Homeowners Insurance:

Variations in Affordability (State Rankings) from Key Cost Drivers

INSURANCE RESEARCH COUNCIL
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Cost Drivers by State in Order of Affordability

Red highlights show less favorable rankings; green highlights show more favorable rankings. See notes on next page.

	Expenditure Share of Income	Natural Hazard Risk: Weather	Natural Hazard Risk: Other	Claim Frequency (CAT)	Claim Frequency (NonCAT)	Claim Severity (CAT)	Claim Severity (NonCAT)	Expense Index	Claims Litigation
Utah	1	8	51	16	31	3	3	31	17
Oregon	2	4	40	5	3	49	45	22	40
Alaska	3	2	44	2	2	1	51	30	19
Maryland	4	36	15	26	43	20	23	23	16
Wisconsin	5	19	11	12	1	34	33	15	12
Washington	6	3	45	6	8	43	48	38	33
Delaware	7	27	19	10	15	26	21	35	27
Nevada	8	1	46	7	18	10	19	42	35
District of Columbia	9	11	1	1	42	2	25	36	39
New Hampshire	10	28	16	4	7	23	36	29	41
Idaho	11	6	50	17	34	11	14	11	14
Maine	12	34	12	8	4	18	35	33	42
Arizona	13	7	43	14	26	9	12	34	15
Ohio	14	17	10	20	14	13	11	26	21
Pennsylvania	15	16	9	18	24	14	10	45	47
Virginia	16	38	17	22	29	16	16	20	9
New Jersey	17	29	27	19	23	28	37	44	48
Vermont	18	15	20	13	19	25	30	19	36
Michigan	19	21	8	23	22	22	31	21	38
Hawaii	20	14	42	3	9	44	39	48	37
Iowa	21	39	13	48	17	38	20	6	8
North Dakota	22	43	35	32	48	15	4	7	
Indiana	23	22	4	21	13	24	26	16	30
Illinois	24	20	2	38	5	40	43	13	22
California	25	5	48	11	6	51	50	50	45
Minnesota	26	25	29	39	11	50	42	4	4
Massachusetts	27	31	7	24	21	12	46	47	44
West Virginia	28	13	31	9	12	45	44	41	32
Connecticut	29	32	3	27	20	41	47	40	49
New York	30	23	6	15	10	37	49	46	
Kansas	31	37	30	33	33	32	13	8	5
Tennessee	32	18	14	30	38	35	22	28	20
Wyoming	33	12	39	42	50	27	18	1	6
Montana	34	10	47	25	36	46	40	25	34
North Carolina	35	47	24	34	28	4	6	12	7
Kentucky	36	24	28	31	37	5	5	24	28
Missouri	37	26	21	29	16	36	38	14	31
New Mexico	38	9	49	35	49	7	1	17	29
Georgia	39	40	22	45	45	17	24	18	10
Nebraska	40	44	23	47	27	29	2	3	3
Colorado	41	33	37	49	30	39	32	9	13
South Carolina	42	49	26	28	25	6	8	39	24
South Dakota	43	42	41	40	47	21	7	2	1
Rhode Island	44	30	5	37	46	8	28	43	46
Alabama	45	46	18	41	41	30	29	27	18
Texas	46	45	34	50	32	33	17	37	43
Arkansas	47	35	33	44	51	19	9	5	2
Oklahoma	48	41	38	43	35	42	34	32	23
Mississippi	49	48	32	36	44	31	27	10	11
Florida	50	51	36	46	40	48	41	51	51
Louisiana	51	50	25	51	39	47	15	49	50

Key Drivers of State Variations in Homeowners Insurance Costs

Ultimately, homeowners insurance affordability is determined by the underlying key cost drivers, which must be addressed to improve affordability. The specific factors driving high insurance costs vary from state to state.

Expenditure as Share of Income (Affordability Index)—IRC calculates an index to measure the affordability of homeowners insurance. The affordability index is the ratio of average homeowners insurance expenditures to median household income. It measures the proportion of household income going to pay for homeowners insurance, where a higher index indicates less affordable insurance.

Weather risk—The expected annual loss per $1 million of aggregate building value from weather-related hazards, based on National Risk Index data from the Federal Emergency Management Agency (FEMA), which includes both residential and commercial buildings. Weather hazards include cold wave, hail, heat wave, hurricane, ice storm, lightning, strong wind, tornado, and winter weather. Losses due to coastal or river flooding are excluded since they are not covered by standard homeowners policies.

Other natural hazard risk—The expected annual loss per $1 million of aggregate building value from non-weather hazards, based on National Risk Index data from FEMA, which includes both residential and commercial buildings. Non-weather hazards include avalanche, landslide, tsunami, volcanic activity, and wildfire. Losses due to earthquake are excluded since they are not covered by standard homeowners policies.

Claim frequency, catastrophe claims (CAT)—The number of catastrophe claims paid in a particular year for every 100 exposures insured for the entire year. An event is designated a catastrophe by the industry when claims are expected to reach a certain dollar threshold, currently set at $25 million, and more than a certain number of policyholders and insurance companies are affected. Claim frequency is a standardized measure of how often homeowners insurance claims are paid. This report's paid claim frequency data are from the Fast Track Monitoring System.

Claim frequency, non-catastrophe claims (NonCAT)—The number of non-catastrophe claims paid in a particular year for every 100 exposures insured for the entire year. Claim frequency is a standardized measure of how often homeowners insurance claims are paid. This report's paid claim frequency data is from the Fast Track Monitoring System.

Claim severity, catastrophe claims (CAT)—The average claim payment for all catastrophe claims paid during the year. Claim severity measures how much is paid for the average homeowners insurance claim. This report's claim severity data are from the Fast Track Monitoring System.

Claim severity, non-catastrophe claims (NonCAT)—The average claim payment for all non-catastrophe claims paid during the year. Claim severity measures how much is paid for the average homeowners insurance claim. This report's claim severity data are from the Fast Track Monitoring System.

Expense index—The amount insurers spent to process, investigate, and litigate claims (loss adjustment expenses) as a percent of incurred losses. Based on the five-year average from the NAIC's Report on Profitability by Line by State in 2023.

Claims litigation—The percent of homeowners claims with litigation, based on data from the NAIC's Market Conduct Annual Statement Scorecard and measured by the ratio of suits opened to claims closed without payment multiplied by the ratio of claims closed without payment to the total claims closed. New York and North Dakota do not participate.