

2023

INSURIFY

Insuring the American Homeowner

Climate change, falling home values
are top of mind in 2023

About this report

Insurify's 2023 Insuring the American Homeowner report:

- Examines trends in homeownership, home values, and home insurance over the course of 2022
- Projects what consumers could face in 2023
- Explores the impact of climate change on homes and home values
- Polls homeowners on their claims experience, concerns, and confidence in home insurance

Insurify's data researchers gathered and analyzed Insurify's own proprietary home insurance data and data provided by Quadrant Information Services, Zillow, FEMA, and the U.S. Census Bureau to inform the trends and projections included in this report.



About Insurify

Insurify is America's top-rated virtual insurance agent. It provides expert advice on insurance-related topics and empowers customers to securely compare, buy, and manage their auto, home, and life insurance policies from top national and regional insurers.

Insurify's insurance experts and data scientists also provide consumers with data-driven insights, fresh perspectives on statistics, and information on general trends throughout the insurance industry.

Table of contents

04 Coming in 2023

- 05 The projected cost of home insurance in 2023
- 06 Reasons behind home insurance increases

09 The impact of climate change on homes and home insurance

- 10 Natural disasters and home insurance
- 11 Climate change and home values
- 13 How to safeguard your property against climate change

14 Homeowner concerns and claims experience

- 15 Biggest homeowner concerns
- 16 Trends in negative home equity
- 17 Most common home insurance claims

18 2022 in review: Markets, migration, and moving home values

- 19 Where people moved in 2022
- 20 Biggest population booms and busts by state
- 22 Cities with the most home buyers
- 23 Trends in home values

25 Home insurance basics

- 26 Home insurance in plain English
- 27 What makes a solid home insurance policy
- 28 Factors that affect home insurance premiums

32 Methodology

- 33 Sources

Coming in 2023

“There are challenges in the future of homeowners insurance for both insurance carriers and consumers. Carriers are struggling to keep up with the rising costs of repairing and rebuilding homes, the severity and frequency of catastrophes, the costs of insurance which carriers purchase (called reinsurance), and the frequency of claims being submitted by customers.”



Shawn Powers

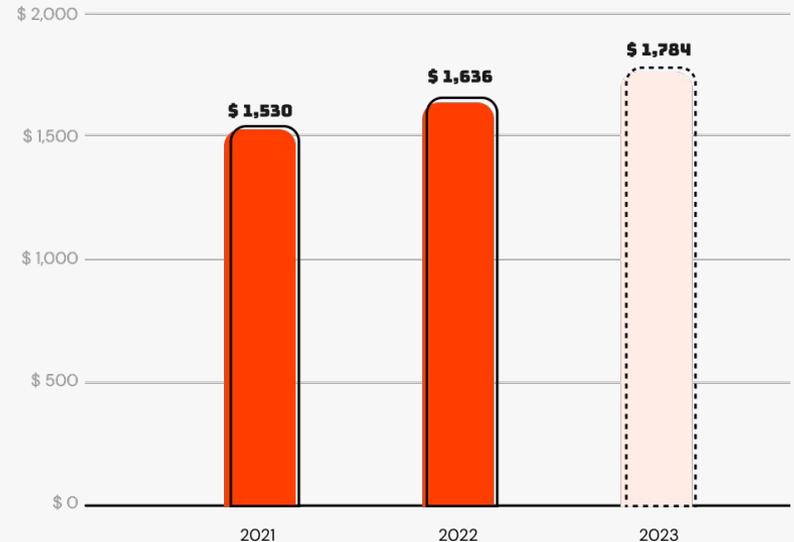
Vice President of Insurance Sales at Insurify

Insurance prices will continue to increase in 2023

Home insurance prices rose 7% in 2022 and will rise a further 9% over the course of 2023, according to Insurify's projections. Inflation will be a big driver in this increase. Higher material costs and supply chain delays are increasing the cost of rebuilding homes in the event of a claim, according to Plymouth Rock, a Boston-based insurer.

Additionally, increases in severe weather events as a result of climate change, higher instances of fire damage due to the use of pressed wood, and more water damage arising from the placement of certain home appliances are also helping drive premium increases, according to the company.

Projected annual rates for home insurance in 2023



2023 rate is a projection based on Insurify's real-time, proprietary data

What will drive increases in home insurance rates in 2023?

Insurify predicts home insurance costs will rise 9% in 2023. We asked our panel of insurance experts to tell us what will be the main drivers of insurance increases next year.



More Severe Weather

Climate change has increased the frequency and intensity of severe weather events, leading to more home claims.



More Fire Damage

Newer homes and furniture burn faster and hotter because they use more pressed wood and epoxies instead of solid hardwood.



More Water Damage

More homeowners want their washing machine on an upstairs floor, leading to an increase in water damage claims.



Supply Chain Delays

Nearly every material is backlogged, including lumber, roofing, piping, copper wire, and drywall.



Higher Material & Labor Costs

Due to inflation, building materials and labor are more expensive than ever.

Panel of insurance experts



Mark Friedlander
Director of Communications
at the Insurance Information
Institute



Colleen Finn
Managing Director of Home
Product Management,
Plymouth Rock Home
Assurance



Betsy Stella
Vice President of Insurance
Partnerships at Insurify

Expert Insight

Why home insurance rates are increasing



Mark Friedlander

Director of Communications at the Insurance Information Institute

Many property/casualty insurers are reporting **record-level underwriting losses for 2022** due to heavy catastrophe losses, combined with a historic level of auto insurance losses.

According to a recent analysis by the Insurance Information Institute, **U.S. auto and homeowners insurance premium rates lagged behind the inflation rate in 2020 and 2021**, laying the groundwork for the premium increases which occurred last year and **will continue into 2023**.

We saw much higher increases (20% or more) in coastal states prone to hurricanes. Another key factor that will impact home insurance increases in 2023 is **the cost of reinsurance** — what insurers purchase to protect their surplus against catastrophic losses. Reinsurance renewals are expected to jump 30%–50% year-over-year due to the loss activity in 2022.

Expert Insight

Why home insurance rates are increasing



Colleen Finn

Managing Director of Home Product Management, Plymouth Rock Home Assurance

The same inflationary pressures that are driving up your grocery bill are now driving up your homeowner insurance rates. It is costing more and taking longer to repair your home, increasing the average cost per claim and ultimately the cost of homeowners insurance for everyone. Because of inflation, there are **many homes that are in danger of being underinsured**, which could prove to be problematic in the event of a large covered loss. Consequently, many agents and carriers are reviewing their whole portfolio to make sure it is adequately insured.

In addition to the inflationary pressures, **catastrophes — usually a severe natural disaster** — are happening more frequently and are causing more damage than ever before. This is causing a **hardening of the reinsurance market** — which carriers purchase to protect policyholders in the event of a significant catastrophe — and driving up homeowner insurance premiums across the whole country, **not just in catastrophe-prone areas**.

The impact of climate change on homes and home insurance

How natural disaster risks affect home insurance

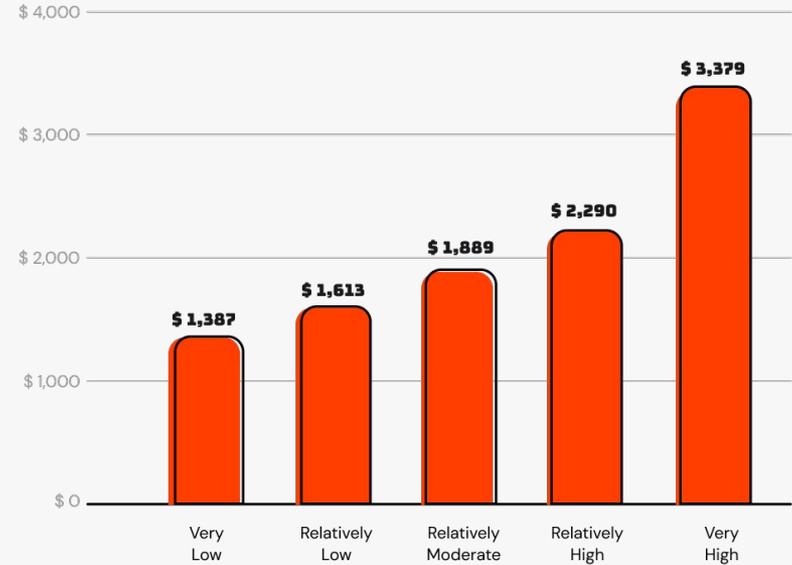
Natural disasters, such as hurricanes, floods, earthquakes, and wildfires, can cause devastating damages to homes. As such, homes located in areas with a **high incidence of such natural disasters typically fetch higher home insurance rates**. This is especially true as climate change increases the frequency of such events.

The Federal Emergency Management Agency (FEMA) assigns a risk rating denoting the probability and severity of natural disasters across the United States. **Homeowners located in areas of “very high” risk pay almost 2.5 times as much for home insurance as those living in areas of “very low” risk**, according to Insurify’s analysis of Quadrant home insurance rates and FEMA’s assigned risk rating.

For every 1 point increase in a county’s FEMA risk index score (scaled 0–100), homeowners can expect to shell out **an extra \$24 in annual home insurance premiums**.



Average insurance premium by FEMA risk rating



Source: Insurify’s analysis of home insurance quotes provided by Quadrant Information Services and FEMA’s Risk Index Score

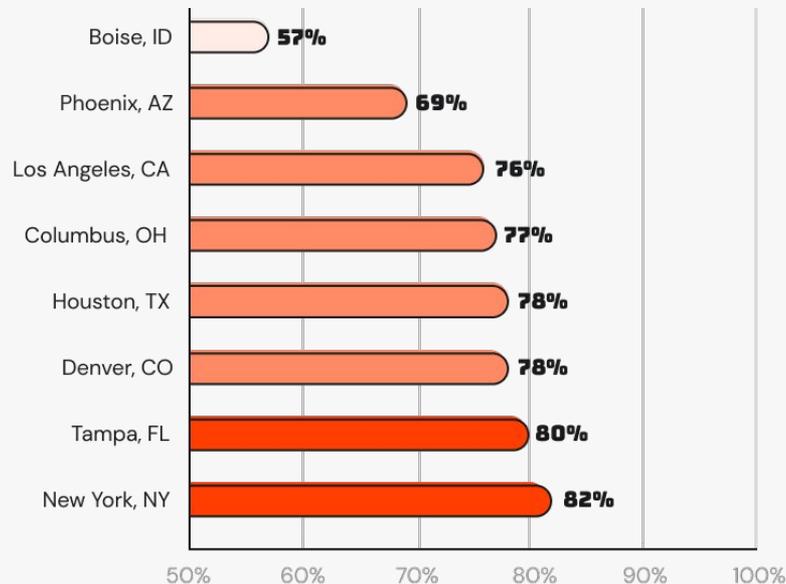
Homeowners fear climate change will erode home values

To take homeowners' pulse on home insurance, Insurify surveyed 700 homeowners in key housing markets across the country.

Nearly **45%** of homeowners felt **climate change had already affected the value of their homes**. And 76% felt at least some concern **that climate change could affect the value of their homes in the future**.

Interestingly, concerns over climate change were **not confined to cities that regularly experience debilitating damage from natural disasters** like hurricanes and wildfires. Significant portions of homeowners in **Phoenix, Arizona, and Columbus, Ohio**, showed concern over the effects of climate change on their homes' values.

Share of homeowners expressing concern over the impact of climate change on their home's value



Source: Insurify's survey of 700 homeowners across the United States

Expert Insight

How climate change affects home insurance and values



Sam Eckhouse

ClimateCheck

Mortgage lenders are only just beginning to ingest climate risk data. SEC-proposed climate risk disclosures and anticipated climate risk assessment guidelines from ASTM (American Society for Testing and Materials) are helping drive adoption. **Ultimately, that data will influence lending and thereby home prices** — but we're not seeing the impact just yet.

As we see a higher frequency of climate-related catastrophic events — wildfires, storms, floods, etc. — insurers will have no option but to price in the increased risk. **That means higher insurance premiums for homeowners**, especially if they live in a high-risk area and they have not taken steps to mitigate the risk of damage or loss.

As far as climate risk goes, **get familiar with the risks in your geographic location.** What is the likelihood of extreme precipitation, heat, or wind events? Is your area prone to drought? Homeowners can use [ClimateCheck](#) to assess the climate risks for their property.

How homeowners can safeguard their property against climate change

Homeowners who live in areas prone to natural disasters can take steps to mitigate damage arising from weather-related events.

What you can do:

- Install a secure rooftop HVAC system
- Designate an emergency cooling/heating room with a backup energy generator
- Stress test your HVAC systems for extreme temperatures
- Waterproof ground level windows and doors
- Create “defensible space” by clearing debris and dead trees
- Install hurricane shutters
- Reinforce your roof
- Raise your home’s foundation
- Waterproof your basement or crawl space
- Plant drought-resistant landscaping

Homeowner concerns and claims experience

What are homeowners most concerned about?

The biggest **STRESSES** of owning a home, according to homeowners



23.9%
Home security



18.1%
Mortgage payments



17.9%
Losing property value



15.1%
Maintenance



13.3%
Property taxes



11.4%
Maintenance-
related costs

*Data collected from Insurify's survey of over 700 homeowners across the country.

Climate change is far from the only insurance risk on homeowners' minds. **Home security is the biggest stress of owning a home, followed by mortgage payments and losing property value**, according to Insurify's survey of American homeowners. This fear may be warranted, given that close to **11%** of the survey's respondents had filed a claim for theft. Additionally, a Gallup survey [released in January](#) showed 72% Americans predict an increase in crime this year.

Concerns over mortgage payments may also be especially relevant over the course of the next year, with the Federal Reserve announcing further interest rate hikes in 2023. These hikes could especially affect people refinancing existing mortgages, those taking out a new mortgage, and those who have adjustable-rate mortgages. One outcome of these hikes means more homeowners are underwater on their mortgage, meaning they owe more on their house than what it's worth.

While nearly 60% of respondents said they're not currently underwater on their mortgages, **74% were at least moderately concerned that they would be underwater on their mortgage as a result of their property's value declining.**

New homeowners are already upside down on their mortgages

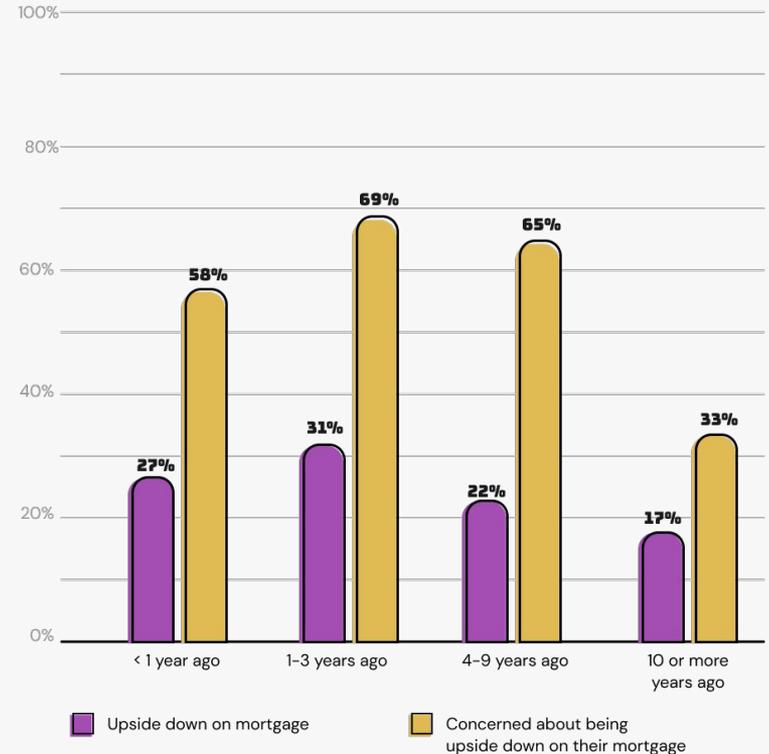
Insurify's poll of Americans across the country revealed that mortgage payments were a significant concern for homeowners, coming in just behind home security.

Homeowners who bought their homes between one and three years ago were the most **concerned about being upside down on their mortgages**, with **69%** citing a mild to high level of concern on the matter. This was the group most likely to **already be upside down** on their mortgages, with **31%** of the group already owing more than their houses are worth.

Overall, **24%** of the homeowners Insurify polled were **already upside down on their mortgage**, and a further **56%** were concerned that they soon would be. With further increases in interest and mortgage rates on the horizon, these concerns may continue to be top of mind for homeowners.

INSURIFY

Negative home equity, based on years since purchase



Source: Insurify's survey of 700 homeowners across the United States

Most common home insurance claims

Insurify surveyed homeowners from eight metropolitan areas in the United States and uncovered their most recent home insurance claims.

Eighty-nine percent of homeowners were **confident that they had enough home insurance**, and close to **98%** were at least moderately confident that **their insurer would resolve their claim to their satisfaction**.



Most common home insurance claims across the country



Phoenix	Theft		Columbus	Theft and hail	
Tampa	Theft		Denver	Fire and hail	
New York	Theft		Boise	Wind damage	
Los Angeles	Fire		Houston	Theft	

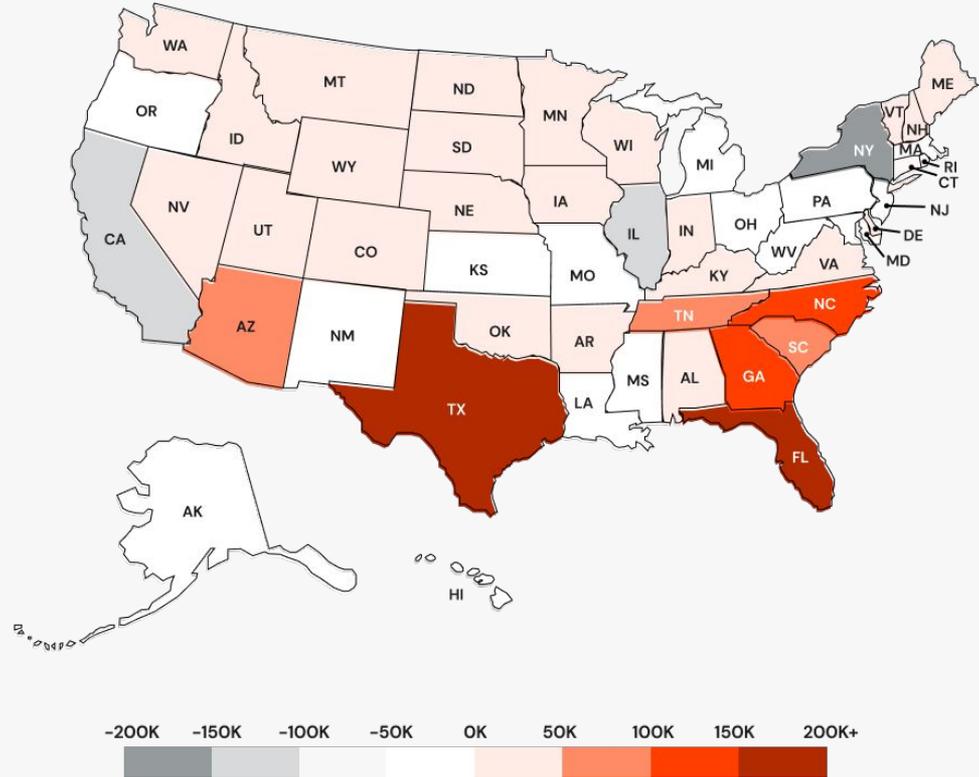
Source: Insurify's survey of 700 homeowners across the United States

2022 in review:
**Markets, migration,
and moving home values**

Where did people move in 2022?

Overall, more people seem to be moving south. As a whole, the southern United States experienced a 1.1% population increase in 2022. Conversely, the Northeast experienced a 0.4% loss in population during this time.

Population increases by state 2022



Source: U.S. Census Bureau State Population Estimates, 2021-2022

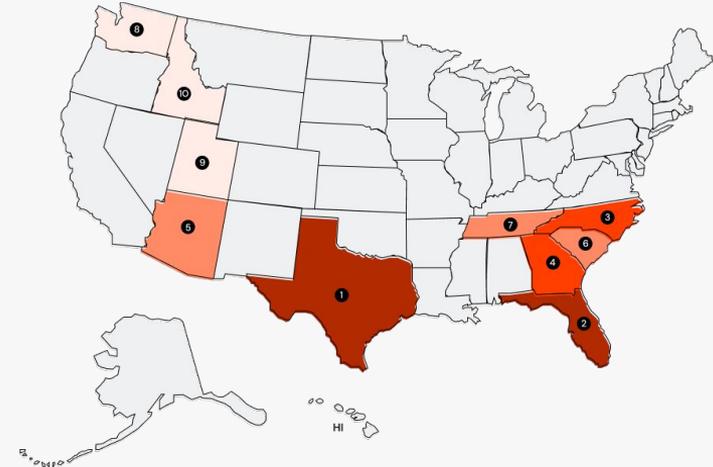
Biggest population booms and busts by state

Texas, Florida, North Carolina, Georgia, and Arizona had the **largest increases in population**. Texas in particular experienced an influx of 470,708 residents. **That's a 1.6% increase in its population.**

Meanwhile, **Florida and Idaho** experienced the **highest percentage increases** in their populations, at 1.9% and 1.8%, respectively.

New York, Illinois, Louisiana, West Virginia, and Hawaii had the largest population decreases. More than **180,000 New York residents moved out** of the state in 2022.

The 10 states with the largest population increases



① Texas	+470,708	⑥ South Carolina	+89,368
② Florida	+ 416,754	⑦ Tennessee	+82,988
③ North Carolina	+133,088	⑧ Washington	+45,041
④ Georgia	+124,847	⑨ Utah	+41,687
⑤ Arizona	+94,320	⑩ Idaho	+34,719

Source: U.S. Census Bureau State Population Estimates, 2021-2022

Expert Insight

Trends in population and real estate



Susan M. Wachter

Albert Sussman Professor of Real Estate, Professor of Finance at the Wharton School of the University of Pennsylvania

The South has become the “Great Attractor” of the newly mobile population. This is not unexpected, as the region offers attractive weather and relative affordability.

The **real estate markets are booming** in many metropolises of the South — most spectacularly in Miami, Tampa, and Nashville. **High interest rates are disrupting these markets, [but] that’s not permanent.**

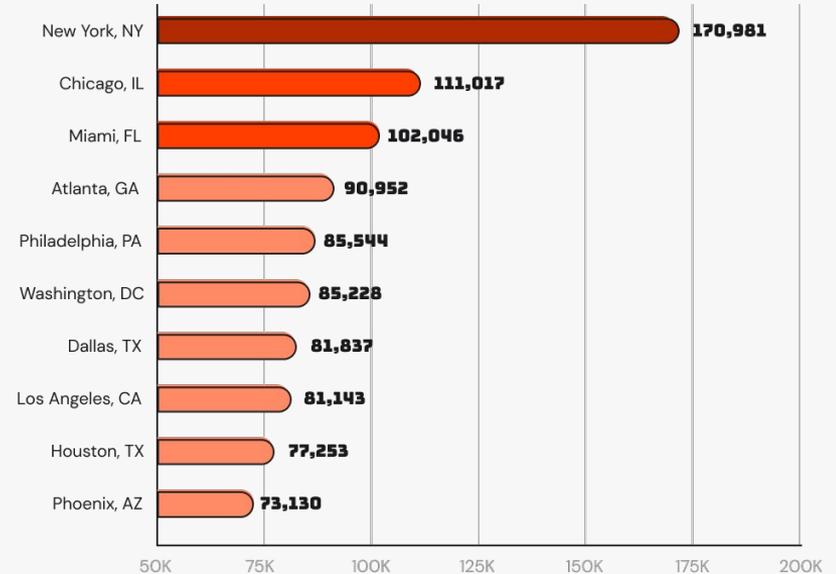
These price trends, combined with high mortgage rates, are making it **increasingly difficult for first-time homebuyers** in these markets and across the country.

Where did people buy the most homes in 2022?

New York City, Chicago, Miami, Atlanta, and Philadelphia had the most home sales in 2022. However, like most cities across the country, home sales in these cities were significantly lower than they were in 2021. Across these five cities, **total home sales dropped an average 23.2% between 2021 and 2022**, according to data from Zillow.

Most major cities in America experienced similar declines in home buying. The cities of **Winston and Greensboro in North Carolina** experienced the largest percentage drops in home sales year-over-year, at **59% and 58%**, respectively.

Cities with the most home sales in 2022



Source: Insurify's analysis of Zillow Sales Count Nowcast data

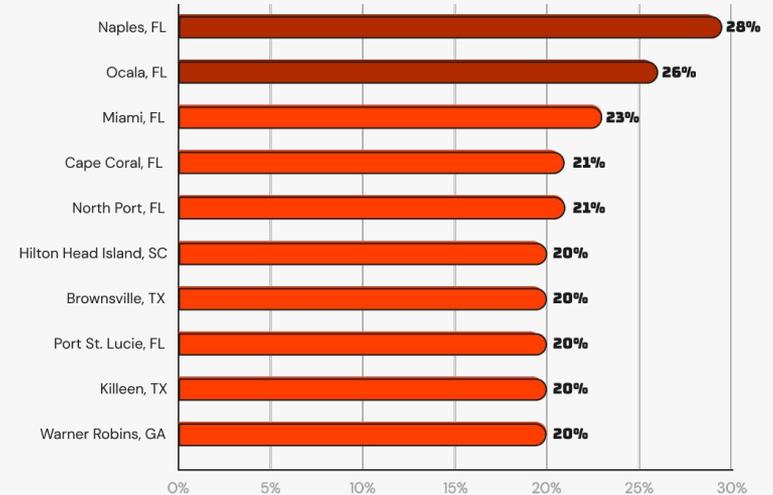
Home values rose in 2022, but less than in 2021

Home values across the United States **rose an average of 11% in 2022**, down significantly from the **26%** increase seen in 2021.

On a state level, **Idaho and California had the lowest increases** in home values in 2022, at 1% and 4%, respectively. While **Florida and South Carolina had the largest increases**, at 20% and 17%, respectively, values in those states rose only about two-thirds as much as they did in 2021.

Six of the 10 cities with the greatest increases in home values were in Florida, two were in Texas, and the remaining were in South Carolina and Georgia. Given the recent population booms in the South, these real estate markets may continue to flourish, albeit at a slower pace.

Top 10 cities with the biggest increases in home values



Source: Insurify's analysis of Zillow Home Value Forecast data

Trends in declining home values

Home values in some states began to decline as early as the latter half of 2022. Parts of the western United States, including **Nevada, Arizona, California, Utah, and Idaho**, saw an **average 4% decline in home values** between June and December 2022.

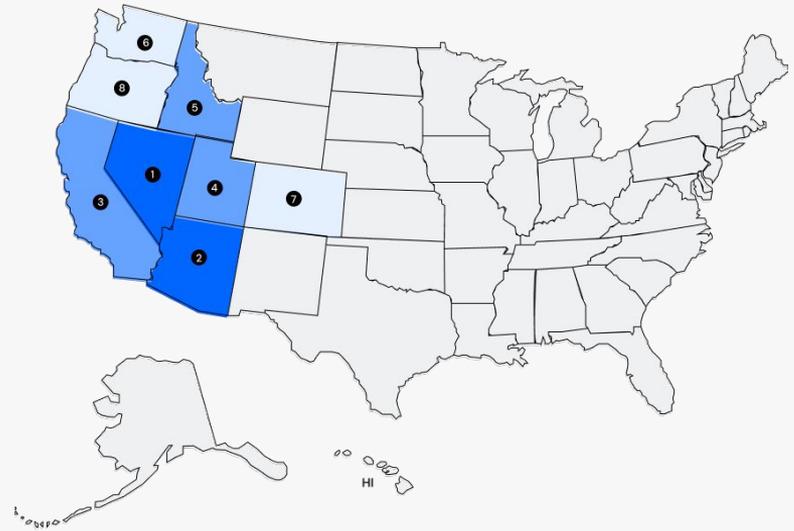


Susan M. Wachter

Wharton School, University of Pennsylvania

“Previously strong markets in the West are being hard hit by price declines due to the tech implosion and the newfound ability, with remote work, to relocate to more affordable locations. However (depending on the future of the economy), I do not expect prices to decline precipitously across the U.S. as a whole.”

States with declining home values



Average drop in home values between June and December 2022

① Nevada	-6%	⑥ Idaho	-3%
② Arizona	-5%	⑦ Washington	-2%
③ California	-4%	⑧ Colorado	-2%
④ Utah	-4%	⑨ Oregon	-2%

Home insurance basics

Home insurance in plain English

A home insurance policy typically consists of six coverages, labeled A through F. While picking out your policy, you can select coverage levels, deductibles, and limits based on your needs.



Coverage A: Dwelling coverage

Dwelling coverage pays for any damages to the structure of your home, up to your policy limit.



Coverage B: Other structures

This coverage pays for damages to other structures on your property that aren't attached to your home, such as a tool shed or fence.



Coverage C: Personal property

Personal property coverage pays for damages to personal belongings in your home, such as furniture, electronics, jewelry, and so on. This coverage sometimes extends to belongings not in your home.



Coverage D: Loss of use

If a covered event leaves your home uninhabitable or unusable, loss of use coverage pays for you to live elsewhere while you rebuild or repair your home.



Coverage E: Personal liability

If someone is injured on your property or if they sustain property damage, your personal liability coverage will pay for your legal expenses and any damages you're held liable for.



Coverage F: Medical payments

This coverage pays for medical payments if someone sustains a physical injury on your property.

When buying a home insurance policy, you must choose a loss valuation method, which will affect how your insurer will pay for a claim. The two main valuation methods are:



Actual cash value

Your insurance company will pay to repair or replace your home and belongings based on their current value — minus the depreciation of your home and belongings.



Replacement cost

Your insurance company will pay to repair or replace your home and belongings without factoring in any depreciation that might have occurred since you bought them.

While choosing replacement cost as your loss valuation method ultimately results in a higher payout, it also increases your monthly premium.

What makes a solid home insurance policy?



Evan Walker

The Law Office of Evan W. Walker

- Most people don't read their policies **until it's too late**. Understand as best you can what you're buying from the insurance company. **Cheaper is not always better**.
- Pay more to get **replacement cost coverage**. This means the insurance company cannot deduct for depreciation, or "wear and tear." Consider doing this for **both your real and personal property**.



Mark Friedlander

Insurance Information Institute

- **Purchase enough coverage to rebuild your home**. This is called dwelling coverage or replacement value. We strongly recommend you review your policy annually with your insurance agent to ensure you have adequate replacement cost coverage based on the rising costs of construction materials and labor.
- As 90% of U.S. natural disasters involve flooding, we recommend **flood insurance for all homeowners**. As we saw with Hurricane Ian and inland flood events in 2022, **you don't need to live in a designated floodplain to suffer a catastrophic loss**. Flood insurance can be purchased through the federally backed National Flood Insurance Program or dozens of private insurers. While **flood coverage is not included in your standard home policy**, some property insurers may offer it as an endorsement.

Factors that affect home insurance premiums

A myriad of factors affect home insurance prices, from the ZIP code you live in to the type of building materials used to construct your home.



The location of your home

Your home's location directly affects your home insurance rate, as it's an indicator of many risk factors, including theft rates and risk of climate catastrophes.



The age of your home

Your home's age affects how often you might file a claim and how difficult and expensive it is for your insurer to address that claim.



Your claims history

How often you've filed claims in the past may be an indicator of future claim frequency. As such, a long history of prior claims can drive up your home insurance rates.



Your credit score

Insurers use your credit score as an indicator of your financial responsibility while setting rates. However, this practice is banned in several states.



Your insurance history

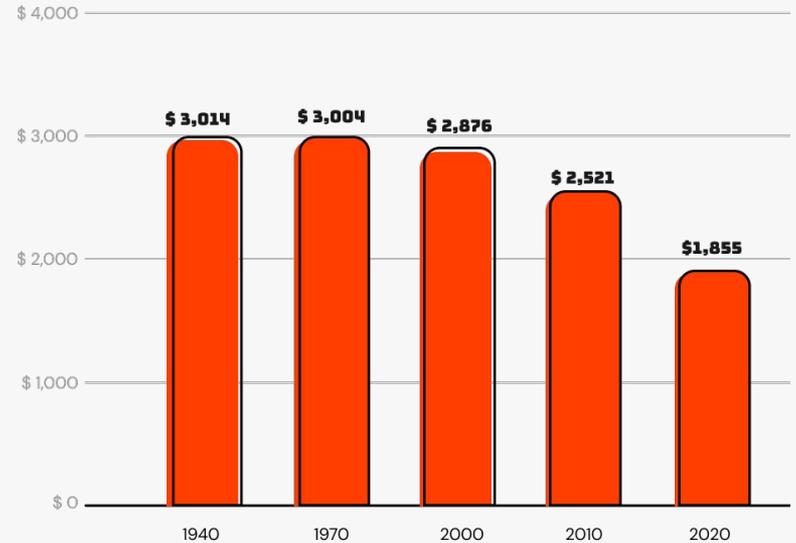
Having a lapse in coverage can prove to be a hurdle while securing a new home insurance policy. Most companies will not offer a policy to a customer with an already owned and occupied home who has a lapse in coverage. This is especially true if the lapse is greater than 30 days.

How your home's age affects the cost of your insurance policy

Older homes are generally more expensive to insure than newer ones. This is because older homes may not be up to current code, and replacing or rebuilding them is a more extensive and expensive process.

Houses built before the 1970s are over **1.5 times as expensive** to insure as houses built today, according to Insurify's analysis.

Average yearly home insurance premium by construction year



Source: Insurify's analysis of home insurance quotes provided by Quadrant Information Services

How your credit score can affect your home insurance

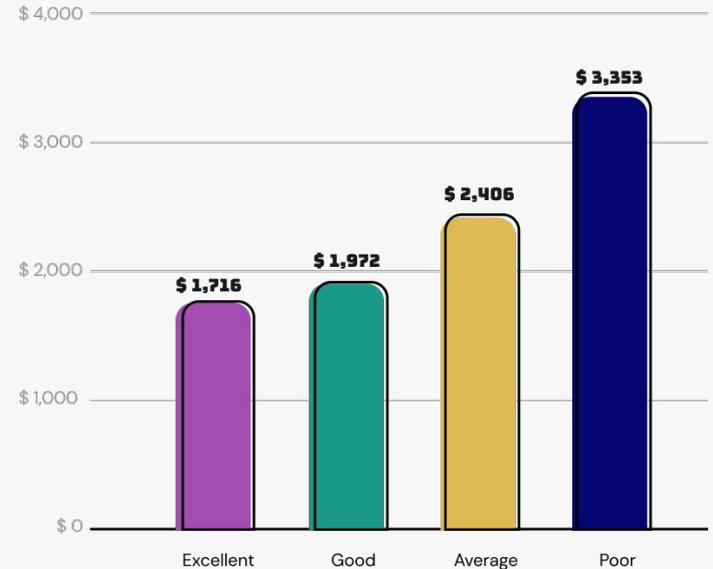
Home insurance companies often use a **credit-based insurance score** when determining your home insurance rates. This score is similar to a FICO score and takes into account factors like:

- Your debt payment history
- Your outstanding debt
- The length of your credit history
- Your pursuit of new lines of credit
- Your credit mix

Insurify's analysis shows that **having a good credit score can reduce your home insurance premium by more than 50%.**

Some states, such as Maryland and Hawaii, restrict whether and how insurers can use your credit when setting rates.

Average yearly home insurance premium by credit score

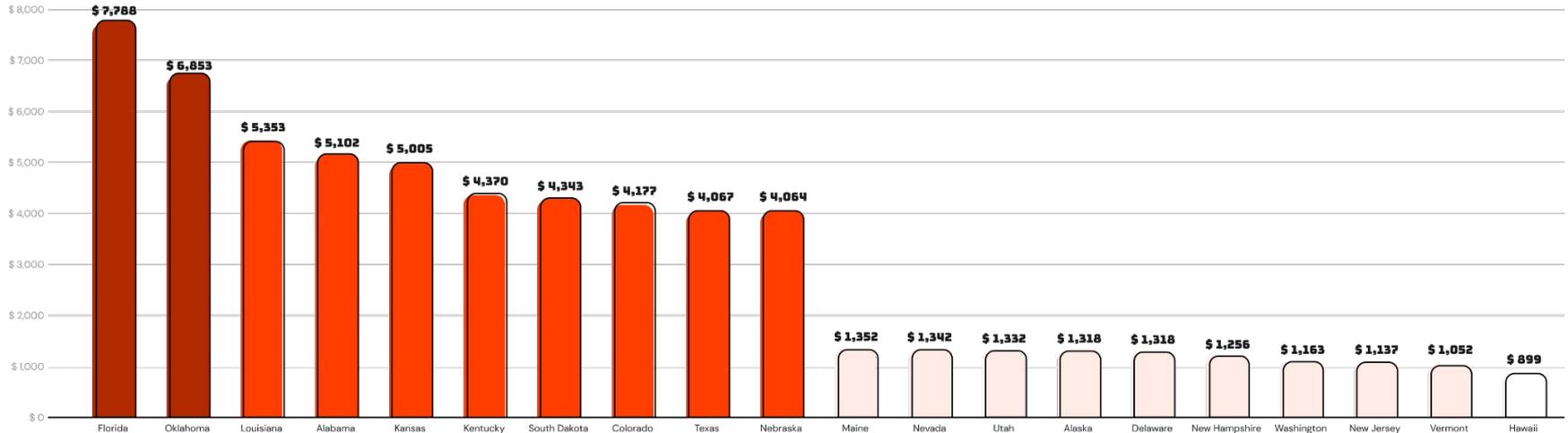


Source: Insurify's analysis of home insurance quotes provided by Quadrant Information Services

How the location of your home impacts your home insurance

The location of your home directly and significantly affects your home insurance premium. This is because your location influences a variety of factors, such as property crime rates, weather-related events, the cost of labor and materials to rebuild your home in the event of a claim, and so on. Overall, Florida and Oklahoma residents pay the highest home insurance rates, followed by Louisiana, Alabama, and Kansas. Conversely, Vermont and Hawaii homeowners pay the lowest home insurance rates in the nation.

States with the highest and lowest home insurance rates



Source: Insurify's analysis of home insurance quotes provided by Quadrant Information Services

Methodology

To create Insurify's 2023 Insuring the American Homeowner report, the research team at Insurify examined its database of real-time quotes from partner home insurance companies, as well as databases from Quadrant Information Services, Zillow, FEMA, and the U.S. Census Bureau.

We pulled home insurance rates analyzed for this report from Quadrant Information Services in February 2023. The averages included are for a policy with coverage levels of \$250,000 dwelling and \$300,000 liability, no claims history, and good credit, unless otherwise noted.

Home values data pulled from Zillow reflect the seasonally adjusted value of a typical home in the 35th to 65th percentile range for the featured geographic areas. Home sales counts indicate the estimated number of unique properties that sold on Zillow during each time period.

To examine the effect of natural disasters on home insurance premiums, Insurify analyzed the aforementioned home insurance rates in conjunction with FEMA's National Risk Index.



This index is scaled 0 to 100 for every county in the U.S. and illustrates the communities most at risk for 18 natural hazards. Risk reflects how much infrastructure in a given area is exposed to natural hazards, how often natural hazards impact that given area, and how much in financial losses those hazards have inflicted on that area historically.

Lastly, we sourced trends in population increases and decreases across the United States from annual population estimates by the U.S. Census Bureau.

Data Attribution

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