Homeowners Insurance Cost Increases Explained



Increasing severe weather plays a significant role, but inflation, population shifts, legal system abuse, and regulatory constraints are key cost drivers.

Inflation Driving Up Home Repair & Replacement Costs

While general inflation trends are stabilizing, the cost of building materials and labor to repair and rebuild homes remains very high. The cost to rebuild a home has increased 47% for construction labor and materials on a cumulative basis since January 2020.[1] Home insurance premiums are rising to keep pace with these cost increases.

Population Shifts Into High-Risk Areas

More people are living and building homes in areas that are at high-risk for natural disasters. From 1990 to 2023, the U.S. population grew by 37 percent with the highest growth regions in the South, Southeast, and West – all areas prone to severe natural disasters like hurricanes, flooding, tornadoes, and wildfires.[2]

Increasing Severe Natural Disasters

The increasing frequency and severity of natural disasters in the U.S. plays a significant role in rising insurance costs. Since 2020, U.S. insurers have incurred $522 billion in insured losses (in 2024 dollars), the costliest five-year period ever for U.S. insurers (source: Aon). In 2025, the U.S. experienced 23 separate billion-dollar-plus weather events, which follows 27 separate billion-dollar weather events in 2024 and 28 separate billion-dollar-plus weather events in 2023 (the current record).[3]

Legal System Abuse

Legal system abuse is a major cost driver as insurers face rapidly increasing legal costs and jackpot mega verdicts. The National Law Journal's Top 100 Verdicts average increased 350% from $64 million in 2015 to $225 million in 2020.

Regulatory Constraints

In some states, regulatory coverage mandates and long delays in regulatory rate approvals have created a significant gap between escalating covered losses and the prices charged. If insurers cannot appropriately price business in a timely manner, markets rapidly deteriorate, as they are doing now in several states.

What is the industry doing to help policyholders?

Insurers are developing affordable environmental mitigation and resiliency standards to better protect individuals, families, and businesses from weather losses. Through the Insurance Institute for Business & Home Safety, insurers are funding and promoting new building and landscaping design standards that can reduce fire risk, hail damage, and wind losses. Many insurers also offer premium discounts for certain mitigation measures that policyholders take to reduce the risk of damage to their home.

Learn more at www.apci.org/HOcostdrivers

1 APCIA analysis of U.S. Bureau of Labor Statistics Data.
2 Aon 2025 Climate and Catastrophe Insight.
3 https://www.climatecentral.org/climate-services/billion-dollar-disasters.

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