

Rising insurance costs are making homeownership even more expensive

Marketplace

As homeowners in Vero Beach, Florida, Marie and Jack Zuzack have had their share of insurance problems. She's a retired city planner; he worked in biotech research. They own an older home that's more vulnerable to hurricanes than modern buildings, and two years ago, after being dropped a few times by different insurers and struggling to find an affordable plan, they finally gave up and went without standard homeowners insurance.

"We just felt like, for the value of the house, it wasn't worth the premiums," Marie Zuzack said.

That's Florida, where coastal living is getting harder to insure. But the Zuzacks also own a house in Colorado, where they spend their summers in the fire-prone foothills near Boulder.

"We were dropped last year by our insurance company, along with many other people," she said. "They just left the area."

This is becoming a much more common story in many parts of the country. The digital insurance agency Matic said premiums for new policies rose more than 8.5%, on average, last year, and 24% for renewals, and they're likely to keep going up this year. Availability also dropped, especially in certain regions, said Andy Hellard, vice president of product at the company.

"What you're seeing along the Gulf Coast, coastal Texas, big parts of California, parts of the Mountain West that are exposed to wildfire really is a problem not just of pricing, but of availability as well, where they just can't get coverage a lot of times," Hellard said. "And lot of times, the coverage that is available is much, much higher."

Amy Bach has been helping people navigate insurance issues in California, Louisiana and Florida for

years as executive director of United Policyholders, an advocacy group for insurance customers.

“What is really new is that it’s impacting people in Arizona and Oklahoma and New York, and it does feel like a national problem,” Bach said.

The main reason, of course, is climate change, which has increased the frequency and severity of droughts, wildfires and extreme weather in many areas. Last year the U.S. endured a record 28 climate- and weather-related disasters that caused at least \$1 billion in damage, according to the National Oceanic and Atmospheric Administration. Insurance companies are raising premiums or even pulling out of some markets, Bach said, to protect their bottom lines. “Increasingly severe and frequent weather disasters are here to stay because of climate change,” she said. “So they are projecting that their losses are going to continue to climb.”

Reinsurance companies, which provide insurance to insurance companies, have also raised their prices. Meanwhile, sophisticated climate modeling, drone footage and other technology have also given insurers more granular information about risk.

“While in the past they were insuring properties a lot more blindly,” Bach said, now insurers can see that a homeowner has a trampoline in the yard or the house is surrounded by trees. “These images that they’re now buying are giving them the jitters.”

Then there’s inflation. Higher labor and materials costs make it more expensive to repair and replace damaged homes. Between 2019 and 2022, replacement costs jumped 55%, according to Mark Friedlander with the Insurance Information Institute, an industry-funded research and education group.

“That’s nearly four times the U.S. cumulative inflation rate during that same period, which ran about 15% total,” he said. “It’s obviously a factor in determining insurance premiums.”

Friedlander said premiums will likely increase by double-digit percentages again this year, after the property/casualty insurance industry lost \$38 billion on underwriting last year.

That’s also affecting home sales, said Dane Taylorson, a senior loan adviser with Savi Home Loans in Towson, Maryland. Mortgage lenders require homeowners to buy property insurance but won’t make a loan if a buyer’s debt-to-income ratio is too high. Insurance premiums are typically folded into a

homeowner's monthly mortgage payment. High mortgage interest rates are already pushing many buyers close to the limit, Taylorson said.

"If the insurance is going up, and we're already close, that could cause that person not to get that home," he said.

Taylorson said that's happening with about 15% to 20% of clients. He can usually find them a more affordable policy to bring down their monthly payment, but with less coverage or higher deductibles.

In Colorado, after a few months of calling insurance companies and brokers and talking with neighbors, Marie Zuzack finally found a less comprehensive policy for \$4,000 a year. The couple just received a renewal notice raising the price to \$6,000 a year.

"It's a big increase," she said. "We feel like we're just thankful to have any coverage."