI: Net Inputs to Residential Construction, Goods, Jan. 2019 – Aug. 2025



Sources: Federal Reserve Bank of St. Louis from US Bureau of Labor Statistics: https://fred.stlouisfed.org/series/WPUIP2311001; Risk and Uncertainty Management Center, University of South Carolina.

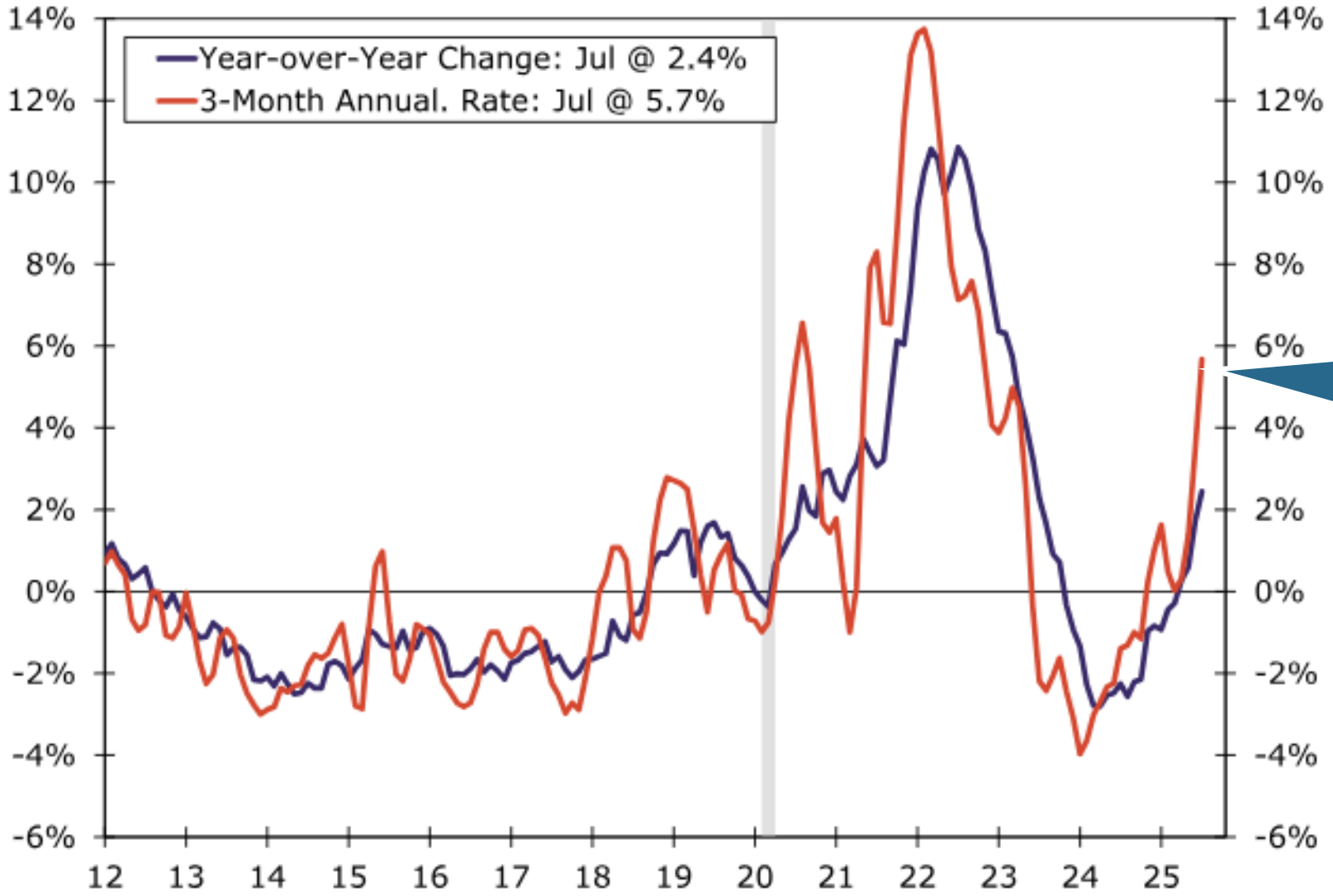
PPI: Net Inputs to Residential Construction, Goods, Jan. 2019 – Aug. 2025



Sources: Federal Reserve Bank of St. Louis from US Bureau of Labor Statistics: https://fred.stlouisfed.org/series/WPUIP2311001; Risk and Uncertainty Management Center, University of South Carolina.

Household Furnishings Inflation, Jan. 2012 – July 2025

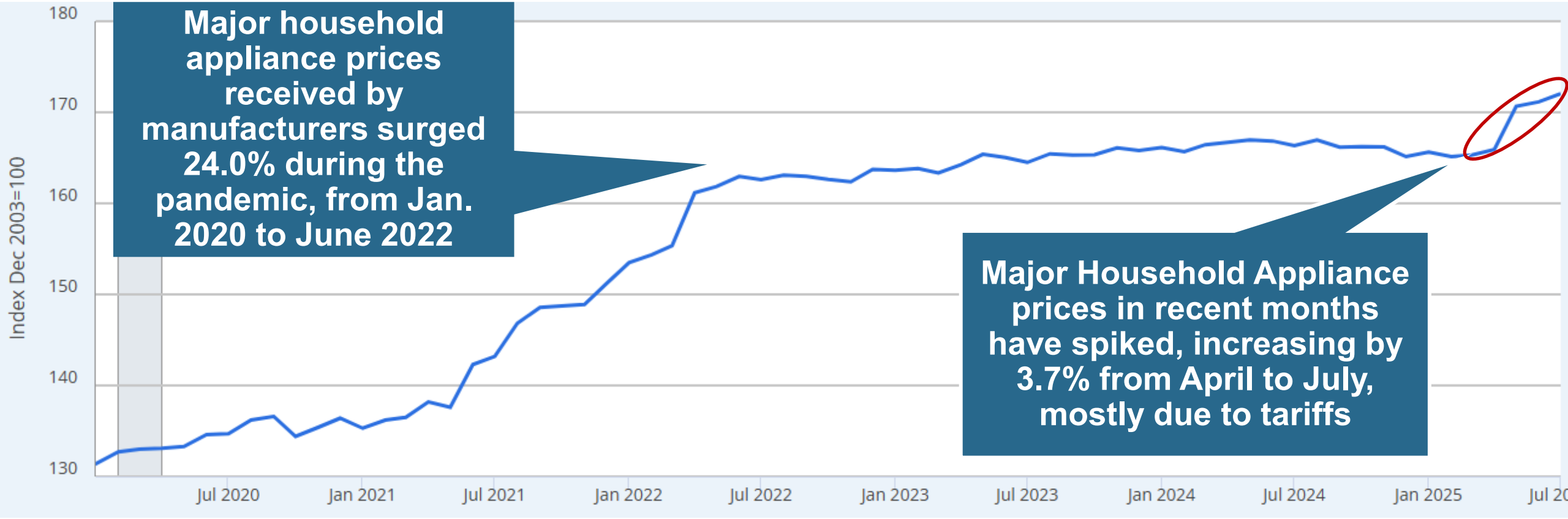
(Year-over-Year vs. 3-Month Moving Avg.)



Sharp acceIration in inflation for household furnishings in recent months—a high proportion of which are imported.

Source: US Department of Commerce, Wells Fargo Securities (8/25); Center for Risk and Uncertainty Management, University of South Carolina.

PPI: Price Index Changes for Major Household Appliance Manufacturing, Jan. 2020 – July 2025



Sources: US Bureau of Labor Statistics: https://fred.stlouisfed.org/series/PCU3352233522; Risk and Uncertainty Management Center, University of South Carolina.

SUMMARY

- **The P/C Insurance Industry Remains Strong, Stable, Sound and Secure**
  - **Property and reinsurance segments were among the lines stressed in recent years but are improving**
- **Claim Severities Rose Rapidly Amid High Inflation in the Post-Pandemic Era**
- **Record/Near Record CAT Losses Have Been a Major Driver of Rate**
- **Regulatory Dysfunction in Some States Has Caused Significant HO Market Dislocations**
- **Mortgage Market Shows Few Current Signs of Stress, though Consumer Debt Loads are Rising and Becoming a Concern**
- **Real Estate Markets Should Begin to "Thaw" with Fed Easing**
- **Tariffs are Reigniting Inflationary Pressures on Residential Construction Inputs**

UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Thank you for your time and your attention!

For a copy of this presentation, email me at robert.hartwig@moore.sc.edu or

Download at www.uscriskcenter.com