



Know Your Insurance

Home

Understanding the Hard Home Insurance Market

Homeowners living in states that typically have more natural disasters, such as wildfires and hurricanes, are experiencing rate increases. Those in disaster-prone areas may see steep home insurance premium increases in the near future.

Homeowners insurance is becoming more expensive and, in many places, more challenging to find. Numerous factors are contributing to rising home insurance rates, policy cancellations and carriers choosing not to renew coverage for homeowners.

Some states may see home insurance rates rise [as much as 66%](#) compared to a year ago. The hardest-hit markets are also those struck by some of the most severe weather in recent years, including California, Florida and Louisiana, where insurers struggle with the financial ramifications of widespread storm- and fire-related damage.

Not only are costs increasing, but several insurance companies have gone bankrupt or decided to pull out of high-risk markets altogether. This has led to companies issuing nonrenewal notices or declining to write new policies, leaving some homeowners scrambling to find alternatives.

So far, [nine insurance companies](#) are no longer accepting applications for new policies in Louisiana, and 16 insurers aren't taking new customers in Florida.

Hard Home Insurance Market Causes

Changing weather patterns and rising costs to rebuild or repair are behind much of the upheaval in the home insurance marketplace. There's also been a sharp increase in the premiums from reinsurance companies used by insurers to limit their risks.

Insurance companies point to the rising cost of replacing homes as inflation for building supplies and labor has soared. Inflation and interest rate hikes have significantly increased the cost of construction materials and general pricing. Home replacement costs have risen [55.4% since 2019](#) as wages and material costs escalated.

In Florida, hurricane risk is perhaps the most significant contributor to the state's insurance woes. Hurricane Ian was the most expensive storm ever to hit the state. Major insurance companies have pulled out of the Florida market, leaving homeowners paying premiums nearly four times higher than those paid elsewhere in the country.

Florida is not the only state where natural disasters are causing insurers to pull back from the market. Two of the largest national insurers are no longer writing new homeowners policies in California, partly because of the increased risk posed to homes by wildfires.

The regulatory environment is also contributing to insurance flight. In California, regulators have blocked insurers from raising rates above a certain threshold, which insurers say has prevented them from covering the costs of their policies.

What Homeowners Can Do

Given the uncertainties and complexities of the industry, homeowners should work closely with a real estate insurance specialist to understand their risk profile and take steps to ensure appropriate insurance coverage from a reputable and financially stable insurer.

Your agent can help you with the following:

- Update property values to help mitigate penalties on rates or increased premiums.
- Get updated replacement cost appraisals before policy renewal to help negotiate fair market rates.

- Prepare for policy renewal sooner rather than later.
- Meet with your agent regularly to adjust coverages for current market conditions.
- Work with your agent to examine your coverage terms and conditions, including exclusions.
- Confirm that your policy limits and sub-limits can potentially cover losses and that your deductibles are affordable.
- Confirm coverage for expenses after a loss, considering current repair and rebuilding cost inflation.

How Your Agent Can Help

Retaining appropriate homeowners insurance coverage is crucial, even in the face of current challenges in the insurance marketplace. Contact your agent today to review your current homeowners insurance coverage and create a strategy to help retain coverage and mitigate rising insurance premiums.

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