

# 7 Reasons Why Your Home Insurance Rates Went Up

If you're one of the 94% of homeowners who renewed their policy last year just to find out your home insurance rates went up, here are a few reasons why this might have happened. [2]

## 1 INCREASE IN WILDFIRES, TORNADOES, HURRICANES, & OTHER NATURAL DISASTERS

Worsening hurricanes in Florida, rampant wildfires out West, devastating tornadoes in the Heartland, and unexpected cold snaps in Texas have caused record-setting claim payouts and financial losses in the home insurance industry. As a result, many insurance companies are increasing rates to pay for these losses and to ensure they don't go bankrupt after future climate disasters.

As of September 2023, the U.S. saw 23 billion-dollar disasters — a record for that point in the year. And in just the first half of 2023, the property and casualty insurance industry saw \$24.5 billion in losses — this compares with \$6.6 billion in losses for this same time period in 2022.

But it isn't just homes at risk of hurricanes or wildfires that are paying more for insurance. In fact, several states with the highest average rate increases at renewal the last few years are in the middle of the country — in large part due to the higher incidence of hail and wind damage claims in those states.

As climate change continues to alter weather patterns all over the country, certain areas that insurers used to consider to be low risk are now viewed as the opposite, and homeowners in these areas may suddenly be seeing steep premium hikes as a result.



## 4 YOU FILED A CLAIM OR MULTIPLE CLAIMS LAST YEAR

Another factor that determines your home insurance rates is your likelihood of filing a claim. Insurers view claims related to theft, water damage, and liability as more likely to be repeated than others, so they'll often increase premiums after just one of these claims due to that higher risk.

On average, home insurance premiums increase roughly 7% to 10% after a claim, according to Fabio Faschi, former Property and Casualty Lead at Policygenius. So if you filed a claim or two in 2023, that may be the reason why your homeowners insurance went up.

### HERE'S THE AVERAGE ANNUAL COST OF HOME INSURANCE IN 2022 BY CLAIM HISTORY

| NUMBER OF CLAIMS | AVERAGE ANNUAL COST |
|------------------|---------------------|
| 0 CLAIMS         | \$1,933             |
| 1 CLAIM          | \$2,101             |
| 3 CLAIMS         | \$2,916             |
| 5 CLAIMS         | \$4,407             |

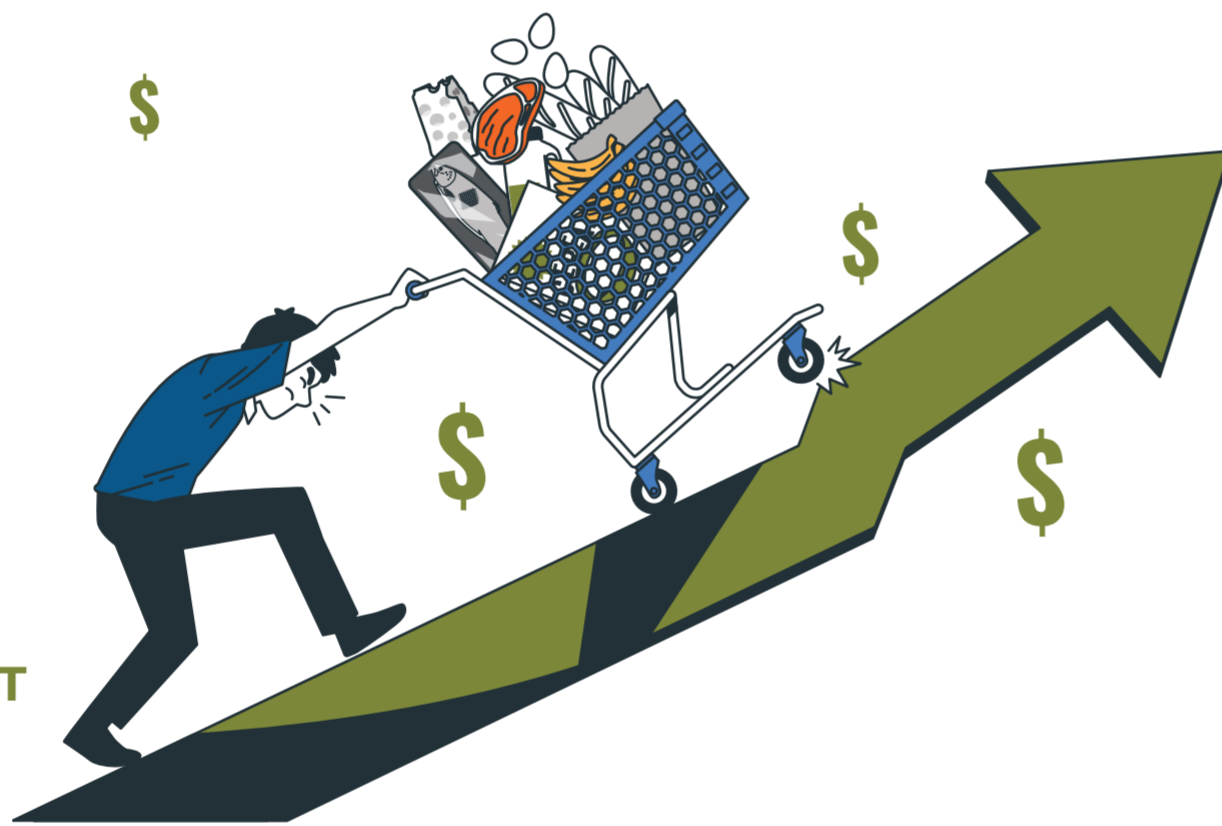
National average rates are based on our analysis of home insurance premiums provided by Quadrant Information Services in March 2022 for ZIP codes in all 50 states plus Washington, D.C. for a sample homeowner with 0, 1, 3, and 5 previous claims.

## 2 FEWER CARRIERS ARE WILLING TO WRITE POLICIES IN HIGH-RISK STATES

When there are fewer insurers left to choose from in a particular state or region, the ones remaining will often implement stricter underwriting criteria and increase costs to reflect both the higher demand and exposure, resulting in higher premiums for homeowners. We've seen this trend continue on in high-risk states like Florida and California.

Just last year, Allstate and State Farm stopped writing new policies in California, Farmers placed a cap on how many new policies it would write in the Golden State, and Safeco dropped around 1,000 policies in the Bay Area.

The same goes for Florida, where as many as 10 companies have already gone insolvent since 2020. Last year, AAA announced it would not renew home insurance policies in "higher-exposure" areas of Florida, and Farmers announced it will stop writing new policies and won't renew thousands of existing ones. This is on top of Progressive, AIG, and Heritage who had already announced they were no longer writing new policies in Florida.



## 3 INCREASE IN SUPPLY CHAIN ISSUES & THE COST OF BUILDING MATERIALS DUE TO INFLATION

Home insurance premiums have gone up everywhere due to the increased cost of labor and construction materials thanks to supply chain issues and high inflation that started in 2020.

Your rates are based heavily on how much dwelling coverage is in your policy — this is the part of your home insurance that pays to rebuild your home if it's damaged. Higher rebuild costs due to inflation means homes are requiring higher dwelling coverage limits to keep up with the rising prices.

This has led to higher home insurance rates across the board. While lumber and wood construction materials have tapered off over the last year, material goods for new residential construction and asphalt roofing materials remain high compared to prices before the start of the pandemic, according to the U.S. Bureau of Labor Statistics.

The labor shortage in the construction industry also remains a problem for insurers — and in turn, homeowners. There were 274,000 construction job openings as of March 2024 — nearly double the number expected by the U.S. Bureau of Labor Statistics.

## 5 YOUR ROOF IS OLD AND DUE TO BE REPLACED

If your roof is around 10 or 15 years old, your home insurance company may start raising your rates each year to offset the risk of you filing a claim. The reason for this is your roof — along with your home's systems and foundation — is what keeps your house intact.

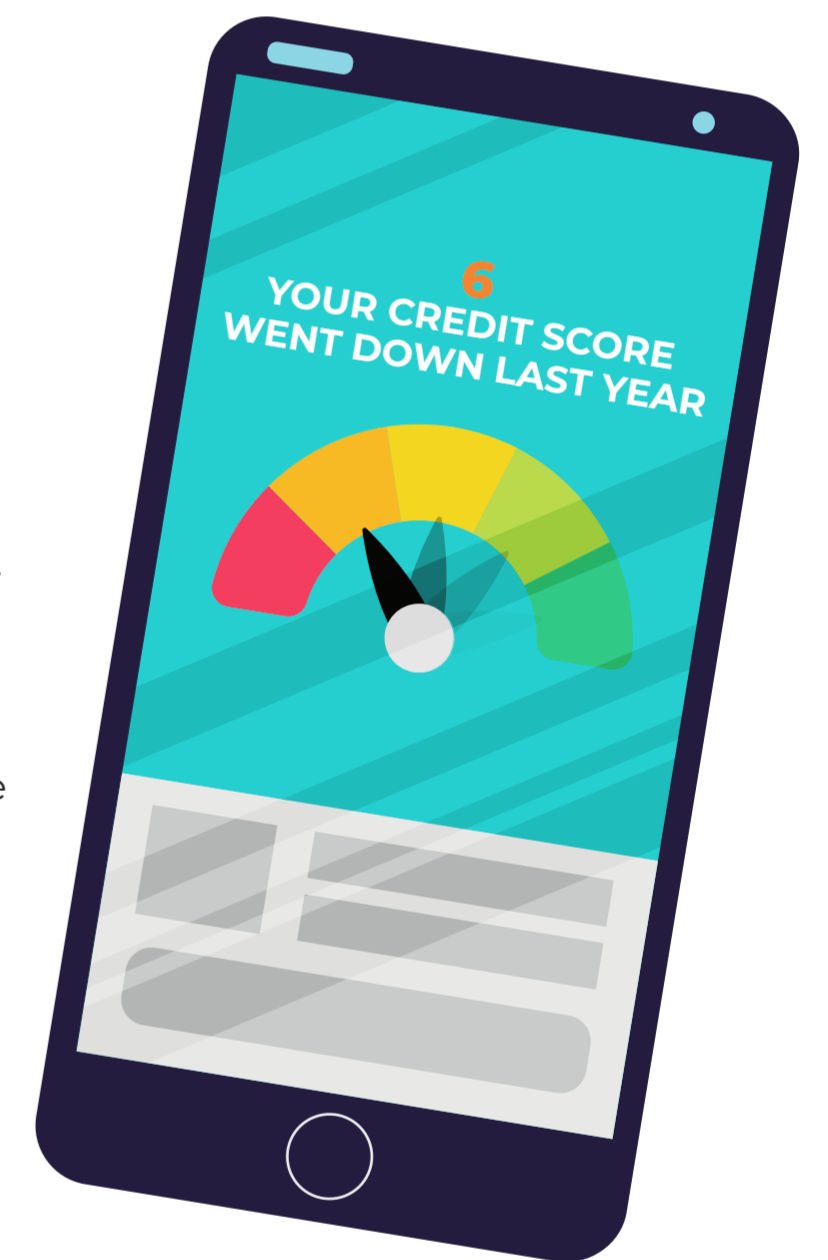
Once your roof starts showing signs of deterioration, that's a telltale sign to insurers that it's only a matter of time before it's damaged — especially if you live in areas at high risk of windstorms or hail.

Insurance companies run their own version of a credit check to determine how much of a risk you are to insure. Homeowners with bad credit are considered more likely to file a home insurance claim, and so you'll pay higher insurance rates as a result of this.

This is because insurers assume if you have good financials and a good credit score, you're staying on top of your insurance payments and maintaining the property — making necessary house repairs and upkeep. A bad storm will probably pose less of a risk to a home that's well taken care of and structurally sound than one that isn't.

On the flip side, homeowners with a poor credit score are more likely to have outstanding debt and are viewed as more likely to depend on an insurance payout in the event that something bad happens.

So if your credit score took a dip over the last year, you'll likely pay for it in higher home insurance rates.



## 7 YOU ADDED A POOL, TRAMPOLINE OR OTHER "ATTRACTIVE NUISANCE" TO YOUR HOME

Insurance companies consider swimming pools, trampolines, and even house pets as "attractive nuisances" since they attract children onto your property and put them at risk for injury.

If you install a pool or add a new four-legged friend to your family, your insurance company may increase your rates to offset the higher probability of expensive liability claims.



For any questions regarding your current coverage or if you are looking for new coverage, give Sea Mountain Insurance a call today at 425.775.1410 or visit our website [sea-mountain.com/contact](http://sea-mountain.com/contact)

