Homeowners Insurance Affordability: Trends and State Variations

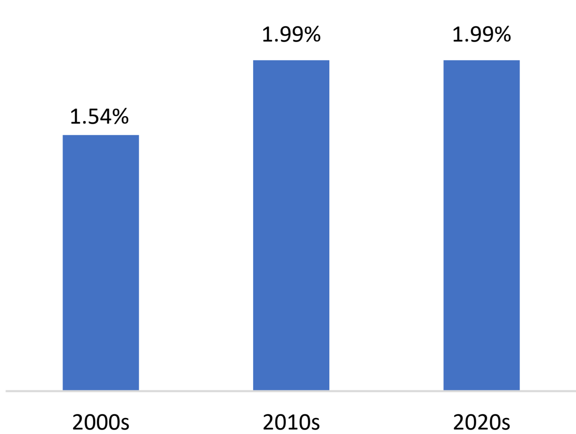
The affordability of homeowners insurance remains a top public policy issue, as insurance directly affects the financial stability of homeowners nationwide, strengthens community resilience, and enhances overall economic security.

The Insurance Research Council (IRC) measures homeowners insurance affordability by calculating the ratio of average homeowners insurance expenditures to median household income. This ratio estimates the proportion of household income that goes toward paying for homeowners insurance. The purpose of calculating this measure is to compare homeowners insurance affordability over time and across jurisdictions.

Key Findings:

- Homeowners insurance expenditures rose consistently from 2001 to 2021, surpassing household income growth, leading to decreased affordability for U.S. consumers. In 2021, the latest year for which expenditure data is available, homeowners spent an average of 1.99 percent of their household income on homeowners insurance.
- Individual states exhibit a wide range of insurance affordability, with the expenditure share in the least affordable state four times higher than the share in the most affordable state. Utah was the most affordable state in 2021, and Florida was the least affordable.
- The role of underlying cost drivers varies by state. Exposure to significant weather events like hurricanes and severe convective storms differs significantly and plays an important role in the cost of insurance. Non-weather events, claiming behavior, and the litigation environment also affect affordability.

Homeowners Insurance Expenditures as Percentage of Median Income



Wide Range of Homeowners Insurance Affordability