



# Homeowners Insurance

## Market Outlook 2025

Provided by HGI Solutions

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## Introduction: Preparing for the 2025 Homeowners Insurance Market

In the dynamic and unpredictable current state of the world, homeowners insurance may be more important than ever. These policies can play a critical role in helping individuals and families throughout the United States retain financial security; however, as has been the case in recent years, expected market conditions in 2025 may continue to complicate matters.

Although home insurance is still among the most purchased types of insurance, economic trends, market patterns and other conditions continue to make acquiring and maintaining appropriate coverage complicated and confusing. For example, ongoing supply chain issues and rising construction labor costs directly impact the homeowners insurance market, often leading to higher building and repair costs and, therefore, greater premiums for policyholders. Additionally, continuing consequences of natural disasters, such as hurricanes and wildfires, have caused several home insurance carriers to withdraw from specific markets.

Purchasing and maintaining appropriate home insurance may have once seemed like a straightforward process; now, finding the right coverage while optimizing the cost-efficiency of premiums can be a more arduous journey. Rising costs and limited options may make finding affordable policies or coverage more difficult.

However, home insurance remains necessary for millions of Americans despite current difficulties. Homeowners must avoid cutting corners to ensure compliance with mortgage-related requirements and appropriate recourse in case of accidents and other incidents.

So even amid unfavorable market conditions, homeowners must take a proactive approach toward their coverage in 2025. After all, homes often represent the most expensive investments a person or family will ever make; even one significant claim could lead to financial disaster after an uninsured incident. Policyholders can empower themselves to ensure they're suitably covered at the best possible price point by fully understanding the various factors and patterns impacting the complicated home insurance market.

To aid in this endeavor, we proudly present our 2025 Homeowners Insurance Market Outlook, containing guidance about what to expect in the coming year and how to navigate various challenges and complexities.

## In Retrospect: 2024 Home Insurance Market Review

To better understand the 2025 homeowners insurance market, it's essential to consider how we got here. Reflecting on the past year's market can help policyholders understand what trends may be expected to continue and how they might continue to impact premiums and coverage availability.

### Natural Disasters and Weather-related Losses

The year 2024 brought yet another year of catastrophic weather events, leading to billions of dollars in property-related losses and subsequent insurance claims. In fact, according to the National Centers for Environmental Information, 2024 was on track to have the second-most weather events, resulting in over \$1 billion in losses, trailing only 2023. As of Nov. 1, 2024, there were 24 such events in 2024 in the United States, accounting for over \$500 billion in total losses.

When hurricanes, wildfires and other natural disasters wreak havoc on homeowners and their insured properties, insurance carriers must provide more money for claims. This necessitates insurers to recoup their own costs by increasing premiums. Additionally, many insurance companies may limit their business presence in particularly high-risk areas. For example, several carriers have pulled out of the Florida homeowners insurance market due to the excessive losses observed.



## **Building Prices and Labor Costs**

Many situations in recent years have strained supply chains, including shipping delays, the COVID-19 pandemic and ongoing international conflicts. These global situations impacted various parts of the U.S. economy, including the home insurance market. When building materials, such as lumber, concrete and steel, are scarce, their costs naturally increase. Subsequently, homes have become more expensive to build or repair, leading to more significant claims costs, which are passed along to consumers.

Additionally, much of the construction industry has experienced a labor shortage in recent years. A lack of skilled and experienced workers can incur many challenges, including longer project completion times, greater costs and an increased risk of accidents or defects. Many of these fiscal consequences were reflected in the 2024 homeowners insurance market, as increased costs related to building or renovating homes had a direct impact on claims and premiums.

## **High Reinsurance Rates**

Reinsurance is the process through which insurance carriers themselves retain coverage for losses. This allows insurers to pass along some of the risks they incur to third parties and limit their own costs following costly claims and catastrophic events.

According to industry experts, many reinsurance companies were more restrictive when underwriting and less likely to take on certain risks in 2024. Furthermore, reinsurance companies started to charge higher premiums to the insurers they serve. Consequently, home insurers increased premiums to compensate.

## **Coverage Adjustments**

Home and contents insurance are critical for ensuring furniture, electronics and other valuables items can be replaced following covered incidents. Lacking sufficient coverage to pay for losses could leave a household vulnerable to significant financial setbacks after an incident.

However, despite the risk, many people were inadequately insured in 2024. In response to increasing homeowners insurance premiums and related factors, some policyholders adjusted coverage to limit price increases. Additionally, according to a 2024 study from Compare the Market, over 30% of Americans said none of their valuables was insured; these respondents lacked homeowners and/or personal property coverage altogether.

## Forecasting the 2025 Market

The home insurance market, like many other parts of the United States and global economies, can be influenced by a multitude of factors. Amid dynamic trends and patterns, predicting market conditions can be difficult; however, there are still factors that will be important to monitor in 2025.

### Signs of Market Stabilization

Put simply, market stabilization means that insurance companies have the financial means to issue policies for homeowners who need them. If carriers cannot afford to pay for potential claims, they cannot underwrite policies, creating policy scarcity and increasing premiums.

In an unstable market, insurers are more selective about the risks they take on because of potentially high claims costs; subsequently, some homeowners may have few affordable options for insuring their properties. In a stable market, home insurance may be more available, which can keep premiums in check.

While many trends that impacted the 2024 market remain relevant, it's possible that the upcoming year could look somewhat more favorable for consumers. Indeed, there are signs that the home insurance market could stabilize in 2025, including lower inflation and more accurate underwriting for properties at risk of severe weather events. Greater stabilization could potentially lead to less exorbitant premium increases than have occurred in recent years.



For instance, 2024 began with many homeowners experiencing significant increases in premiums. In fact, according to Matic, there was an average increase of 17.4% for new home insurance policies. Additionally, the average homeowner who first purchased coverage as recently as 2021 paid almost 70% more upon their 2024 renewal.

However, recent months have offered signs of respite and hope for lesser increases in the coming year. As of November 2024, Matic reported that cost increases for new policies had dropped to 6.6% in the second half of the year, potentially a sign of good things to come for consumers in 2025.

## Trends to Monitor

While there are encouraging signs of market stabilization, premiums could still increase for some homeowners in 2025 as carriers regain their footing. Rising prices are unfortunately not always tied to coverage changes or having filed a claim. For example, those unaffected by hurricanes in Florida may still bear some of the resulting financial burden due to market ripple effects. Some carriers stopped issuing policies in certain areas because of increased perceived risk levels in 2024. It may take time to reestablish affordable coverage in impacted regions.

Consider how the following trends and patterns are expected to continue to influence home insurance premiums and coverage availability.

### Climate change

Hurricanes, earthquakes, wildfires and other natural disasters remain a significant concern for home insurance carriers. According to a report by Oxera for the International Chamber of Commerce, extreme weather events inflicted over \$2 trillion in losses on the global economy from 2014-23. In response to these high losses and subsequent claims costs, carriers may increase premiums or adjust coverage options.

### Housing market prices

Mortgage rates have risen steadily in recent years. These increased borrowing costs and housing prices have outpaced inflation for decades and have presented multifaceted challenges to homebuyers and policyholders. As premiums increase, it may become more difficult for borrowers to afford adequate coverage. In turn, this could potentially impact their debt-to-income ratios and, therefore, their ability to qualify for a mortgage in the first place.

### Carrier market re-entries

In recent years, several major insurance carriers have exited certain markets, namely Florida and California, to account for rising losses caused by hurricanes, wildfires and other natural disasters. However, according to Matic, in the later parts of 2024, several insurers returned to states they previously exited. This led to a 60% increase in the average number of quotes available to consumers compared to March of the same year. Generally, when more carriers and quotes are available, homeowners may be able to find affordable coverage.

### Legislative changes

Amid the recent rise in home insurance costs, government officials have made inroads toward addressing the hard market (i.e., when home insurance is harder to acquire). Proposals have included enhanced risk modeling, authorization of higher premiums and establishing a federal catastrophic reinsurance program. However, while many of these proposed changes could help alleviate financial strain on homeowners, policyholders should temper expectations as such initiatives can take years to be approved and even longer for consumers to feel their effects.

## Homeowners Insurance Buying Tips in 2025

Many major trends and patterns impacting the homeowners insurance market may be beyond the control of the average policyholder. Still, it's vital for homeowners to consider every available opportunity to limit costs while retaining sufficient coverage. Although recent signs may show hope for lower premium increases in 2025 compared to last year, rising costs of any size can strain a homeowner's budget. Fortunately, the following strategies may help policyholders lower their rates or at least limit upcoming increases:



**Shopping around**—Given increasing coverage options available in some parts of the country, this may be an even more integral step than in past years. Homeowners should avoid choosing the first policy offered to them and instead explore the products of various insurance carriers. This diligence may help policyholders secure the best available price while also finding a policy ideally tailored to their unique circumstances.



**Bundling**—This refers to the process of purchasing multiple types of insurance from the same carrier. For example, in addition to home coverage, homeowners might also choose to work with the same provider for their auto insurance. This can often unlock discounts and overall cost savings for policyholders compared with if they had chosen to purchase each type of coverage from a different insurer.



**Weatherproofing**—Given the ongoing threat natural disasters and severe weather pose to homes, it should be no surprise that fortifying homes against such threats can help lead to lower rates. Homeowners may want to consider upgrading their roofs, affixing storm shutters on doors and windows and removing trees or flammable brush from nearby.







**Installing safety features**—Accidents and crime can quickly and unexpectedly incur significant financial losses for which insurers must account. When quoting rates for homeowners, carriers may be more likely to offer favorable costs when homes feature certain security features, such as deadbolt locks, home security systems and smart smoke alarms.



**Adjusting coverage**—Amid rising premiums, many homeowners may explore the possibility of changing their coverage to achieve lower rates. For example, while increasing deductibles heightens out-of-pocket costs when filing a claim, it can also lead to savings on regular bills. Still, policyholders should be wary when evaluating coverage needs, as trimming or adjusting aspects of a home insurance policy could lead to being underinsured.



**Exploring discounts**—Many insurance carriers may offer discounts, such as if a policyholder has not filed a claim against their coverage for a certain period of time (e.g., at least three years). Additionally, policyholders who remain with the same carrier may qualify for loyalty discounts and members of certain organizations, such as the U.S. military, may also be eligible for savings opportunities.



**Improving credit scores**—A homeowner's credit score may be used to calculate what is known as a credit-based insurance score in most states. These figures give carriers a general idea of how risky homeowners may be to insure. Achieving and maintaining a good credit score can help policyholders save on their premiums.



**Reducing liabilities**—Homeowners insurance typically includes personal liability coverage, which can help pay for other parties' losses for which the policyholder and other insureds (e.g., children, spouses and pets) are at fault. This means insurers must consider potential liability risks. Reducing the possibility of being liable for other parties' losses, such as by restricting access to attractive nuisances (e.g., swimming pools and playground equipment) and refraining from hosting large gatherings, can lead to savings.

Ultimately, a trusted insurance professional is often a policyholder's best option for assessing various home insurance options available on the market. Moreover, a broker can help evaluate unique coverage needs, secure discounts, make policy recommendations and ensure a property is sufficiently insured against potential claims.

## Acquiring and Maintaining Optimal Coverage

In a continuously unpredictable world, it's paramount for responsible homeowners to secure their financial interests and account for potential losses related to their property. Purchasing a home represents a significant investment that requires diligent planning. Fortunately, homeowners can better protect their cherished properties by understanding home insurance and working with a qualified broker.

Our team is standing by with the extensive knowledge and experience needed to help you address your unique coverage needs. Reach out today to learn more about the upcoming 2025 homeowners insurance market and to begin the critical process of analyzing your situation, identifying ideal options and securing an optimal policy.



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