Homeowners Insurance Less Affordable for Consumers Over the Last Twenty Years, According to New IRC Study

For Immediate Release

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NEW YORK, May 9, 2024 – Homeowners insurance affordability has deteriorated over the last two decades, driven by frequency and severity of natural disasters, economic conditions, rising construction costs and litigation, according to a new *Homeowners Insurance Affordability* report by the Insurance Research Council (IRC), a division of The Institutes.

On average, homeowners spent 1.54 percent of their household income towards insurance in the 2000s; that rose to an average of 1.99 percent in the 2010s. In 2021, the latest year for which expenditure data is available, spending on homeowners insurance was 1.99 percent of household income.

The U.S. average expenditure on homeowners insurance increased from $508 in 2001 to $1,411 in 2021, a 5.0 percent annualized rise. In comparison, U.S. average household income increased more moderately, with an annualized growth rate of 2.5 percent from 2001 to 2021.

The analysis looks at homeowners insurance affordability at the countrywide and state level and examines underlying cost drivers by state. It does not address affordability for specific demographic or geographic risk profiles. The IRC notes that individual premiums can vary significantly, depending on several factors, including home location, its value, coverage options, previous claims history, and insurance company. While the most recent expenditure data is available only through 2021 and does not reflect the newest increases in personal insurance rates, it nevertheless provides an insightful analysis of trends in homeowner insurance affordability.

Key findings:

- The most affordable state in the country is Utah, with consumers spending 0.96 percent of their income on homeowners insurance, compared with Florida as the least affordable, with consumers spending 4.07 percent. Looking at rankings over the past five years, Florida and Louisiana have consistently maintained their positions as the least affordable state.
- The impact of underlying cost drivers varies widely by state. Exposure to significant weather events differs significantly and plays an important role in the cost of insurance. Non-weather events, claiming behavior, and the litigation environment also affect overall affordability.

"An understanding of what drives the cost of insurance is essential for consumers navigating the current insurance market," said Dale Porfilio, FCAS, MAAA, president of the IRC. "Efforts to promote homeowner awareness and adoption of protective measures, strengthen state and local building codes, and encourage community resilience programs can all improve insurance affordability."

Porfilio, who is also Chief Insurance Officer of the Insurance Information Institute (Triple-I), noted that the IRC's Affordability Index can be used to compare the affordability of homeowners insurance in different states. "Homeowners insurance in the U.S. is regulated at the state level, so these comparisons and underlying cost drivers can provide legislators and policymakers with valuable information to help them improve affordability in their states."

About Insurance Research Council

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