



## Climate Change Impacts on Homeowners' Insurance Threaten to Undermine U.S. Homeowner Finances

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In recent years, **climate change** has accelerated the frequency and severity of weather extremes and natural disasters across the U.S. Wreaking havoc on residential properties, the surge in weather extremes and natural disasters has caused untold home **damage and destruction**.

With residential properties in growing peril, US home insurers have seen their losses and claim expenses **soar**. Faced with surging payouts for insured losses and **worsening financial performance**, home insurers have **responded** with spikes in premiums, reductions in coverage, greater deductibles, policy non-renewals, and exits from high-risk geographic areas. The US is currently in a major **crisis** of homeowners' insurance affordability, availability, and protection that requires federal intervention.

### Rising Insurance Costs are Increasing Financial Strain on Homeowners

Nationally, the **average annual homeowners' insurance premium** was \$3,259 in 2024, with much higher costs in states like Florida (\$14,140) and Louisiana (\$10,964). Premiums increased nationally by 10.4 percent in 2024 and another 8 percent in 2025.

In addition to rising costs, insurance availability is declining. Between 2018 and 2023, nearly 2 million homeowners' insurance policies were **cancelled** nationwide due to the rising climate risks.

As home insurance is becoming increasingly **more expensive** and **less available**, a growing number of individuals and families are becoming **unable to purchase** a home. In a recent **survey** of home buyers and sellers, nearly half of the respondents reported running into issues with homeowners' insurance, while 21% of the respondents had a transaction fall through. As many as **30% - 40%** of mortgage loans fall through in Louisiana due to the exorbitant cost of homeowners' insurance. A home insurance purchase is a **pre-condition of mortgage financing**, designed to protect the lender's investment. By making homeownership **unattainable** for a growing number of households, the rising cost and falling availability of homeowners' insurance is worsening the nation's **housing affordability crisis**.

For the existing homeowners' with mortgages, mortgage payments are becoming increasingly **more expensive and less predictable** each year. The stability traditionally associated with the 30-year fixed rate mortgage system is increasingly **undermined** by climate change and the surging cost of homeowners' insurance. Higher premium costs can **add thousands of dollars** to annual mortgage expenses. If **unable to afford** mortgage payments due to the rising costs of home insurance, US homeowners could face mortgage **delinquencies** and **defaults**.

Homeowner delinquencies and defaults could also be triggered by **declining homeowners' insurance protection**. For example, some insurers now have policy limits and exclusions for property damage caused by **hail, wind, fire, mold and burst pipes**.

Alongside rising premiums and falling insurance protection, US homeowners have been saddled with higher deductibles. In 2024 and 2025, the average home insurance deductible increased by **15% and 24.5%**, respectively. Faced with rising out-of-pocket expenses due to property damage and destruction, many homeowners will turn to **loans and credit** as a means of financing. According to a recent **study** by the US Census Bureau, more than one-third of Americans impacted by a climate disaster in 2022 reported reliance on loans or credit cards as a means of managing the unforeseen, disaster-related expenses.

## **Low Income and Minority Homeowners Face Greater Risk**

The financial consequences of falling homeowners' insurance affordability, availability and protection exert **disproportionate impacts** on low-income and minority homeowners. Such homeowners are more likely to live in poor housing units which are more prone to damage or destruction due to weather extremes and natural disasters. Low-income and minority homeowners often lack the funds they need to make their homes more resilient to weather and climate hazards.

At the same time, low-income and minority homeowners are more likely to live in high climate hazard exposure areas. **For example**, 60% of Black homeowners face extreme wind risk, as opposed to 32% of White homeowners. As many as 81% of Black homeowners are at risk of extreme heat, compared to 52% of White homeowners. Hispanic homeowners are at the highest risk of wildfires.

Yet, despite their **heightened climate vulnerabilities** and greater climate risk exposures, low-income and minority homeowners are also more likely to be uninsured or underinsured. Low-income and minority homeowners are more likely to face greater financial losses due to property damage or destruction from weather extremes and natural disasters.

## **How Can the Federal Government Ease the Homeowner Insurance Affordability Crisis?**

Given its threat to homeowner finances, the housing market, and the nation's overall economic stability, the federal government must respond to the climate-driven crisis of homeowner's insurance affordability, availability and protection. To ease the crisis, the federal government should:

- Enhance investments into climate change **mitigation and adaptation** measures.
- Strengthen support for **residential dwelling resiliency** programs.
- Provide more affordable housing programs.
- Subsidize homeowners' insurance premiums.
- Provide a national reinsurance program for home insurers.
- Implement federal minimum standards for homeowners' insurance coverage.

The climate- driven crisis of homeowners' insurance affordability, availability and protection is eroding homeowner finances, worsening the housing affordability crisis, and weakening the stability of the nation's financial markets. Absent federal intervention, the homeowners' insurance crisis can fuel a **financial system**

**meltdown**, similar to the one that shattered the US and the global economy in 2008. While adjustable rate mortgages were the culprit back then, the escalation in the cost of homeowners' insurance is the next major stress test for the US housing market and the nation's financial stability.