

Homeowners insurance premiums have soared in recent years. How to reduce your costs

CNBC

Homeowners insurance costs have risen sharply for many people around the U.S. in recent years.

Policyholders looking to reduce their premiums have some relatively straightforward options, according to insurance experts. Other maneuvers require a financial investment that could ultimately save money in the long run, they said.

Average insurance premiums jumped 24% between 2021 and 2024, to \$3,303 per year, according to a report published last year by the Consumer Federation of America, a consumer advocacy group.

This is roughly the pace of U.S. inflation over that period, according to consumer price index data. The U.S. Treasury Department, in an analysis published last year, found average policy premiums outpaced the rate of inflation by 8.7% from 2018 to 2022.

Residents of some states pay much more than the average. For example, in Louisiana and Nebraska, average premiums exceed \$500 per month, or more than \$6,000 per year, according to a February report from Bankrate.

Premiums have increased sharply due to a host of factors, experts said, including inflation associated with repairing and rebuilding homes; climate change, which has increased the frequency and severity of storms and wildfires; reinsurance rates; and migration of homeowners to riskier areas.

Here are some ways homeowners can try to lower their premiums or keep them from rising as quickly, according to insurance experts.

1. Fortify your home

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While homeowners can't control the weather — or the frequency and severity of natural disasters — they have more control over how resistant their home is to hurricanes, wildfires and other events, said Peter Kochenburger, an insurance expert and a visiting professor of law at Southern University Law Center.

Hazard mitigation efforts can include adding storm shutters; fortifying a roof to protect against hail, wind or wildfires; and retrofitting a home to better withstand earthquakes, for example, experts said.

These improvements may help lower insurance premiums because they reduce the risk of damage to one's home, experts said. For example, retrofitting a home to withstand hurricane-force winds saves property owners \$6 for every \$1 invested, on average, according to a 2019 study by the National Institute of Building Sciences.

"Unfortunately, all these things cost money," said Amy Bach, co-founder and executive director of United Policyholders, a consumer advocacy group for insurance policyholders.

Roofing and vents with wildfire-resistant features typically cost more than \$5,800, while the cost of retrofitting an existing roof to be wildfire-resistant can exceed \$22,000, for example, according to a 2025 report from Laura Hausman, a senior housing policy analyst at the Bipartisan Policy Center, a nonpartisan think tank, who cited 2018 estimates by Headwaters Economics.

The cost of installing hurricane shutters can range from \$13,000 to more than \$19,000, for example, Hausman wrote. Project costs can vary widely depending on property size, location, materials and contractors, for example, she wrote.

Some states, including Alabama, California, Colorado and Louisiana offer grants to homeowners to defray the cost of mitigation efforts, Hausman wrote.

There are also relatively inexpensive things certain homeowners can do, like install moisture sensors that can help to more quickly identify leaks, Bach said.

It's not a guarantee that insurers will lower premiums for homeowners who undergo mitigation projects, so policyholders should "carefully research the policies of their insurer and locality," Hausman wrote. Certain states require insurers to reduce premiums for specific upgrades.

Ask your insurer which home improvements qualify for discounts before starting a project, according to a March post from Liberty Mutual Insurance.

Also be aware: Some home improvements, like additions to your home, can add value and therefore may increase your insurance rates, according to the insurer.

2. Raise your deductible

A policy deductible is the amount that a homeowner will owe out of pocket before their insurer starts paying benefits for a claim.

Raising one's deductible is one way to lower monthly premiums, experts said.

Bach recommends that people carry the highest deductible that they can afford, while also accounting for how affordable that deductible is in the event of costly home damage. Homeowners must pay the entire deductible out of pocket before insurance coverage kicks in, so make sure you have enough savings to cover significant damage.

Most insurance companies recommend a deductible of at least \$500, according to the Insurance Information Institute, an insurance industry group. Raising one's deductible to \$1,000 can save as much as 25% on premiums, it said.

Importantly, policies may have separate deductibles for certain kinds of damage, according to the institute. For example, policyholders who live in states vulnerable to hail storms may have a separate deductible for hail, while those on the East Coast may have a separate windstorm deductible, it said.

3. Avoid 'small' claims

It may seem counterintuitive, but policyholders should refrain from filing insurance claims for all damage they incur to their home, Bach said.

"Don't file small claims," she said.

Homeowners should try to keep their record "as clean and clear" as possible, Bach said.

For example, she recommends avoiding submitting an insurance claim if it's for an amount below one's deductible, if possible. The insurer won't pay out any benefits in those instances anyway, and each claim can lead to higher premiums, she said.

"Try your best to save your insurance for big losses you can't cover yourself," Bach said. "Because every claim could lead you to be in a higher risk category, and could lead you to pay more."

4. Don't pay for more than you need

Policyholders should also make sure they're not buying more insurance than they need.

"Take a look at your policy limits and the value of your home and possessions every year," according to the National Association of Realtors, a real estate industry group. "Some items depreciate and may not need as much coverage."

For example, if a fur coat that originally cost \$5,000 is no longer worth that much, policyholders could reduce or cancel their "floater" — a policy add-on to fully cover specific valuable items — to reduce premiums, according to the Insurance Information Institute.

Additionally, homeowners should keep in mind that they're covering a home's replacement cost, not its market value, according to NAR.

"The land under your house isn't at risk from theft, windstorm, fire and the other perils covered in your homeowners policy," according to the institute. "So don't include its value in deciding how much homeowners insurance to buy. If you do, you will pay a higher premium than you should."

5. Strategize about insurers

Choosing an insurer wisely may save homeowners some money.

For example, some companies that sell homeowners, auto and liability policies will take 5% to 15% off your premium if you buy two or more policies from them, according to the Insurance Information Institute.

However, policyholders should ensure the package price is lower than that of buying separate policies

from different insurers, it said.

They may also get a discount for staying with the same insurer for many years, according to the institute. Some insurers reduce premiums by 5% for policyholders who remain with them for three to five years and by 10% for six years or more, it said.

Homeowners can consult consumer guides, insurance agents, companies and online insurance quote services to help shop around, according to the institute. Experts recommend shopping periodically to check for better rates elsewhere. Savings could be \$2,000 or more per year for some homeowners, according to a recent NerdWallet study.

Beyond price, they should also consider service quality in the event homeowners need to file a claim, it said. The National Association of Insurance Commissioners, a regulatory group, has information to help choose an insurer, including complaints.

6. Improve your credit

Maintaining a good credit score can help lower insurance premiums, since insurers often use credit-based insurance scores to determine policy costs, according to the National Association of Realtors.

Making on-time payments to lenders and reducing credit utilization rate are among the ways homeowners can boost their credit score.

7. Consider insurance when buying a home

Homeowners may be well served by considering insurance costs when shopping for a home, experts said.

For one, there are just “some areas people shouldn’t be living,” such as right on the shore, said Kochenburger, of the Southern University Law Center.

Of course, that doesn’t deter many buyers.

For example, U.S. counties with the highest wildfire risk saw 446,000 more people move in than out in 2021 and 2022, a 51% increase from the two-year period from 2019 to 2020, according to a 2023 analysis by Redfin.

States including Florida, Texas and Arizona “exploded in popularity despite increasing risk from storms, drought, wildfires and extreme heat” during that time frame, as people sought out more affordable housing, warmer weather and lower taxes amid more work-from-home opportunities during that period, according to Redfin.

Aside from avoiding lower-risk areas to live, there are other steps homeowners can take, experts said.

“You may pay less for insurance if you buy a house close to a fire hydrant or in a community that has a professional rather than a volunteer fire department,” according to the Insurance Information Institute. “It may also be cheaper if your home’s electrical, heating and plumbing systems are less than 10 years old. If you live in the East, consider a brick home because it’s more wind resistant. If you live in an earthquake-prone area, look for a wooden frame house because it is more likely to withstand this type of disaster.”

Choosing “wisely” could reduce premiums by 5% to 15%, it said.

It’s important to remember that living in certain areas might require additional types of insurance, experts said.

For example, standard homeowners policies generally don’t cover flood or earthquake damage, and may therefore require people to buy separate policies for those risks.

Homeowners can check the Comprehensive Loss Underwriting Exchange, or CLUE, report of the home they’re considering to get a snapshot of the insurance claim history of the property, which can help determine some of the house’s insurance-related risks, according to the institute.