

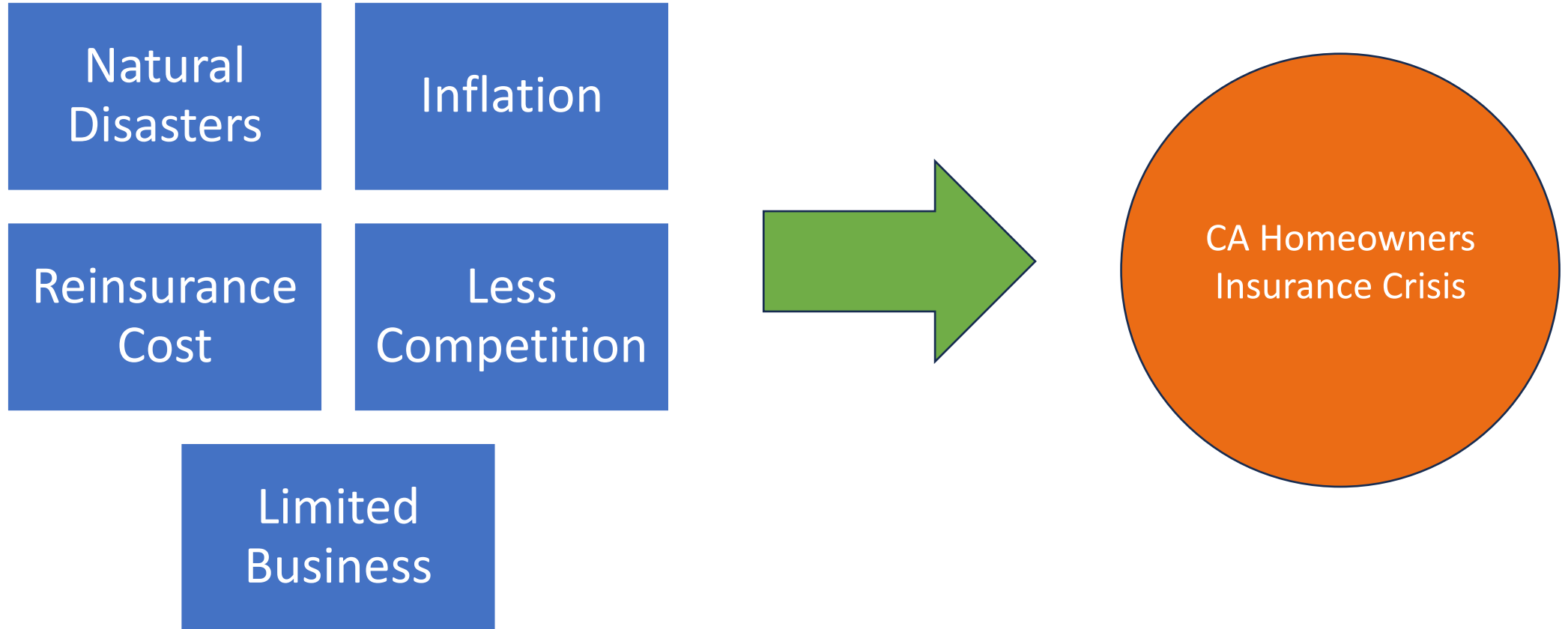
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# Homeowners insurance crisis and what to expect in 2025

Insurance Town Hall with Senator Limon and Commissioner Lara  
February 27, 2025

Oscar Wei  
Deputy Chief Economist

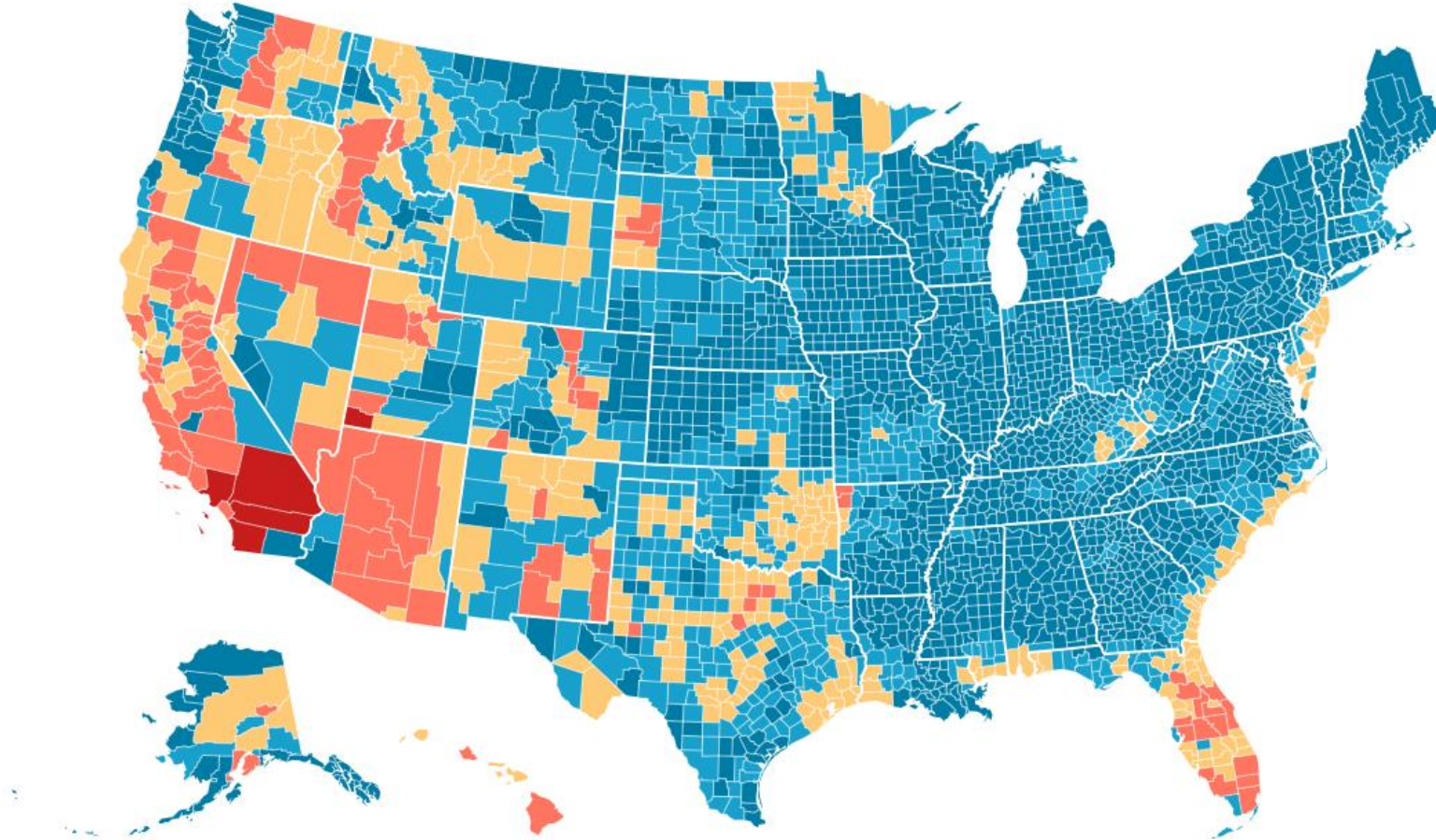
# What led to the homeowners insurance crisis in California?



# Loss expectations from wildfires remain high in CA

## Expected Annual Loss from wildfires

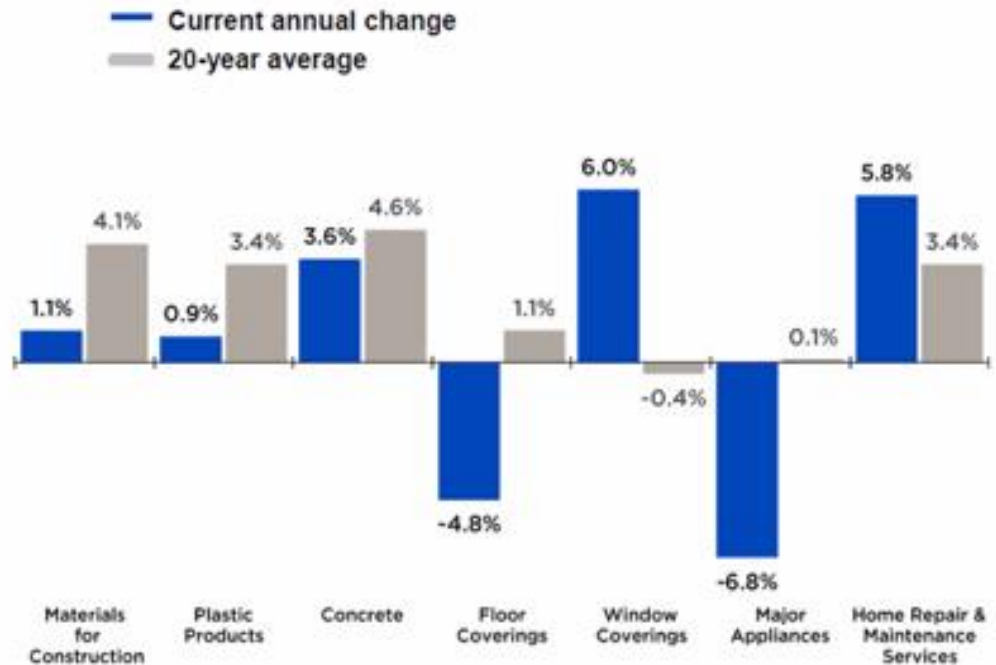
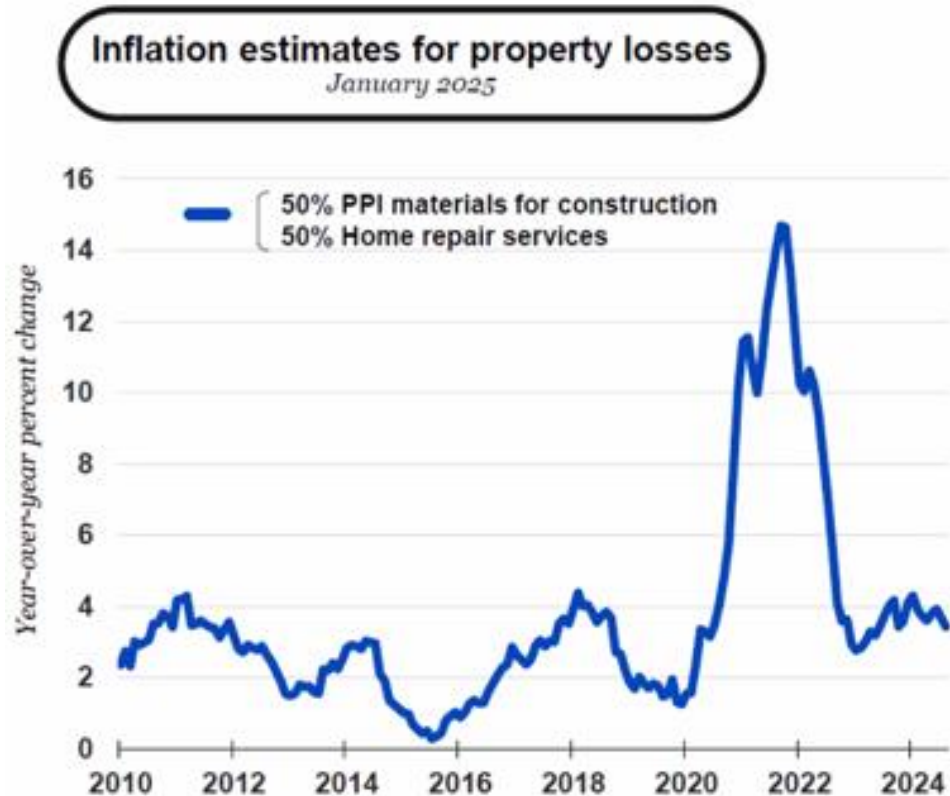
Very High Relatively High Relatively Moderate Relatively Low Very Low



Notes: FEMA's expected annual loss rating takes into account each county's building and agriculture value and population exposed to wildfires.

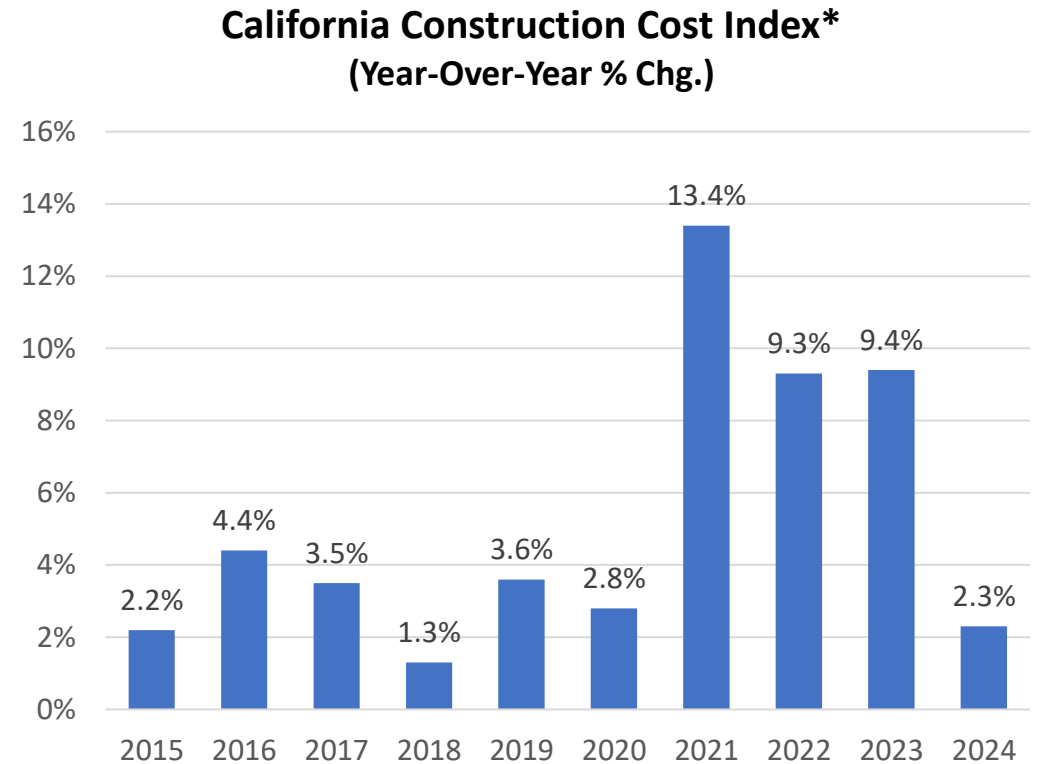
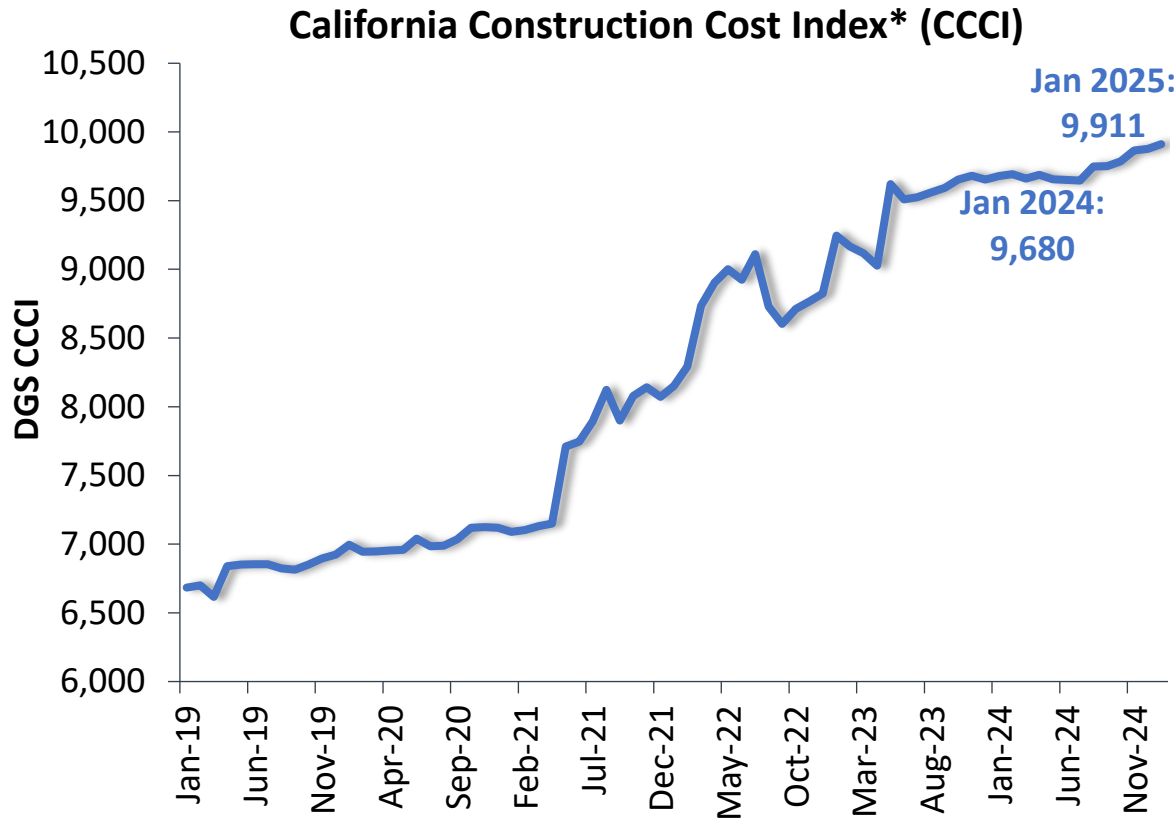
Map: The Conversation/CC-BY-ND • Source: FEMA • [Get the data](#) • [Download image](#) • Created with Datawrapper

# Inflation pressure for insurance claims has stabilized



SOURCE: Bureau of Labor Statistics, Haver Analytics, Nationwide Insurance

# California's construction cost growth rate back to pre-pandemic levels last year



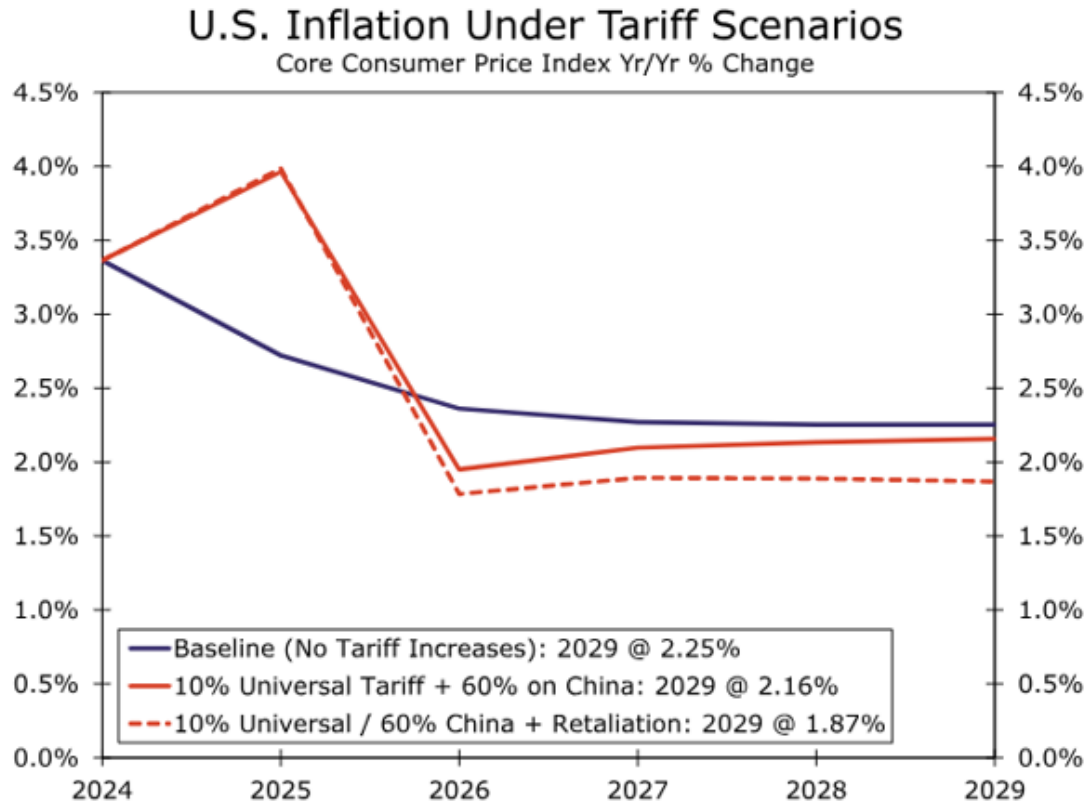
SERIES: California Construction Cost Index

SOURCE: California Department of General Services, Engineering News Record

\*Note: The California Construction Cost Index (CCCI) is developed based upon Building Cost Index (BCI) cost indices average for San Francisco and Los Angeles ONLY as produced by Engineering News Record (ENR).



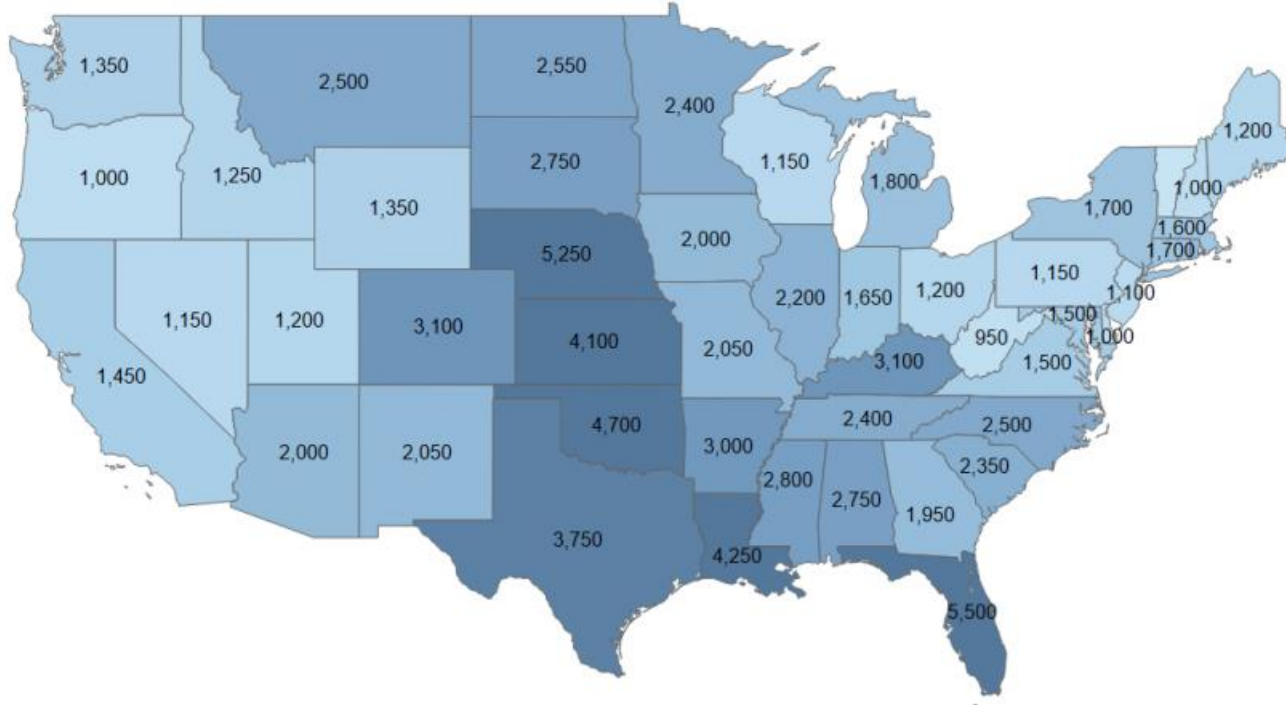
# Tariffs' effect on inflation



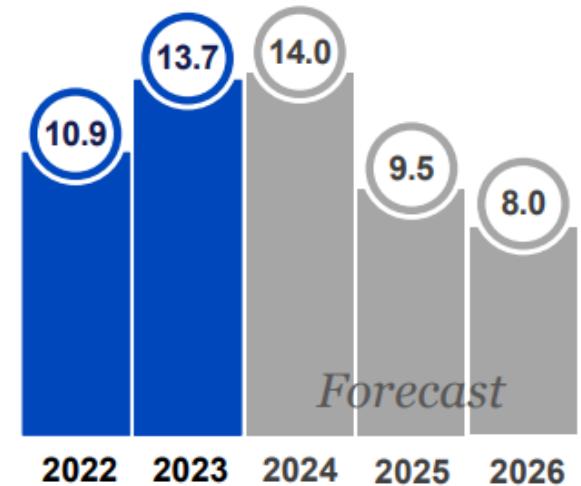
SOURCE: Bureau of Economic analysis, Census Bureau, Haver Analytics, Nationwide Insurance, Oxford Economics, and Wells Fargo Economics

# Insurance premiums have been rising and will continue to climb in the next couple years

**Average annual home insurance costs**  
*For \$300k in coverage*



**Homeowners DWP**  
*Year-over-year, percent*



*Industry rates remain higher over outlook, lifting DWP growth*

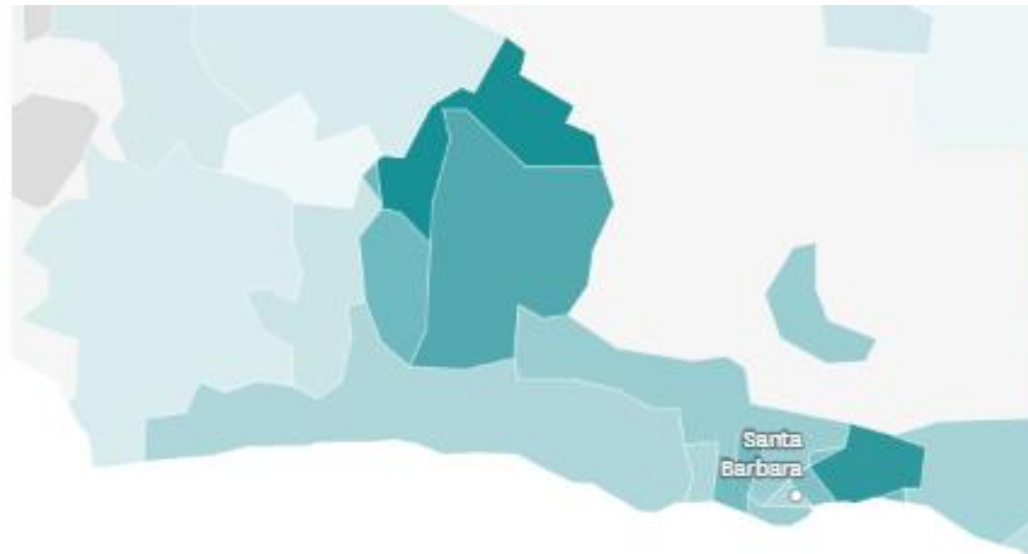
SOURCE: Insurance Information Institute, History & Forecast – Conning, Nationwide

# Premiums will likely increase in Santa Barbara as well

## Allstate's approved rate increases

The rate increase will take effect starting November

Average change



## Premium increase by zip code (selected Santa Barbara areas)

Zip code	Chg. in State Farm Average Premium	Allstate's approved rate increase
93013	8.6%	53%
93067	52.6%	71%
93101	11.8%	62%
93103	15.1%	56%
93105	23.4%	52%
93108	11.3%	74%
93109	10.0%	62%
93110	19.8%	64%
93111	16.8%	47%
93117	21.2%	53%

SOURCE: San Francisco Chronicle and C.A.R. calculations



# Most homeowners are feeling the pain



**61%**

say their **home insurance premium** has **increased** in the last 12 months



**More than 1 in 10** say their premium has **doubled** or **more than doubled**

SOURCE: [claimguide.org](https://claimguide.org)

# Rising insurance cost leads to cost cutting



Nearly **1 in 4 (23%)** have **cut back on expenses to pay** for rising home insurance costs

## | Types of expenses homeowners are reducing



**90%**  
Dining out



**81%**  
Travel



**61%**  
Groceries



**21%**  
Medications

SOURCE: [claimguide.org](https://www.claimguide.org)

# How homeowners are coping with the premium increase



SOURCE: claimguide.org

# Some of them are looking for alternatives...



**Nearly one third**

(31%) have **shopped around for more affordable home insurance** in the last 12 months



**1 in 5**

plan to **switch providers** in the next 12 months



**1 in 10**

considering **relocating** to an area with lower premiums



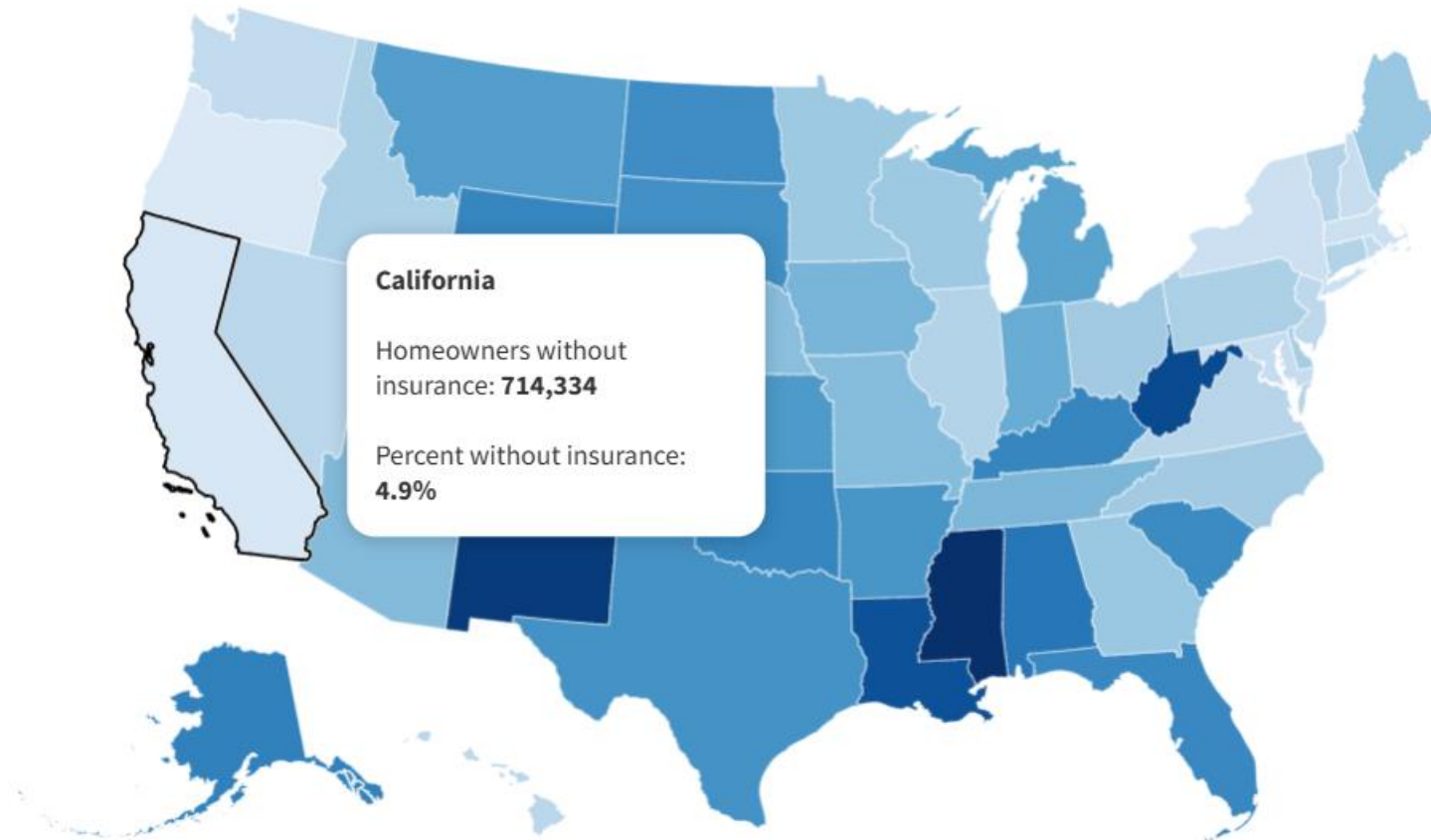
**1 in 5**

would **live without homeowners insurance** if it wasn't required by their mortgage lender

SOURCE: claimguide.org

# Homeowners without insurance is still a small percentage in California

## States with the Most Uninsured Homeowners



- More than 10.6 million homeowners live without home insurance
- Mississippi is the state with the highest share of homeowners without insurance at 13.3%
- New Mexico (12.9%), West Virginia (12.3%), and Louisiana (12.0%) came in second, third, and fourth
- Coastal states, in general, are least willing to take the risk, with Washington D.C. (3.3%) claiming the lowest share of uninsured homeowners, followed by Oregon (4.7%) and California (4.9%)

SOURCE: [claimguide.org](http://claimguide.org)



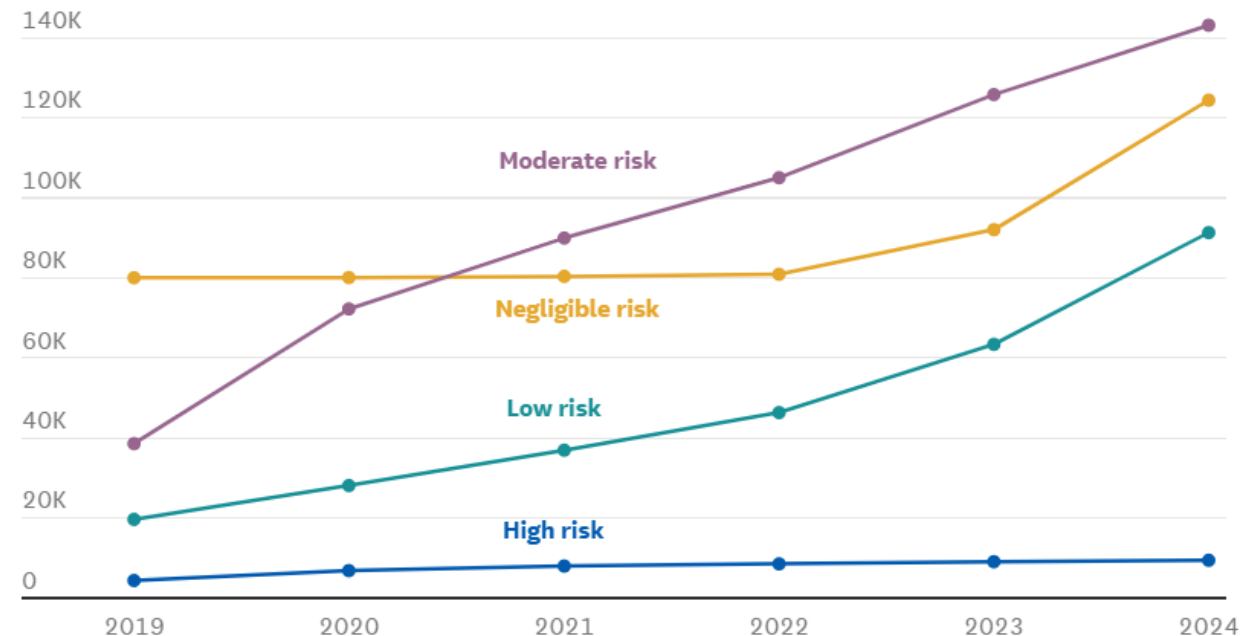
# FAIR Plan policies surged in the past five years

**# of FAIR Plan policies**  
(selected Santa Barbara areas)

Zip code	2019	2024	% of all policies
93013	16	215	5%
93067	1	36	8%
93101	17	78	2%
93103	61	324	8%
93105	285	975	14%
93108	166	1100	28%
93109	2	35	1%
93110	8	121	3%
93111	18	154	3%
93117	63	239	3%

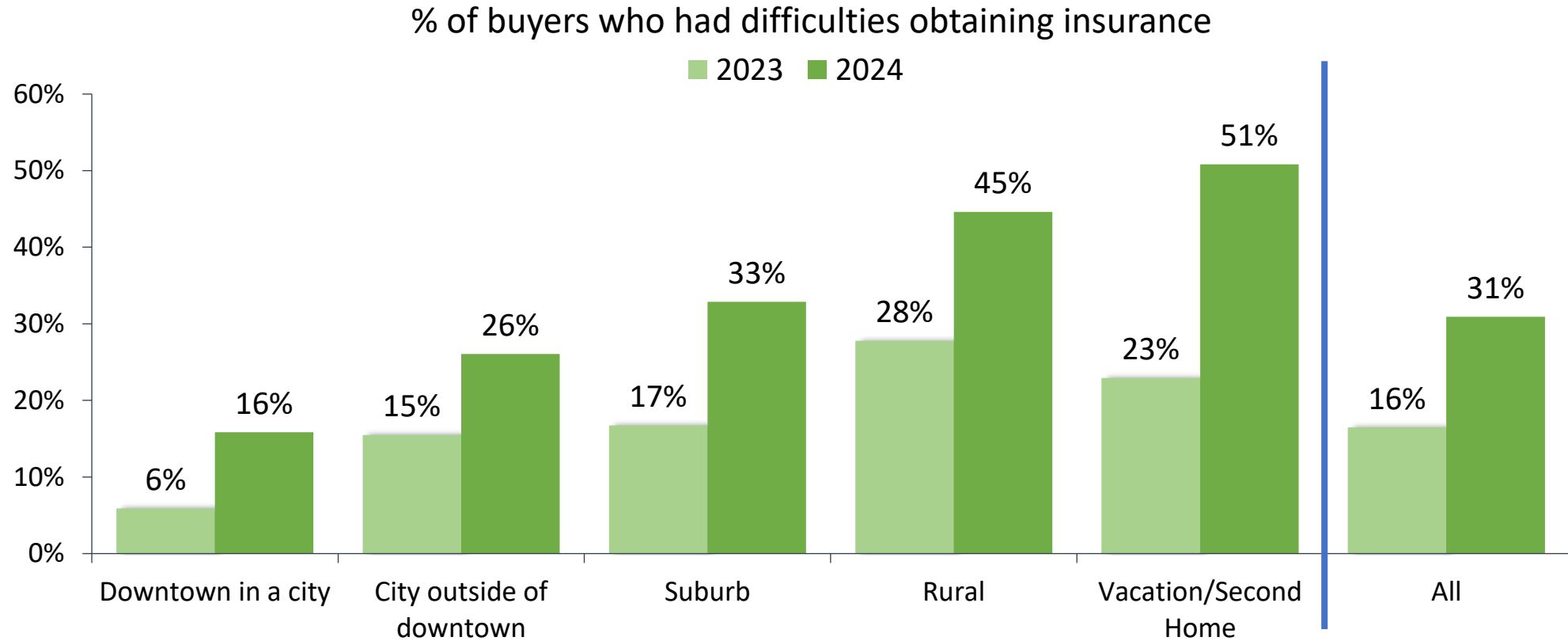
**Number of FAIR Plan polices per wildfire risk category in California**

Data excludes 10% of all ZIP codes with no wildfire risk category



SOURCE: San Francisco Chronicle

# Obtaining insurance has become an even bigger issue for home buying in 2024



Q. Did the buyer have difficulties obtaining fire/homeowners insurance?

SERIES: 2024 Housing Market Survey

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

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**Thank you!!**

