The report titled "Analyses of U.S. Homeowners Insurance Markets, 2018-2022: Climate-Related Risks and Other Factors," published by the Federal Insurance Office in January 2025, evaluates the private homeowners insurance market in the U.S. using a dataset covering over 246 million policies, representing approximately 80% of premiums written by private insurers. It underscores the importance of homeowners insurance as a vital component for consumers and the economy, given that homes are often the largest financial asset for many Americans. The analysis identifies various factors influencing the market, including the financial performance of insurers, insurance availability, inflation, replacement costs, and the impact of climate-related risks, particularly the increasing frequency and severity of climate-related disasters. The report highlights trends in insurance loss ratios, claim frequency, severity, nonrenewal rates, and premium changes across different regions, revealing that homeowners faced rising insurance costs, with average premiums increasing 8.7% faster than inflation during the analyzed period. Consumers in high-risk ZIP Codes experienced premium increases significantly above the national average, while those in lower-risk areas saw declines. The report also notes that areas with higher expected losses from climate-related perils had greater insurance costs and higher nonrenewal rates, with insurers in these regions facing elevated loss ratios, leading to potential rate increases and policy nonrenewals.

The analysis indicates that the average paid loss ratio from 2018 to 2022 was 57.5%, with claim frequency averaging 5.8% and claim severity approximately $18,206. The nonrenewal rate averaged 1.04%, reflecting policies not renewed due to risk factors, while the average premium per policy rose from $1,598 in 2018 to $1,737 in 2022. The report attributes rising insurance costs and reduced availability to inflation affecting replacement and building costs, increased reinsurance costs, and population movement into higher-risk areas. The COVID-19 pandemic exacerbated these issues by disrupting supply chains and increasing material costs. The reinsurance market has tightened, leading to higher rates and stricter terms, influencing insurers' pricing and coverage decisions. The report emphasizes the complex interplay of these factors in shaping the current homeowners' insurance landscape.

The document also discusses the significant role of the global reinsurance market in supporting U.S. insurance, particularly in homeowners insurance, noting that regional and local insurers are more reliant on reinsurance than national insurers. The movement of people into high climate-risk areas has led to increased insurance costs and reduced availability, with nearly one million new homes constructed in such areas between 2018 and 2022. The report highlights the implications of state insurance regulations, including rate regulations that can influence insurance costs and availability, and notes the substantial increase in severe weather events, with a five-fold rise in billion-dollar disasters from 2018 to 2022 compared to the 1980s.

The analysis categorizes ZIP Codes into five risk categories based on expected losses from various perils covered by homeowners insurance, revealing that the highest risk category experienced a paid loss ratio of 64.7%, significantly higher than the lowest risk category at 54.7%. The report also discusses the homeowners insurance market in various regions, including the Southeast, Midwest, Southwest, and Northeast, highlighting the specific climate-related risks and their impact on insurance coverage and costs. For instance, the Southeast has seen significant population growth and increased housing demand, particularly in coastal areas vulnerable to hurricanes, while the Midwest is susceptible to severe convective storms. The Southwest faces challenges from wildfires, and the Northeast is prone to hurricanes and severe weather events.

The report concludes with recommendations for improving the resilience of the homeowners insurance market, including the annual collection of ZIP Code level homeowners insurance data to monitor market developments and variations in costs and availability. It encourages collaboration among state insurance regulators, the National Association of Insurance Commissioners, and other stakeholders to address challenges in the homeowners insurance market, particularly in light of climate-related disasters. The document emphasizes the importance of understanding regional risks, coverage options, and the implications of climate change on homeowners insurance, as well as the obligations of policyholders to maintain coverage and comply with underwriting guidelines.