[42% of homeowners say insurance costs have gone up ‘a lot,’ survey finds. Here’s why](https://uphelp.org/42-of-homeowners-say-insurance-costs-have-gone-up-a-lot-survey-finds-heres-why/)

CNBC

Homeowners insurance costs have been rising fast in the U.S. — and policyholders are taking notice.

About 71% of homeowners said the cost of their homeowners insurance has increased over the past few years, with 42% saying costs have gone up “a lot,” according to a new survey by the Pew Research Center. The nonpartisan research group polled 3,524 U.S. adults, including 1,236 homeowners, from March 16 to 22.

The data backs up that perception.

Insurance premiums jumped by $648, or 24%, to $3,303 per year between 2021 and 2024, on average, according to a report published last year by the Consumer Federation of America, a consumer advocacy group.

Average premiums per policy increased 8.7% faster than the rate of inflation from 2018 to 2022, the U.S. Treasury Department said in a report published last year, which the agency billed as the most comprehensive analysis to date of the homeowners insurance market.

Consumers generally buy homeowners insurance as a form of financial protection against unexpected physical damage to their house. Mortgage lenders also often require prospective homebuyers to buy such an insurance policy to secure a loan.

Insurance experts point to a number of factors underpinning the run-up in premiums.

To name a few: General inflationary pressures in the U.S. economy have increased the cost of rebuilding homes. Climate change is increasing the frequency and severity of storms and wildfires, in turn raising costs for insurers, who then pay out more money for insurance claims. Reinsurance rates — the rates for the insurance that insurers purchase as a financial backstop — have also increased.

Meanwhile, people are choosing to move into riskier areas, and insurers have increasingly leveraged technology that influences how they predict and gauge risk, experts said.

Many households are seeing their rates rise much more rapidly than others.

Consumers in a third of ZIP codes across the country saw premiums rise by more than 30% from 2021 to 2024, with the sharpest increases in Utah at 59%, Illinois at 50%, Arizona at 48% and Pennsylvania at 44%, according to the Consumer Federation of America report.

However, no matter where they live, most homeowners are exposed: Over that 2021 to 2024 time frame, premiums increased in 95% of U.S. ZIP codes, the group found.

“It’s definitely a pervasive issue,” said Amy Bach, co-founder and executive director of United Policyholders, a consumer advocacy group for insurance policyholders. “At this point, rates have been going up by so much, it just feels unfair.”

Effects of soaring premiums

The impact of fast-rising homeowners insurance premiums has implications for consumers, the U.S. economy and the financial system at large, according to insurance experts.

For one, a home is the largest financial asset for many Americans, according to the Treasury report. The cost and availability of homeowners insurance impacts both housing expenses and home values, it said.

“Insurance helps make homeownership possible and preserves hard-earned home equity when hazards strike,” Steve Koller, a postdoctoral fellow in climate and housing at the Harvard University Joint Center for Housing Studies, wrote in a 2024 blog post.

While higher-income households can likely afford to absorb premium hikes or fortify their homes against natural disasters, others are more likely to be underinsured — narrowing “the viability of homeownership as a pathway to upward economic mobility” for low earners and disadvantaged groups, Manann

Donoghoe, a fellow at the Brookings Institution, a think tank, wrote in April.

Additionally, there can be “significant consequences” for local governments that depend on property values for tax revenue, and for real estate lenders and investors in mortgage securities who depend on insurance for loss protection, according to the Treasury report.

Why homeowners insurance costs have risen
Here is a breakdown of some of the major reasons homeowners insurance costs have increased, according to insurance experts.

1. Inflation

Inflation has increased the cost to repair and rebuild homes, thereby increasing the amount of money that insurers pay out when policyholders file an insurance claim, experts said.

“When those costs go up, [insurers] are not going to eat it,” Bach said. “They will pass it on to consumers.”

Replacement costs for property and casualty-related losses increased by 45%, on average, between 2020 and 2023, for example, according to the Treasury report. Homeowners insurance is a type of property and casualty insurance, as is renters insurance and auto insurance.

Labor costs increased, too. For example, the cost of employing workers building single-family residential homes jumped 37% between 2018 and 2022 and 45% from 2014 to 2023, according to the Treasury report.

The Covid-19 pandemic contributed to these inflationary pressures by disrupting supply chains, experts said.

“Covid is kind of a little bit of a hidden driver of a lot of this,” Bach said.

2. Climate change

The U.S. has seen an increase in the number — and intensity — of severe weather events like wildfires, hurricanes, droughts and floods.

The dynamic raises the likelihood of policyholders needing to file insurance claims, and the odds that those claims are for higher amounts, experts said.

Peter Kochenburger, an insurance expert and a visiting professor of law at Southern University Law Center, said climate change is the “primary reason” for the uptick in insurance premiums.

“The frequency and severity of storms are going up — and that means your rates are going up, and they’re not likely to go down,” Kochenburger said.

The number of weather and climate disasters that caused more than $1 billion in damage increased more than fivefold from 2018 through 2022, compared with the 1980s, after adjusting for inflation, according to the Treasury. The agency cited data from the National Oceanic and Atmospheric Administration and the Federal Emergency Management Agency.

Additionally, the average number of major disaster declarations issued per year for climate-related events has almost doubled compared with the average for the 50 years between 1960 and 2010, it said.

Consumers living in the 20% of ZIP codes with the highest expected annual losses to buildings from climate-related perils paid premiums that were 82% higher than those in the 20% of ZIP codes with the lowest climate risk over 2018 to 2022, according to the Treasury report.

“Louisiana, Florida and other places are simply very vulnerable,” Kochenburger said. ”[But costs] are increasing everywhere.”

3. State regulation
Some reasons why rates are increasing so much — even outside of areas typically at the epicenter of major disasters — may not be immediately obvious.

Experts point to state regulation as one factor.

Insurance premiums are “subject to extensive regulations” at the state level, according to a 2025 paper authored by researchers at Arizona State University, Columbia Business School and Harvard Business

School.

Regulators generally aim to strike a balance between affordability, insurance availability and the financial solvency of insurers, they said.

However, there are “stark differences” in pricing across the states that can lead to “distortions” in the homeowners insurance market, they wrote.

For example, the researchers found that homeowners insurance rates rise in less-regulated states due to insurance losses in highly regulated states. The opposite isn’t true, however. In other words, households in less-regulated states are “in-part bearing the risks of households in highly regulated states,” they wrote.

Insurers generally file requests for premium increases to state insurance agencies each year, and it’s up to the regulator to approve those rates.

“In some states, they’re just approved,” said Bach of United Policyholders. “The problem [is]: We don’t really know what insurers really do need.”

4. Moving to riskier areas

Research indicates that an increase in insurance losses in recent years is partly due to more people building new homes in areas with higher climate risk, according to the Treasury.

For example, nearly 1 million new homes were built in the areas with the highest risk between 2018 and 2022, it said.

Further, increased demand for housing in such areas tends to raise property values, thereby leading to higher potential losses to homeowners if climate disasters do occur, it wrote.

5. Reinsurance
Insurers often buy reinsurance as a financial backstop against big losses they may have to incur in order to pay consumers’ insurance claims.

“In recent years, the reinsurance market has been a hard market, with reinsurers tightening their terms and conditions, raising rates, and requiring ceding insurers to retain more risk,” according to the Treasury report.

6. Insurance technology
Insurers have also adopted different methods of assessing risk that have combined to raise premiums, Bach said.

For example, insurers have pivoted from traditional underwriting based on historical data to models that are more predictive, marking a “big shift,” Bach said.

“It means the pricing is reflecting what insurance experts and consultants think might happen going forward, as opposed to actually what has happened,” she said.

Insurers have also used drone surveillance and data mining to identify homeowners with older homes or homes that may have outdated plumbing and wiring, for example, Bach said.

Homeowners with a poor “risk score” may see fewer insurers competing for their business, and may see higher premiums as a result, she said.