

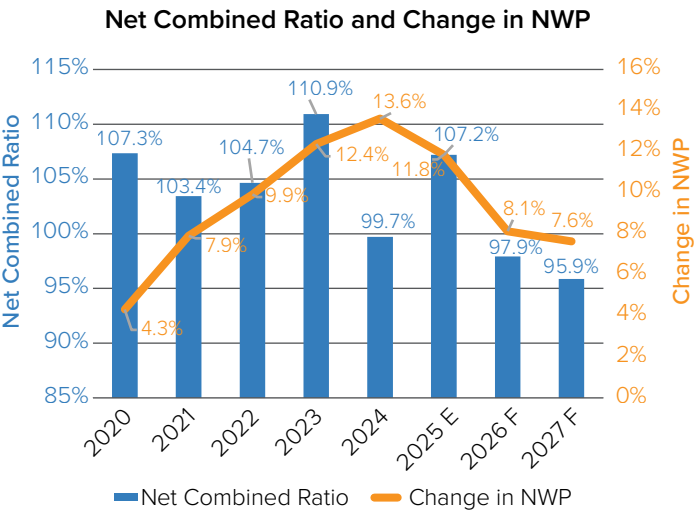
Trends and Insights: Homeowners Insurance

Performance is catching up to cost drivers.

More frequent losses from disasters, soaring construction costs, inflation, and other mounting pressures are driving homeowners insurance rates steadily higher. Despite a rough start, double-digit net written premium (NWP) growth for homeowners is projected for 2025 and profitability is expected in 2026. The latest results for the product line have helped to narrow the anticipated 2025 gap between the performances of personal and commercial lines. The Los Angeles wildfires in early 2025 generated the worst expected homeowners insurance performance in Q1 since 2011. However, the Q2 2025 direct incurred loss ratio of 58.9 percent ranks as the best first quarter in more than 15 years.

The 2025 net combined ratio (NCR) forecast of 107.2 is down 7.5 points from 2024 and ranks as the third-highest since 2011. The NWP growth rate forecast of 11.8 percent is slightly lower than that of 2024 and 2023. For Q2 2025, homeowners direct incurred loss ratio was 58 percent, a 22-point improvement over 2024 Q2.

As of 2024, homeowners' premiums accounted for 15.6 percent of all property/casualty (P/C) premiums, and outcomes from this market are expected to affect overall P/C numbers in 2025. Homeowners economic premium volume



Source: Triple-I, Milliman, and NAIC Statutory Financial Data Through S&P Global Market Intelligence (accessed as of 9/2025)

drivers shifted from -0.8 percent YoY in 2024 to positive 0.8 percent in 2025. Any potential interest rate cuts are expected to take approximately 12 months before they start driving down mortgage rates. Then, lower mortgage rates are expected to accelerate housing starts in 2026 and 2027.

Climate risk remains a stressor on homeowners lines.

According to a recent [report from Gallagher Re](#), so far this year's economic losses from natural catastrophes

Homeowners & Renters Economic Drivers

(Based on Data Available as of Q3 2025)

Homeowners (Change YoY%)	2023	2024	2025	2026	2026
Underlying Growth	-4.10%	-0.80%	0.80%	2.20%	2.90%
Housing Unit Starts	-9.70%	-3.70%	-1.00%	1.50%	2.50%
Residential Construction Employment	0.50%	1.90%	2.10%	2.50%	3.00%
Retail Sales	2.40%	2.40%	3.00%	3.30%	3.40%
Replacement Costs	2.50%	0.70%	2.90%	3.30%	3.50%
Shelter	7.50%	5.20%	3.90%	4.50%	4.60%
Furnishings & Supplies	2.90%	-2.10%	1.00%	1.50%	1.80%
Construction Materials	-2.90%	-1.00%	3.90%	4.00%	4.10%

Source: Insurance data and analysis: Triple-I; U.S. economic data: BLS, BEA via FRED; (As of 09/16/2025).

have come in below recent averages. Whereas several hurricanes in the last five years ranked among the costliest in U.S. history, not a single hurricane made landfall in the mainland United States by the end of November for the first time in 10 years. U.S. total economic and insured losses were (respectively) \$134.8 billion and \$90.3 billion, both coming in lower than the 10-year average.

Nonetheless, climate continues to reshape disaster risk by turning previously “secondary” weather perils — e.g., severe convective storms (SCS), wildfires, and heavy rains flooding — into primary threats that rival hurricanes in destructive power and insured losses. Traditional catastrophe models designed for peak perils can struggle to predict the cumulative impact of increasingly frequent moderate events. Aside from the January wildfires in California, the U.S. had “also registered [18 additional billion-dollar loss events](#) and all but one were SCS related”, according to Gallagher Re. Severe convective storms caused over \$61 billion in damage, marking a third consecutive year of losses of more than \$50 billion. Gallagher estimates the U.S share of global losses from natural catastrophe and climate events thru Q3 2025 to be at 63 percent for economic and 86 percent for insured losses.

A new normal in higher replacement costs emerges.

Typically, [repair and replacement costs for property damages](#) in the aftermath of disasters surge due to higher demand for materials and labor for rebuilding. While losses vary by state, homeowners insurance faced headwinds from general inflation, supply chain issues, labor shortages due to the COVID pandemic, and natural disasters.

“Homeowners replacement costs have increased by nearly 30 percent over the past five years due to supply chain disruption, escalating costs of construction materials, and labor shortages”, said Triple-I CEO Sean Kevelighan. A 2025 Verisk report puts last year’s amount at [\\$31 billion](#).

Replacement Costs for Last Five Years

	2021	2022	2023	2024	2025
YoY%	11.2%	9.4%	2.5%	0.72%	2.92%

Cumulative / compounded: app. 29% Yo5Y%

“Prices for construction materials have increased in 2025, for the first time in four years. At the same time, folks aren’t buying or expanding or renovating,” said Michel Léonard, Ph.D., CBE, chief economist and data scientist at Triple-I.

Tariffs issued by U.S. President Donald Trump in early 2025 set the course for an increase in replacement costs that are expected to lead to higher claim payouts and, ultimately, higher premiums for policyholders. The tariffs could be rolled back by the end of 2025. However, as international producers seek new trading partners to avoid volatile trade policies, there may still be long-term repercussions for the overall availability and pricing of certain materials. Meanwhile, the overall impact of tariffs so far appears to be less severe than originally expected.

Dr. Léonard also said, “the question remains whether the full negative impact has been avoided or simply pushed back to 2026.” Only time can reveal the answer as inventories dwindle.

Federal disinvestment may hamper prevention and prediction.

The current federal administration has focused on decommissioning climate-related programs systematically and, in some cases, entire agencies, that provide resources crucial to risk mitigation, including:

- National Oceanic and Atmospheric Agency (NOAA),
- Environmental Protection Agency (EPA),
- National Aeronautics and Space Administration (NASA), and
- Federal Emergency Management Agency (FEMA).

This disinvestment may impede insurer risk mitigation and shift a significant portion of the cost burden to property owners, insurers, state governments, and local municipalities. At a minimum, future filings and underwriting of catastrophic risks could be affected by the inability to draw on standardized, centralized tracking of evolving risk.

There has been speculation that this impact could be mitigated by diverting a few essential services to other parts of the federal government, privatizing them, or having a non-profit take up the mantle. For example, Climate Central, a nonprofit research organization, relaunched the U.S. billion-dollar disaster database recently with Adam Smith — the same scientist who managed it at NOAA — now overseeing the effort, according to [ABC News](#). NOAA’s billion-dollar

disaster dataset tracked the economic toll of severe weather and climate events, combining private and public data not available to outside organizations. The [dataset](#) is critical for first responders, local leaders, insurers, and researchers planning for and responding to extreme weather events. Yet, the federal government stopped updating it in May.

Affordability and availability are at risk for many homeowners.

The magnitude of losses from the wildfires threatened homeowners insurance market improvements from 2024, [according to AM Best](#). This comes as total U.S. homeowners insurance direct premiums written (DPW) rose 10.7 percent in the first quarter of 2025, compared with the same period in 2024. To shore up against increasing risk, insurers are tightening underwriting criteria. Ultimately, 2025 may bring [a third straight year of double-digit increases](#).

Meanwhile, data from a [2025 Nationwide report](#) suggests that “43 percent of homeowners are most stressed by rising insurance premiums.” As a likely result, rate shopping is up, increasing an estimated 5 percent YoY in Q1 2025, according to [data from TransUnion](#). Almost half (47 percent) of U.S. policyholders have experienced a premium increase in the past year, the highest rate of insurer-initiated rate raises in more than a decade, according to the [J.D. Power 2025 U.S. Home Insurance Study](#). Among policyholders who experienced a premium increase and say they are unlikely to renew, 43 percent attribute recent premium increases as the reason.

States are under pressure to [balance affordability with the financial solvency](#) of insurance markets. Some states have passed reforms to make rate-setting more responsive to climate risk or to allow insurers more flexibility. However, as insurance rates reflect real costs, rate caps in some states can lead to fewer policy offerings and options, jeopardizing the market. Last-resort insurers [are adapting](#), with proposed rate increases, oversight expanded, and bailout or alternative funding mechanisms considered among the options under consideration.

For instance, California has more than 1.2 million homes at risk for extreme wildfire, far more than any other state. Legislators there [sought to stabilize the state’s insurance](#)

[market](#) after several major insurance companies either [paused or restricted](#) new business in 2023, pushing hundreds of thousands of homeowners onto the FAIR Plan. When [wildfires swept through Los Angeles](#) in January 2025 and destroyed more than 17,000 structures, the plan faced a loss of roughly \$4 billion and needed [a \\$1 billion bailout](#) from private insurers to pay out claims. Half of that cost is expected to be passed onto California policyholders.

As of September 2025, California’s [FAIR Plan’s total exposure](#) is \$696 billion, reflecting a 52 percent increase since September 2024 (prior fiscal-year-end) and a 317 percent increase since September 2021 (prior fiscal-year-end 2021). The state now allows insurers more flexibility to adapt premiums to reflect current and future risks when setting prices. As California moves forward with its [Sustainable Insurance Strategy](#), it will be important to manage implementation in a timely manner to help bring more stability to the state’s insurance marketplace.

Insurtech may transform the landscape.

At the beginning of the digital era, insurers’ use of technology in the front-end customer experience was largely focused on reducing transaction friction. The next step forward has involved a range of solutions that increasingly use predictive analytics and AI, such as aerial imaging technology and home sensors, to engage customers not only in improving their own experience but also in supporting the prevention and prediction mandate. As the footprint of insurtech grows, insurance providers may offer more options and pricing that reflect the risk profile of each homeowner. The resulting more tailored and relevant insurance experience can ultimately deliver greater policyholder satisfaction and loyalty.

Homeowners familiar with AI and other insurtech technologies are more likely to view insurance pricing as fair and express fewer concerns, prioritizing accuracy over privacy concerns. A recent Insurance Research Council (IRC) [study shows that increasing transparency and consumer education](#) around technology and innovative solutions will be crucial in helping homeowners realize the benefits of faster claims, fairer pricing, and better risk prevention, which in turn can lead to increased affordability.