



Homeowners Insurance

Market Outlook 2024

Provided by HGI Solutions

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Introduction: Preparing for the 2024 Homeowners Insurance Market

Homeowners must take appropriate steps to financially protect their properties, families and investments. While this is true every year, it may be especially important in the difficult insurance market predicted for 2024.

Home insurance remains one of the most frequently purchased types of coverage across the United States. However, for many people, current hard market conditions have made acquiring an adequate policy more expensive and complicated. Indeed, major insurance carriers have already limited or ceased offering certain types of insurance in some parts of the country—areas that were eligible for policies only a few years ago.

In part, such dramatic market shifts were precipitated by catastrophic natural disasters and the high frequency of claims in 2023. Many insurance carriers, including reinsurance companies, have struggled to maintain profits in recent years, leading to increased premiums and even withdrawals from certain markets, such as Florida and California. In addition, inflation and global supply chain issues continue to impact the economy going into 2024 and, therefore, the insurance industry at large.

Critically, the ever-changing home insurance market landscape can be intimidating, but understanding how its factors can affect homeowners is crucial for accurately assessing and addressing coverage needs. Failing to carry an adequate policy could leave even the most responsible and diligent homeowners without the financial means to repair or rebuild their homes or otherwise manage the aftermath of unexpected and challenging times.

While the hard home insurance market is expected to continue in 2024, homeowners may be able to optimize their investments, maintain optimal coverage and limit relative price increases by fully understanding the trends and patterns expected to impact future conditions.

Read on to learn more about how the market got to this point, what challenges 2024 may bring and strategies for securing affordable homeowners insurance.

Retrospective: 2023 Home Insurance Market Review

In the wake of many significant events throughout 2023, the homeowners insurance market is in a challenging position going into 2024. As homeowners attempt to understand and forecast the coming year's market conditions, trends and patterns, it can be helpful to analyze and consider influencing factors still resonating from months and even years past.

Below are some of the most impactful trends that helped shape the 2023 home insurance market.

Inflation's Impact Still Felt

Although inflation decreased from its 9% peak in mid-2022, the homeowners insurance market continued to be affected by these former economic conditions in 2023. Estimated costs for rebuilding or repairing homes continued to be high due to elevated prices for building materials and construction labor. Many of these issues began during the COVID-19 pandemic and never fully subsided, as supply chain difficulties still impacted pricing in some sectors at the end of the year.

In addition, the 2023 homeowners insurance market saw an uptick in social inflation, which refers to the cost of claims outpacing that of economic inflation; this is often fueled by more frequent litigation and increasing settlement amounts. Such large claims are often known as “nuclear verdicts” for their high settlements. These claims are most common among businesses, but the ripple effects of these payouts have still been felt in the personal insurance market, namely through premium increases.

Fundamentally, while inflation rates may change in real time, insurance premiums generally take longer to adjust; varying state regulations and rate-approval procedures can slow this process. Insurance companies are legally required to remain profitable so they can pay for all claims they receive. As such, insurers are expected to raise home insurance premiums in 2024 to maintain solvency.

Climate-related Losses Abound

According to government data, natural disasters and severe weather continued to be a significant cause of home- and property-related losses in 2023; there were 25 severe weather events with estimated costs ranging from \$1 billion to \$10.5 billion. In fact, reinsurance company Swiss Re said that natural catastrophes were on pace to cause record losses by the end of the year.

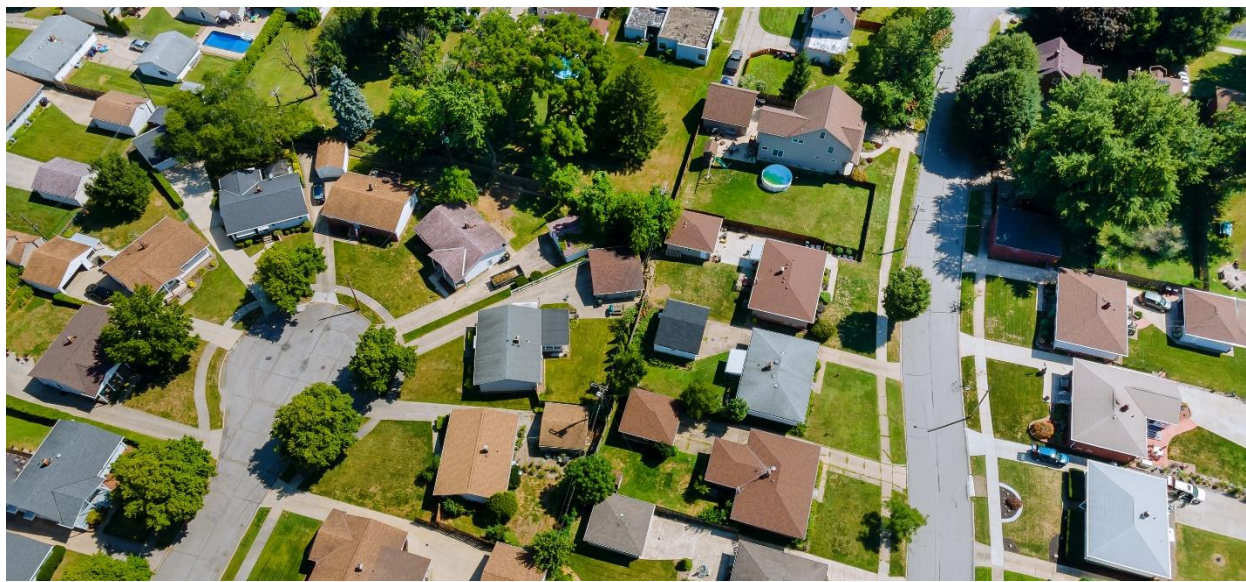
Amid hurricanes, wildfires and tornados devastating the country, Swiss Re reported that severe thunderstorms emerged as a significant contributor toward weather-related losses. Paired with high rebuild costs, increased catastrophic weather events contributed to substantial losses for insurance companies in 2023.

In response to these incidents, some large insurance companies withdrew from certain markets, leading to significantly increased prices for those seeking homeowners insurance in these locations. For example, in 2023, State Farm and Allstate ceased writing new homeowners policies throughout California due to increased risk levels related to wildfires. Similarly, many major insurance companies have withdrawn from the Florida homeowners market as hurricanes and tropical storms have continued to pummel the state and cause record losses.

Adding to weather-related problems for homes, the Insurance Information Institute reported that nearly one in three Americans were living in wildland-urban interfaces at the end of 2023—where properties

are near the outskirts of developed land. Such locations can be more vulnerable to wildfires and other severe weather, as there are fewer infrastructural resources, which can limit emergency response time.

Insurers showed in 2023 that they're not inclined to write policies for properties in high-risk areas due to the potential severity and frequency of claims. So homeowners in certain areas may find affordable insurance difficult to find in 2024, relying on state-run insurers for coverage.



Reinsurance Rates on the Rise

Many insurers acquire and maintain their own insurance coverage to limit their financial risks through a process called reinsurance. Basically, if an insurance company wants to write a policy but cannot feasibly cover all the potential claims costs, it may share some of that risk (i.e., cost) with a reinsurance company. This enables more insurers to take on a greater variety of clients—who may be susceptible to major claims—without risking insolvency.

According to industry experts, reinsurance companies had to increase their rates by as much as 40% due to rising losses in recent years. Various economic- and climate-related conditions have caused reinsurance carriers to raise rates or even leave certain markets, much like traditional insurers.

As reinsurance companies adjust their rates, insurers may be limited in terms of which policies they can afford to issue.

What to Expect in 2024

Since many of the primary factors that affected the homeowners insurance marketplace in 2023 have not been alleviated, it should be no surprise that the market is expected to remain hard and premiums are forecasted to increase or stay elevated in the near future. Furthermore, insurance companies may be more meticulous while assessing home conditions and risk levels, potentially further increasing rates or making it more difficult to renew or acquire coverage in the first place.

The following are some predictions for what homeowners can expect in 2024.

Weathering Fewer Coverage Options

As weather-related perils continue to impact high-value properties, more insurance companies may pull out of high-risk areas. At the same time, many Americans have relocated to southern and western regions of the country, many of which have been impacted considerably by hurricanes, wildfires and other natural disasters. With nearly one in three Americans—an estimated 46 million homes—now residing in wildland-urban interfaces, weather-related risks may be increased for a significant portion of the country. This combination of factors means that more homeowners may see steep premium increases or need to rely on state-supported insurers as a last resort for coverage. Subsequently, this can mean fewer options, narrower coverage and increased premiums.

Even homeowners in areas less susceptible to severe weather may see premium increases as insurance companies attempt to plan for and recoup weather-related losses in other regions they serve.

Coping With Construction Constraints

Building material costs are expected to continue playing a significant role in the homeowners insurance market in 2024, as it has in recent years. Many supply chain issues stemming—at least in part—from the COVID-19 pandemic continue to ripple through the global economy. In fact, according to construction cost data tracking firm Gordian, 2023 saw the following building material cost changes:



Wood costs increased by **16%**



Concrete and masonry costs increased by **15%**



Insulation costs increased by **11%**



Electrical conduit work costs increased by **12%**



Steel costs increased by **22%**

As mentioned, the costs of materials needed to build, rebuild and repair homes continue to rise or remain volatile. Paired with increased claims frequency due to severe weather, home insurance companies will likely account for these expenses through increased premiums in 2024.

Remaining Realistic Regarding Reforms

Although government officials, such as those in California and Florida, may attempt to alleviate the hard homeowners insurance market through various regulation reforms, such as enhanced risk modeling and authorization of higher premiums, legislation can take time to be approved and implemented.

Furthermore, the economic impact of any legal changes can take years to be felt, meaning that any governmental actions taken to address the homeowners insurance market may not impact policyholders or insurance companies immediately in 2024.

Homeowners Insurance Buying Tips in 2024

While most major factors, such as weather conditions, climate change and economic inflation, are out of the control of homeowners, policyholders must still consider steps they can take to mitigate rising premiums and find any potential savings that may be available. Retaining adequate insurance protection is vital for financial security even during difficult times.

Consider the following strategies that may help limit rising home insurance rates:

- 1 Weather protection**—Homeowners may be able to reduce perceived risk levels and, by extension, premiums by installing and implementing protection from the elements. This may include upgrading a home's roof, installing storm shutters, trimming or removing trees and brush, and making use of nonflammable building materials.
- 2 Security upgrades**—By protecting their property from potential criminal acts, homeowners may also be able to reduce their perceived risk levels and access lower coverage costs. Installing smart technology, such as water leak detection systems, fire alarms and security cameras, could help lower premiums.
- 3 Coverage changes**—The details of a homeowners insurance policy play integral roles in determining premiums. To combat rising rates, policyholders may want to revisit various features of their coverage. For example, increasing a policy's deductible may reduce regular payments, although homeowners will need to pay more out of pocket in response to covered incidents before submitting a claim for financial aid.
- 4 Policy bundling**—Many homeowners can garner lower overall insurance costs by purchasing multiple types of coverage from the same insurance carrier. For example, homeowners insurance policyholders may enjoy lower rates by having auto or life insurance coverage through the same company. In addition, bundling policies may make it less likely for an insurance company to decline renewal or cancel policies in response to claims.
- 5 Liability risk reduction**—Most homeowners insurance policies include coverage for personal liability, meaning that incidents affecting third parties for which policyholders or other insureds are responsible could be eligible for financial assistance. Limiting liability risks, such as by avoiding hosting large gatherings or removing attractive nuisances (e.g., swimming pools, playground equipment and firepits), may help homeowners reduce their liability risk levels and rates.
- 6 Discount possibilities**—There may be several ways to qualify for homeowners insurance discounts. Many insurance companies may offer lower rates if a homeowner has not filed a claim against their policy for a certain amount of time (e.g., three to five years). In addition, retired people, military personnel and members of various organizations and associations may be eligible for reduced premiums.
- 7 Credit score improvement**—Many insurance companies have made credit scores an increasingly important factor when quoting homeowners insurance rates. By keeping up with bills, limiting debts and balances, and maintaining a diverse credit portfolio, homeowners may enjoy lower premiums.

Learn More and Ensure Optimal Coverage

Becoming a homeowner can be one of the most significant milestones in a person’s life. Homes provide stability, security, and safety for owners, their families, and their treasured belongings. Furthermore, owning a home may provide opportunities to accrue wealth and value over time.

However, homes also represent one of the most expensive investments that most people may ever make in their lives. Given the financial stakes involved in owning and protecting a home, understanding and maintaining appropriate homeowners insurance must be a top priority to ensure fiscal security and financial wellness.



By familiarizing yourself with the factors that may impact your homeowners insurance costs, such as climate-related perils, economic conditions and discount possibilities, and working with a qualified insurance professional, you can understand market conditions, identify optimal policies and secure appropriate coverage at a fair price.

In addition to helping you navigate the insurance market, our agency has resources to assist in your risk management efforts. Homeowners who proactively address risk, control losses and manage exposures will be adequately prepared for changes in the market and will get the most out of each insurance dollar spent.

This document is not intended to be exhaustive, nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel or an insurance professional for appropriate advice. For more details regarding the information contained in this report, contact us today.