Homeowners Insurance

Current Challenges and Constructive Ways Forward

Kentucky General Assembly
Disaster Prevention & Resiliency Task Force

October 8, 2025

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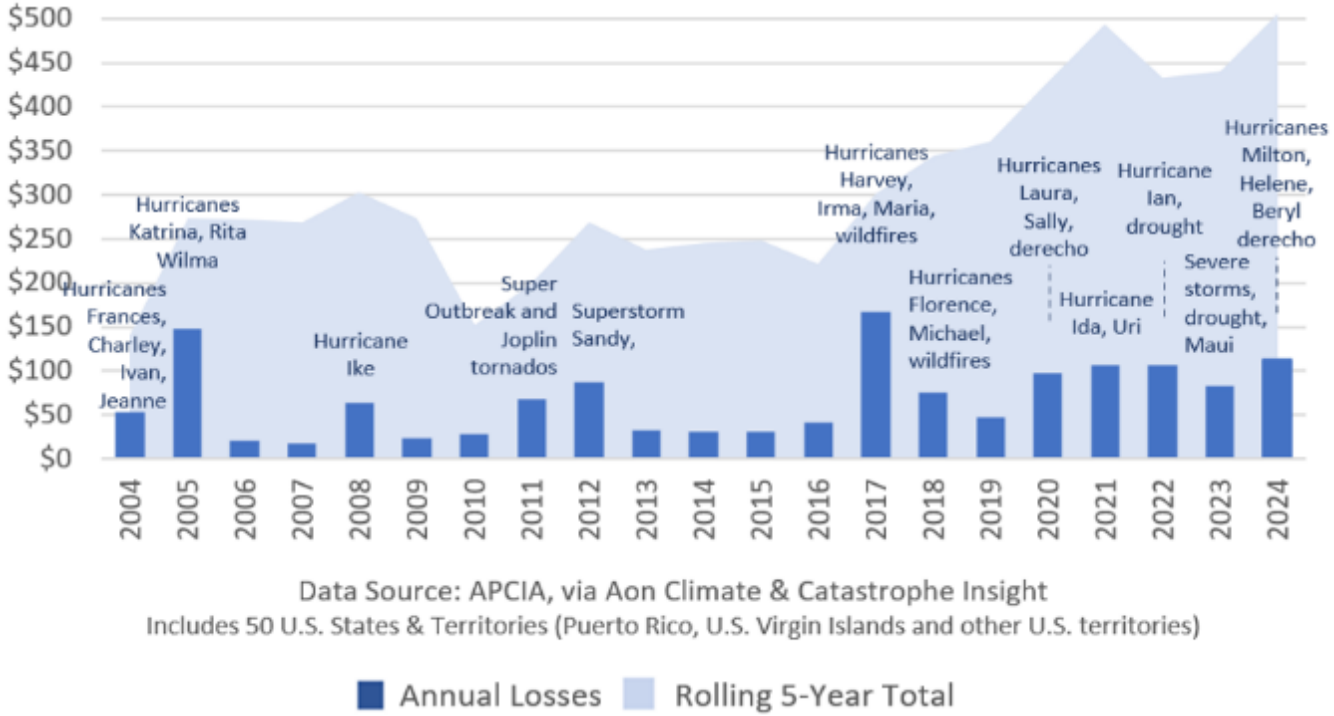
Challenges

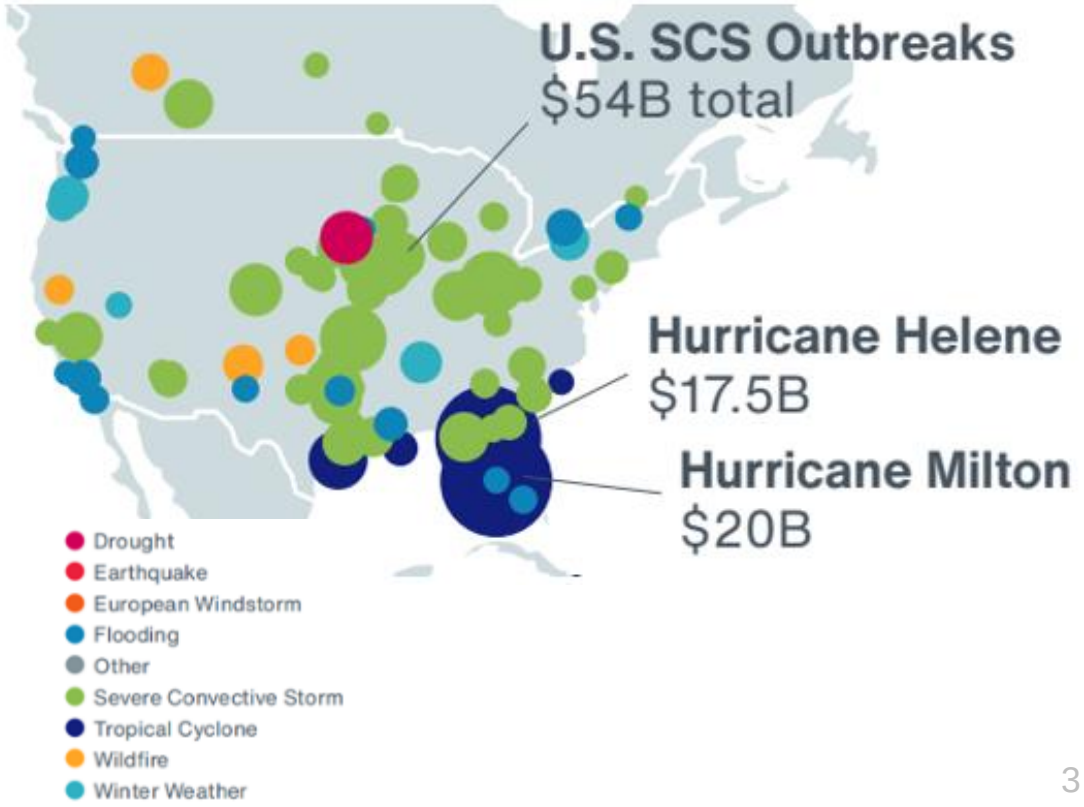
U.S. Natural Catastrophe Losses - 2024

Costliest 5-year period ever for U.S. insurers ($505.9 billion since 2020, in 2024 dollars)

U.S. Insured Natural Catastrophe Losses 2004-2024
(USD Billions, in 2024 prices)



Billion Dollar Weather and Climate Events
(2024 Insured Loss Events)

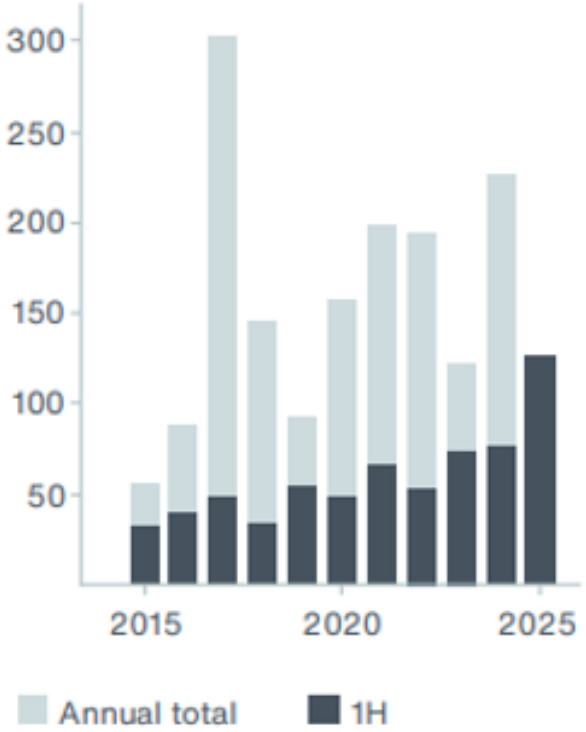


Source: Aon 'Catastrophe Insight' (Global Catastrophe Recap-2024)

U.S. Natural Catastrophe Losses - 2025 H1

Second costliest first half on record, surpassing 2011 H1 insured losses

1H Economic Losses
(2025, $B)



1H Insured Losses
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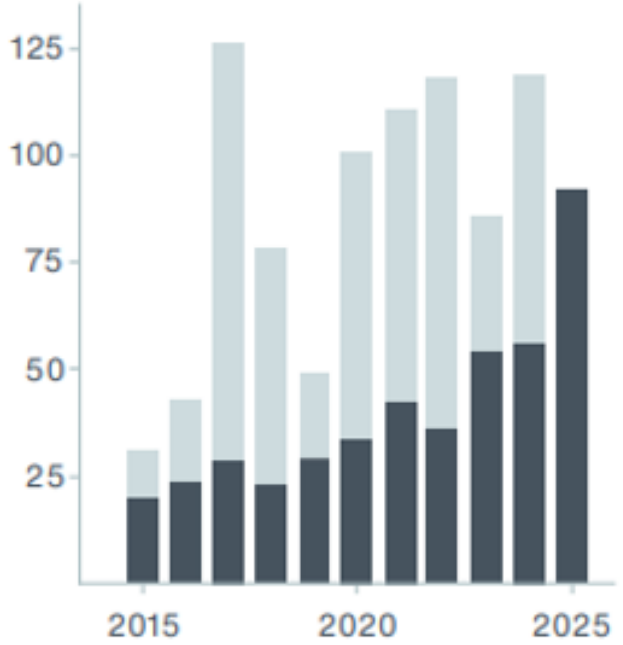


Billion Dollar Weather and Climate Events
(Insured Loss Events)

Source: Aon 'Catastrophe Insight' (Global Catastrophe Recap - First Half (1H) of 2025)

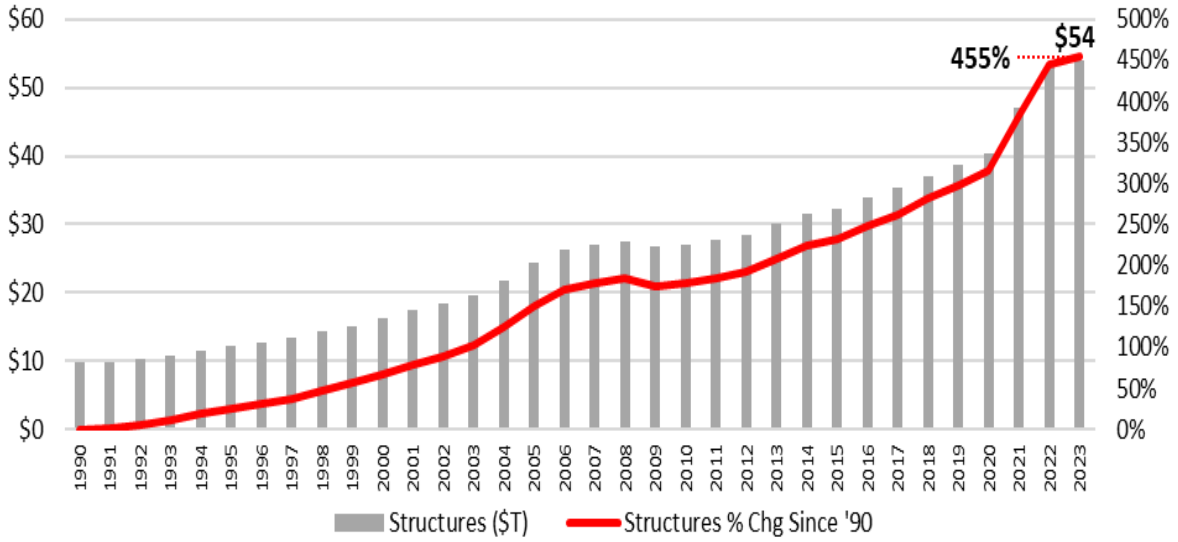
What is Causing Increased HO Losses

MACROECONOMIC PRESSURES	• Increasing exposure values and replacement costs *(e.g., continued construction in high-hazard areas and inflation that is driving up repair and rebuild costs)*
CLIMATE	• The natural variability that comes from selecting any 5-year sample of natural catastrophe experience • The effects of climate change on different atmospheric perils
GOVERNMENT RISK	• The impacts of man-made loss drivers *(e.g., state coverage mandates, rate suppression, legal system abuse)*

Cost Indicators for Home Insurance

U.S. Replacement Cost of Structures

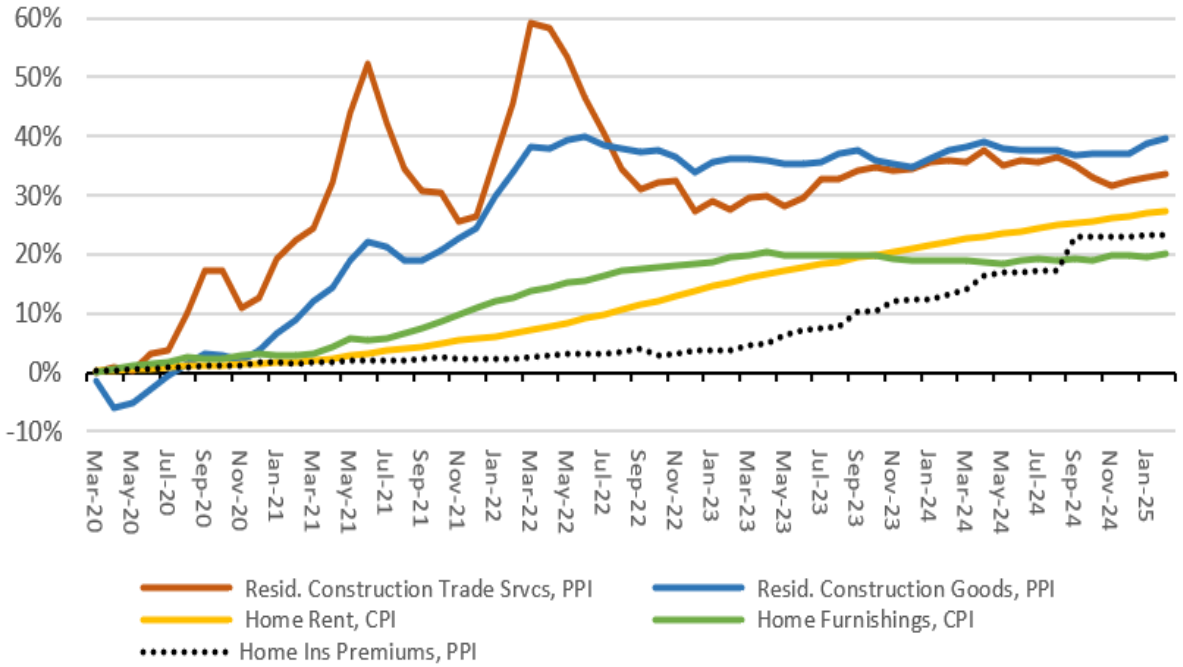
BEA Current-Cost Net Stock of Private Fixed Assets ($T)



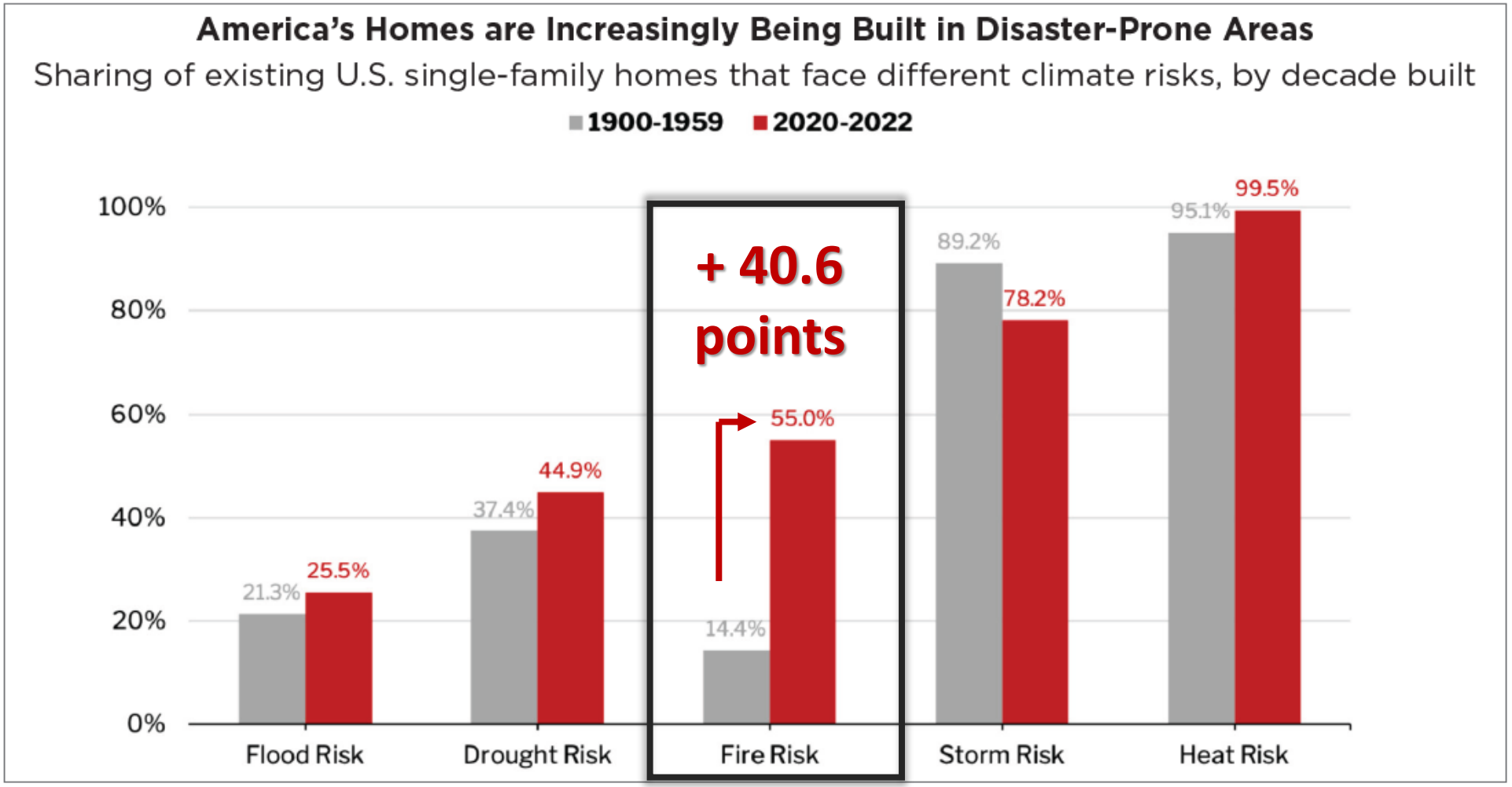
Source: APCIA using U.S. Bureau of Economic Analysis, Fixed Assets Accounts Tables year-end estimates, Table 2.1. Current-Cost Net Stock of Private Fixed Assets, Equipment, Structures, and Intellectual Property Products by Type.

Residential Home Rebuild/Repair Costs

Cumulative Change over last 5 years



Risky Growth Patterns

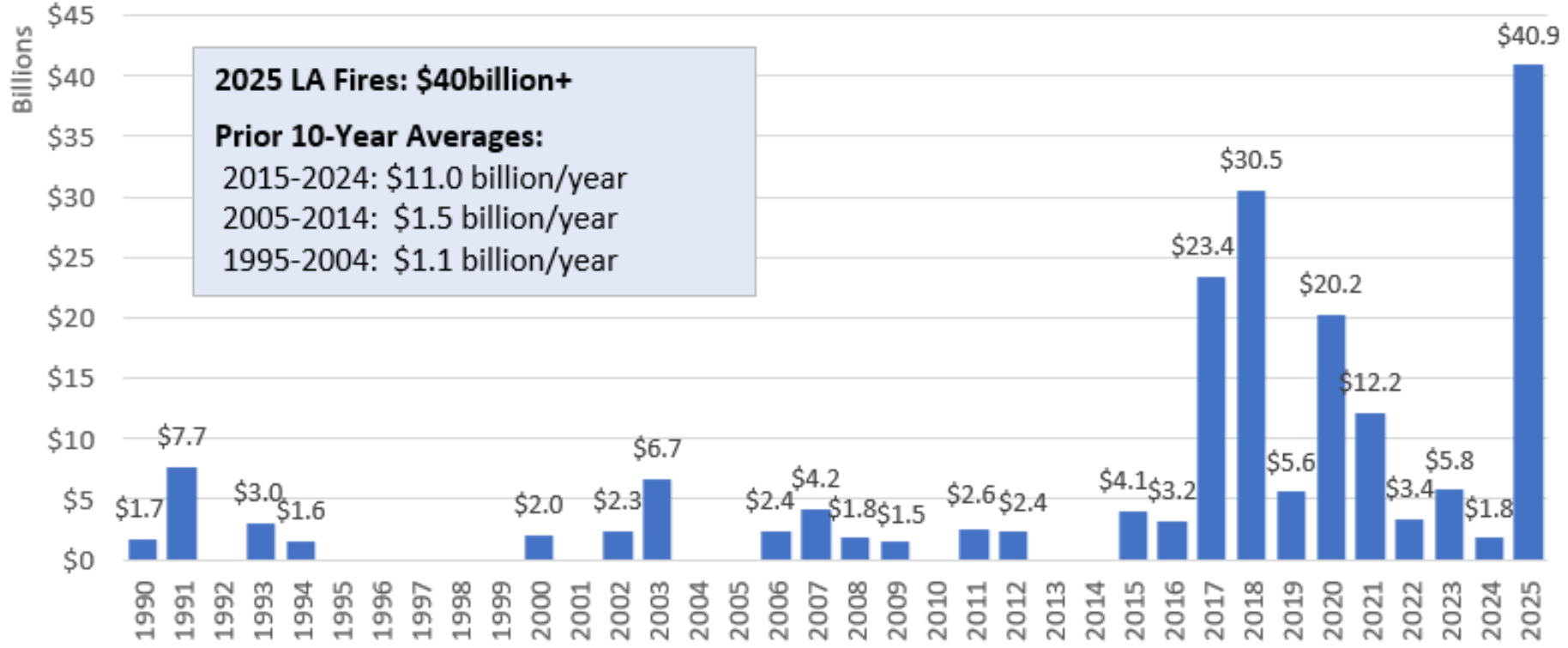


Source: Redfin analysis of data from ClimateCheck, county records.

REDFIN

Estimated annual cost wildfires

(for wildfires events exceeding $1bn)



CPI-adjusted as of March 2025.

Source: APCIA, via Allianz Commercial (Wildfire: Emerging Risk Trend Talk 4)

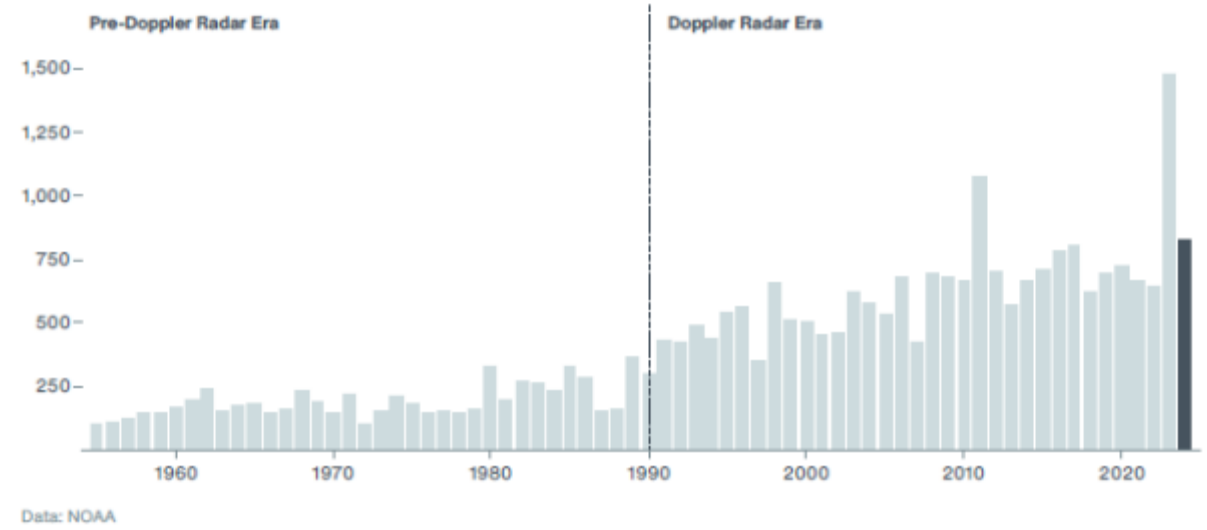
Source: https://commercial.allianz.com/content/dam/onemarketing/commercial/commercial/pdfs-risk-advisory/ARC-Emerging-Risk-Trend-Wildfires.pdf

Data Notes: Compiled by Tom Carmichael. Data from 1990 to 2024 was sourced from the National Oceanic and Atmospheric Administration (NOAA) National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters.
Data for 2025 represents the Los Angeles Wildfires of January 2025, based on mid-range of cost estimates ($28bn to $53.8bn) by the Los Angeles County Economic Development Corporation.
Wildfire events with costs of less than $1bn are not represented. Data predominantly relates to physical property, infrastructure, business interruption and wildfire suppression costs.

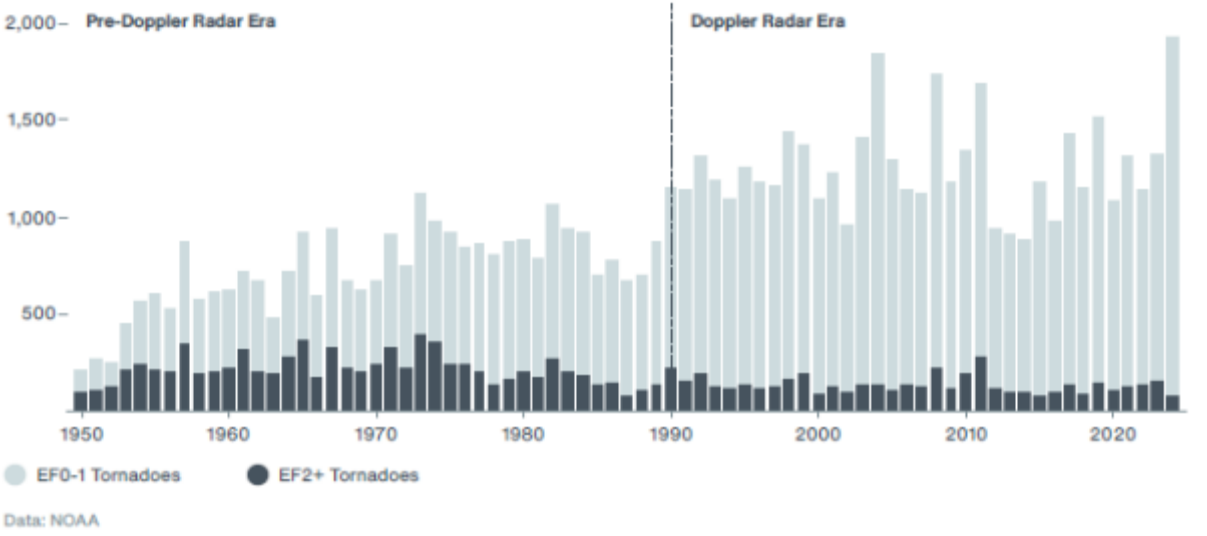
Increasing Severe Storm Losses

Photo credit: Interesting Engineering

U.S. 2+ Inches Hail Reports Since 1955



U.S. EF0+ Tornado Reports Since 1950



Source: Aon 2025 'Climate and Catastrophe Insight'

Increasing Severe Storm Losses

DAMAGE POTENTIAL

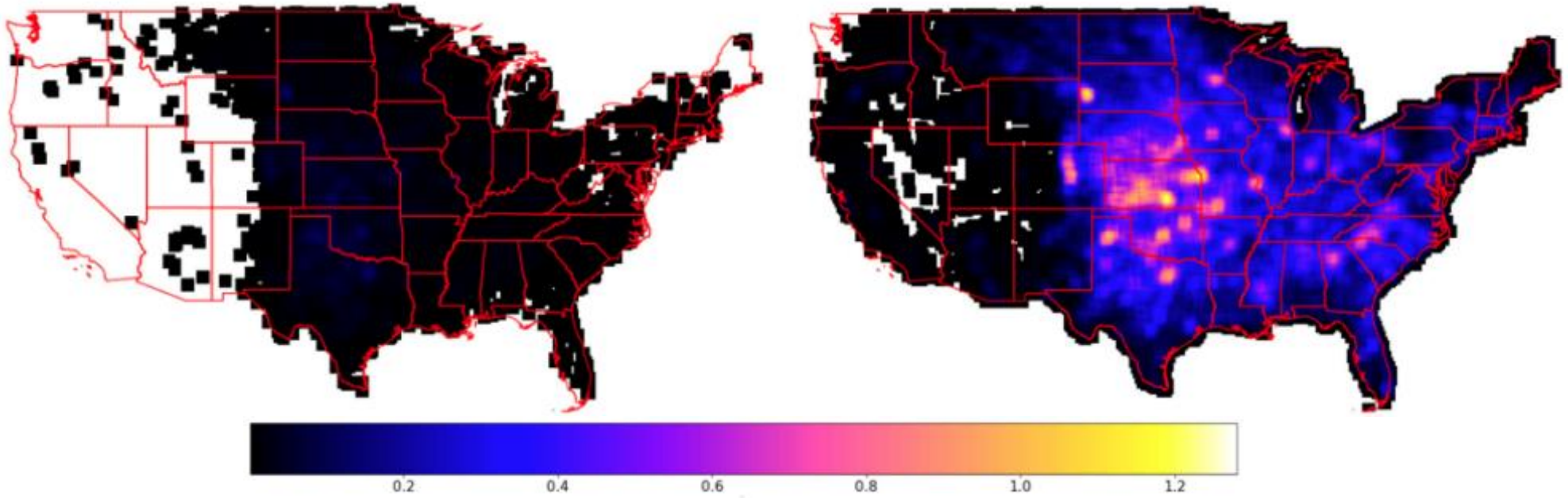
Small Hail (0-1”)
- *Accumulated effect on Susceptibility*
- *Individual granule loss*

Large Hail (1-1.75”)
- *Moderate granule loss*
- *Possible threat of water entry*

Very Large Hail: (1.75”+)
- *Granule loss in patches*
- *Immediate threat of water entry*

Average Annual Frequency for Hailstorms by Maximum Stone Size

Very Large Hail (2 inches+) | Small/Large Hail (<2 inches)



Data: NOAA Storm Prediction Center (SPC) – hail reports 0.75 in.+ (1955-2020)

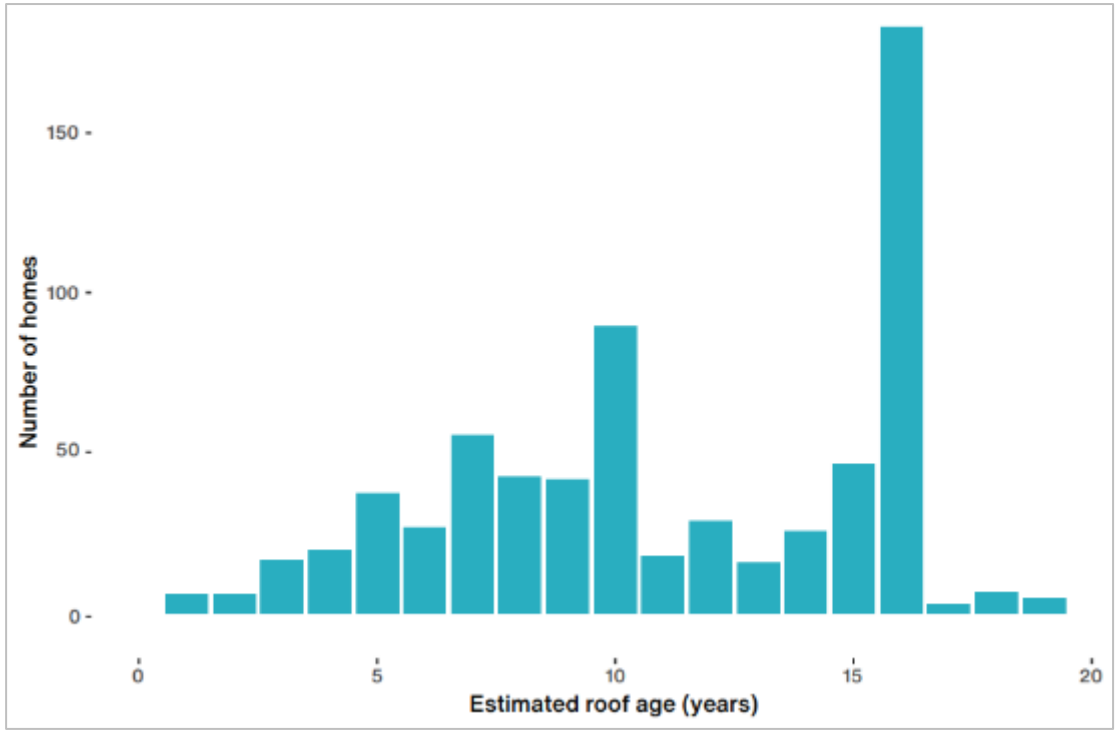
Source: ZestyAI and IBHS *‘Small Hail, Big Problems, New Approach: What We Learned from the Field, the Lab, and Decades of Property Data’*

Increasing Severe Storm Losses

Poor Performance from Asphalt Shingle Roofs

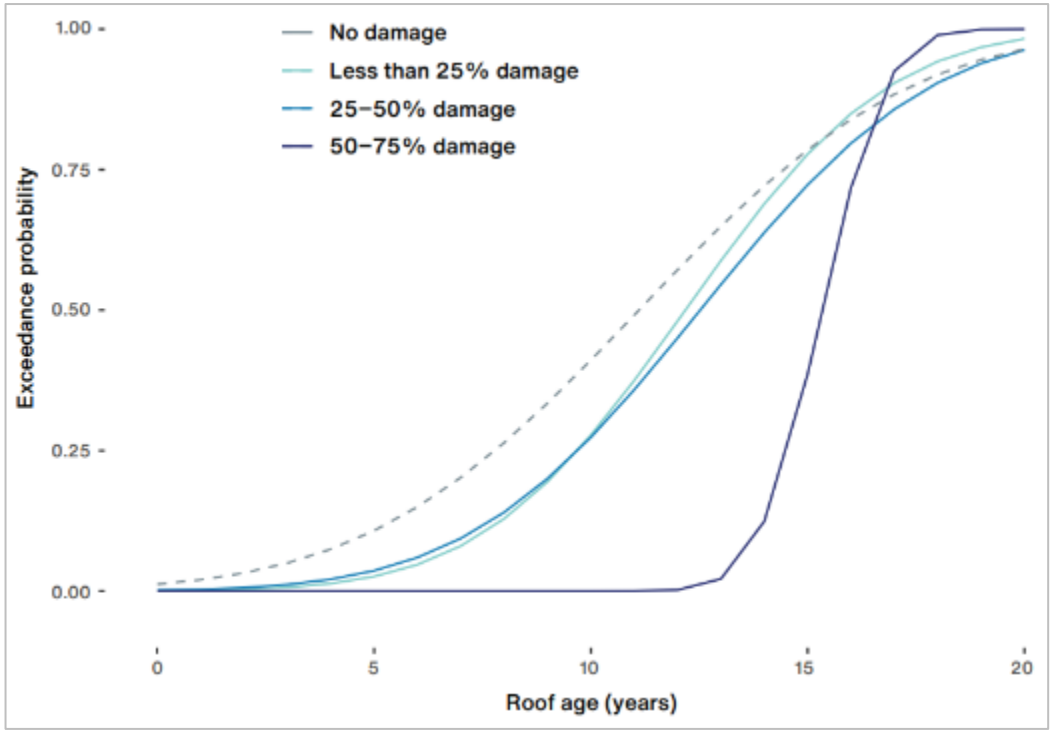
ROOF AGE

Estimated asphalt shingle roof age for single family homes (credit: IBHS)



ROOF DAMAGE PROBABILITIES

2020 Midwest Derecho: Cedar Rapids, IA, Asphalt shingle exceedance probabilities by roof age for proportion of roof damaged (credit: IBHS)



Source: Aon '[Homeowners Return on Equity Outlook](#)' October 2024

Insurance Availability Pressures

Property insurance demand and costs are increasing; capital is decreasing

DEMAND = INCREASING

- Higher Rebuilding Values
- Demographic growth/shifts
- Inflation
- Worsening weather
- Legal System Abuse

SUPPLY = DECREASING

- Rate suppression/delays
  (1 to 2-year lag time for rate filings, approvals, and rolling into new policies)
- Premiums falling behind losses
- Less surplus
- Lack of profitability + volatility = Deters new investment capital

Unproductive Responses

- **Government Catastrophe Backstops**
  - Reinsurers have ample disaster capital on the sidelines
  - Alternative capital markets can be similarly elastic
  - THE PROBLEM IS RATE, NOT LONG-TERM CAPACITY – Government subsidized backstops displace private markets and mask societally beneficial climate risk signals
- **Rate Approval Delays**
  - Mitigation and resiliency funding helps consumers
  - Rate suppression contracts capital and deters new investment capital – creating long-term availability challenges that takes decades to recover from
  - Rate suppression encourages overbuilding & masks the costs of risk

Real Solutions

Survivability = Insurability

Insurers are leading efforts to mitigate risks, to make communities more resilient

- Working with federal & state policymakers
- Supporting resiliency & mitigation programs, such as infrastructure improvements and wildfire solutions
- Advocating for stronger building codes & land use policies
- Funding science-based research into risk mitigation
- Advocating for financial support to increase resilience for vulnerable populations
- Investing/underwriting in climate and renewable technology

Survivability = Insurability

Mitigation Impact Potential

Benefit-To-Cost Ratios

	Overall	Riverine Flood	Hurricane Surge	Wind	EQ	Wildland-Urban Interface Fire
Retrofit vital infrastructure	4:1	8:1	N/A	7:1	3:1	N/A
Retrofit existing buildings	4:1	6:1	N/A	6:1	13:1	2:1
New builds meet codes	11:1	6:1	N/A	10:1	12:1	N/A
New builds exceed codes	4:1	5:1	7:1	5:1	4:1	4:1

Source: APCIA via National Institute of Building Sciences and Swiss Re; vital infrastructure includes utilities, roads, other.

Reducing the Likelihood or Extent of Loss

Safety devices that leverage smart technology can be installed to help predict and prevent damage from occurring within a home or business.

Examples:

- ***Water sensors:*** for leak detection and pressure monitoring that alerts a property owner if a pipe has burst, as well as gas and water shutoff sensors.
- ***Security systems***: includes window and door sensors, smart locks, video doorbells and wireless cameras to fend against burglary.
- ***Smart thermostats and light controls:*** provide property owners with the ability to connect, monitor and further control interior conditions.
- ***Smoke detectors:*** to warn of a fire or carbon monoxide (CO).

Building materials or other upgrades can be completed to help make the exterior of a home or business more disaster resilient.

Insurance Institute for Business & Home Safety (IBHS)

Turning research into resilience

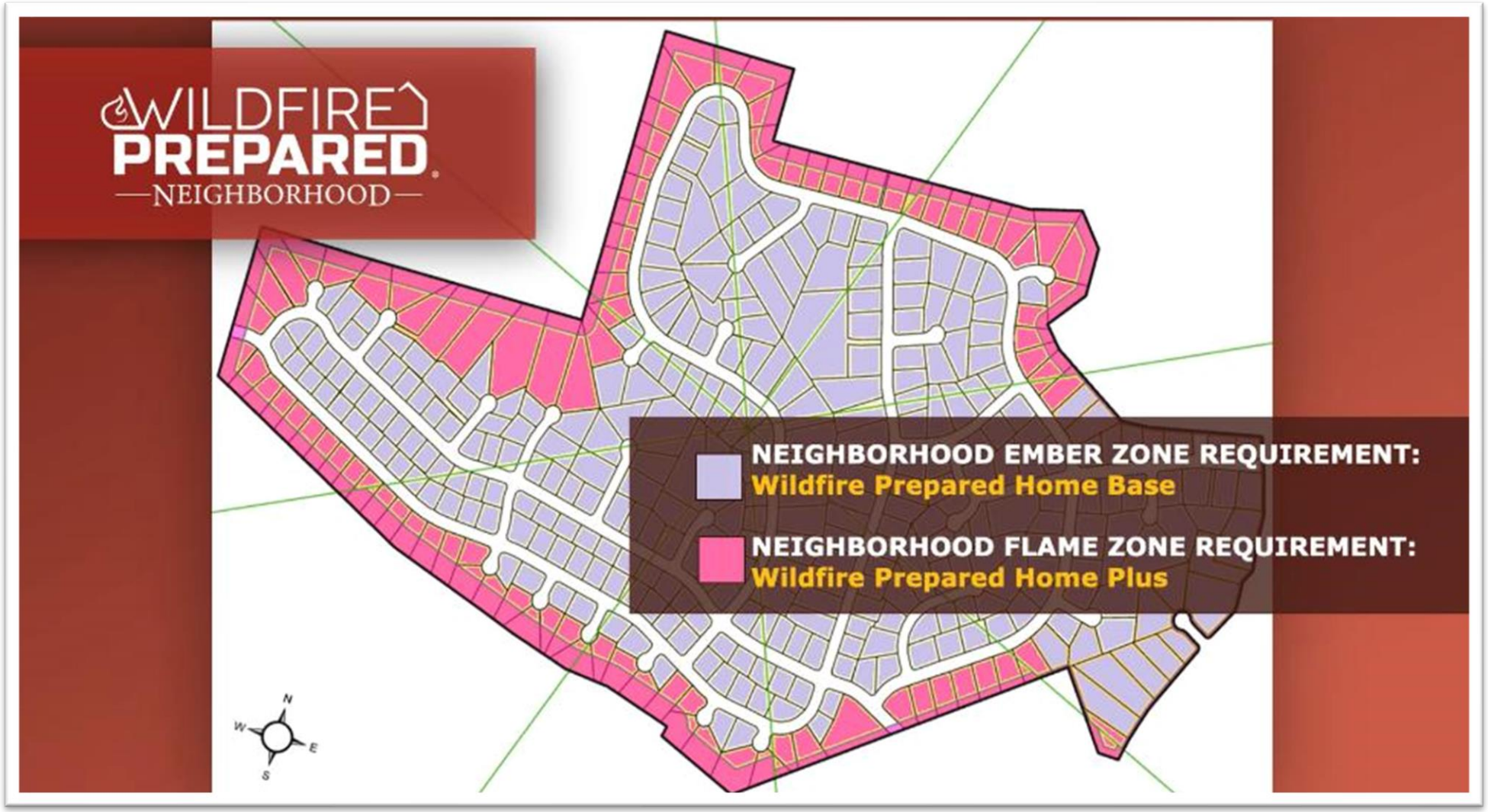
Insurance Institute for Business & Home Safety (IBHS)

When severe weather strikes, **FORTIFIED Roof** keeps the roof on and the rain out. Stronger connections to hold the roof to the house.	**FORTIFIED Silver** includes all the protection of FORTIFIED Roof and adds additional protection to vulnerable and often overlooked components.	For ultimate protection choose **FORTIFIED Gold**. It includes all the protection of FORTIFIED Roof and Silver and requires that your home's entire structure to be tied together.

- **FORTIFIED Home program** – for hurricane-prone regions
- **FORTIFIED High Wind & Hail** – for the middle of the country where homeowners regularly face severe storms that produce powerful high winds, large hail, and dangerous tornadoes
- **FORTIFIED Multifamily** – for new and existing multifamily residential buildings
- **FORTIFIED Commercial** – for community-based and light to moderate commercial structures

https://fortifiedhome.org/solutions/

Insurance Institute for Business & Home Safety (IBHS)



https://wildfireprepared.org/

Stakeholder Alignment on Policy Priorities

Communities

- ***Where and how we build:*** Improve land use policies, adopt and enforce building codes/defensible space
- ***Risk awareness:*** Updated hazard maps (e.g., wildfire, coastal wind, etc.) and related hazard disclosures
- ***Resources:*** Financial incentives

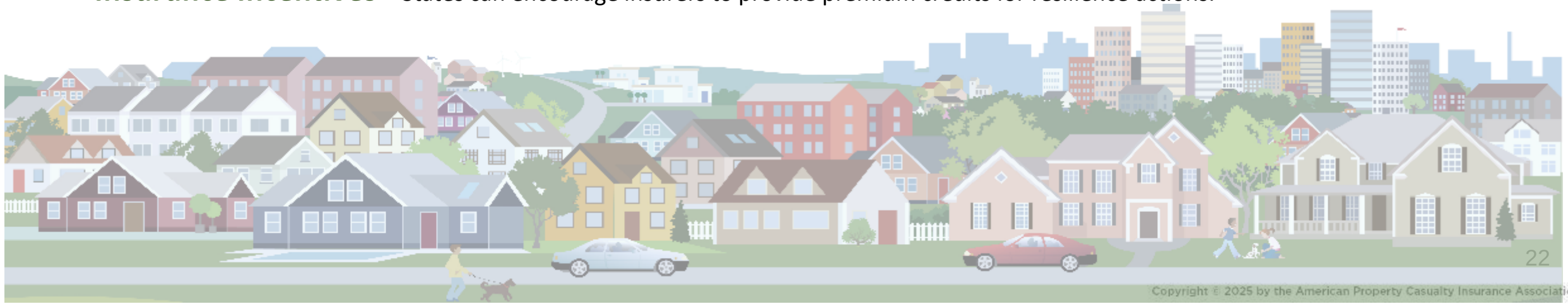
The key: Alignment and rooted in science…
IBHS FORTIFIED and IBHS Wildfire Prepared Home

Infrastructure

- ***Harden utility equipment/lines, flood control*** *(e.g., green and gray infrastructure)*

Financial Incentives for Resilience

- ✓ ***Grants*** – States or local communities can establish resilience grant programs to help property owners. Programs could include a cost-share match from the property owner or through a public-private partnership.
- ✓ ***Low interest loans*** – States or local communities can establish a revolving fund that helps provide loan interest loans for resilience projects. Alternatively, incorporate funding for mitigation into mortgage costs, to spread over 20-30 years (i.e., points or better rates) or through home equity lines of credit (HELOC).
- ✓ ***Waive/reduce fees*** – Communities can provide a rebate, waive, or reduce building permit fees or the cost of designation program inspections, for properties that achieve a qualified resilience designation, such as IBHS FORTIFIED or IBHS Wildfire Prepared Home.
- ✓ ***Tax credits*** – States or local communities can provide a variety of tax credits, such as income tax credits for costs to retrofit homes or businesses, sales tax credits for materials purchased to retrofit, or property tax credits for properties that achieve and/or maintain a resilience designation, such as IBHS FORTIFIED or Wildfire Prepared Home.
- ✓ ***Insurance Incentives*** – States can encourage insurers to provide premium credits for resilience actions.



Financial 'Return on Investment' from Resilience

- ***Property Owners*** – Increased property resale values, improved insurability, avoided loss costs, such as insurance deductibles or other loss related expenses that may occur following a disaster and reduced risk of mortgage delinquencies.
- ***Financial Services Industry*** – Increased property resale values, reduced risk of mortgage delinquencies and financial loss from pre-pays.
- ***Governments*** – Reduced state/federal disaster aid and impacts from potential loss of tax base or negative bond ratings (state/municipal)

Alabama FORTIFIED re-sale value study link

*2024 research from the Alabama Center for Insurance Information and Research at the University of Alabama indicated FORTIFIED designated homes **sell for 7% higher** on average and qualify for **insurance discounts** ranging **between 20-60% on wind coverage**, depending on the level of upgrades.*

Mortgage delinquency study link

*June 2024 study from IBHS and CoreLogic indicated adopting and enforcing modern codes benefits all by **reducing the risk of mortgage delinquencies** for banks, investors, insurers and homeowners, as people are allowed to stay in their homes and avoids much of the damage, disruption and long-term displacement.*

Louisiana FORTIFIED net benefit study link

*2025 Louisiana Legislative Auditor report concluded the **"net benefit" of $17.9k** over the life of a roof exceeds the "cost" of $17.0k to retrofit to an IBHS FORTIFIED roof; potentially higher benefit for homes at higher risk of hurricanes.*

Florida 'Babcock Ranch' link

*Touted as the first fully sustainable and "hurricane-proof" community, sustained **no damage** from Hurricanes Ian in 2022 and Milton in 2024, due to key design features such as structural hardening, flood control and resilient infrastructure.*

Lahaina 'miracle house' link

*Aka the 'red roof home', **survived** the 2023 Lahaina fire unscathed, due to mitigation efforts that reduced the ignition risk of the home.*

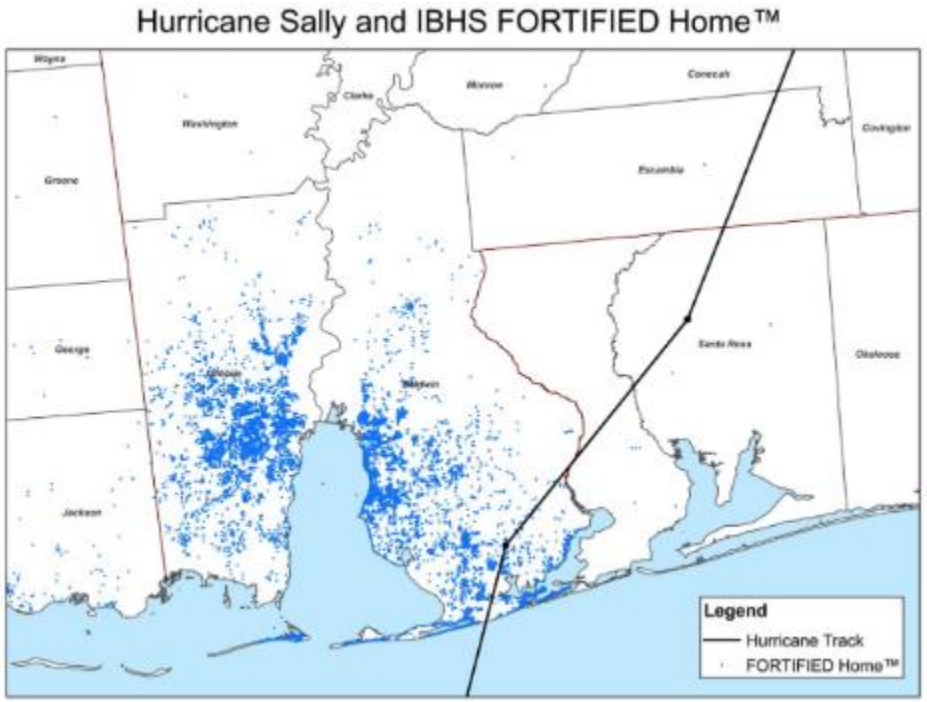
North Carolina FORTIFIED loss study link

*Institute for Advanced Analytics at North Carolina State University analyzed insurance claims from several hurricanes – including Dorian, Florence, Matthew and Isaias – and in 2024 reported that **claims fell by 34.5%** and the **loss per storm declined by 22.7%** for homes with IBHS FORTIFIED roofs and contributed to lower insurance costs.*

Alabama Hurricane Sally report link

*2025 report from the Alabama Center for Insurance Information and Research at the University of Alabama indicated FORTIFIED designated homes had **66-71% lower losses** and performed **over 50% better** than houses built to similar code but not designated.*

Alabama Study on IBHS FORTIFIED Performance in Hurricane Sally



2020 map of the 16,000 IBHS certified Fortified roofs in coastal Alabama, along with the path of Hurricane Sally. (IBHS)

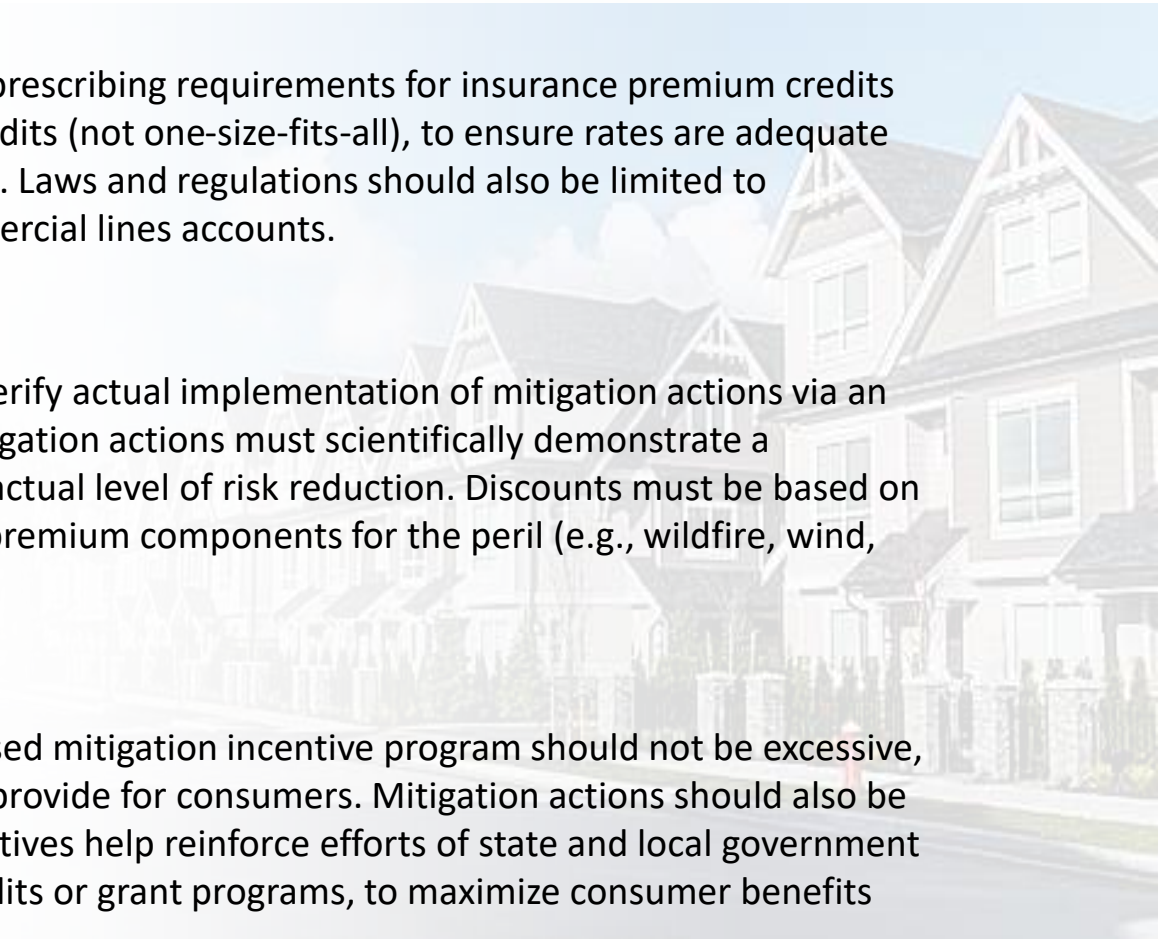
Credit: https://www.al.com/news/mobile/2020/09/alabamas-nation-leading-16000-fortified-roofs-held-up-well-to-hurricane-sally.html

- As of 2025, Alabama leads the nation with 53,000+ FORTIFIED designations
- Hurricane Sally (2020) was the first test of FORTIFIED houses
  - FORTIFIED homes had **66-71% lower losses** (lower claim frequency/severity)
  - FORTIFIED Roof-designated houses **performed over 50% better** than houses built to similar code but not designated, highlighting the value of the third-party enforcement mechanism

(IBHS and AL CRIR study link)

APCIA Policy View

Keys to an Effective Insurance-Based Mitigation Incentive



1. **Voluntary, flexible, and limited in scope**

   Voluntary actions are preferred, however, laws or regulations prescribing requirements for insurance premium credits must provide insurers flexibility in setting rates and related credits (not one-size-fits-all), to ensure rates are adequate and companies can individually manage their unique exposure. Laws and regulations should also be limited to residential property lines due to the complexity of large commercial lines accounts.

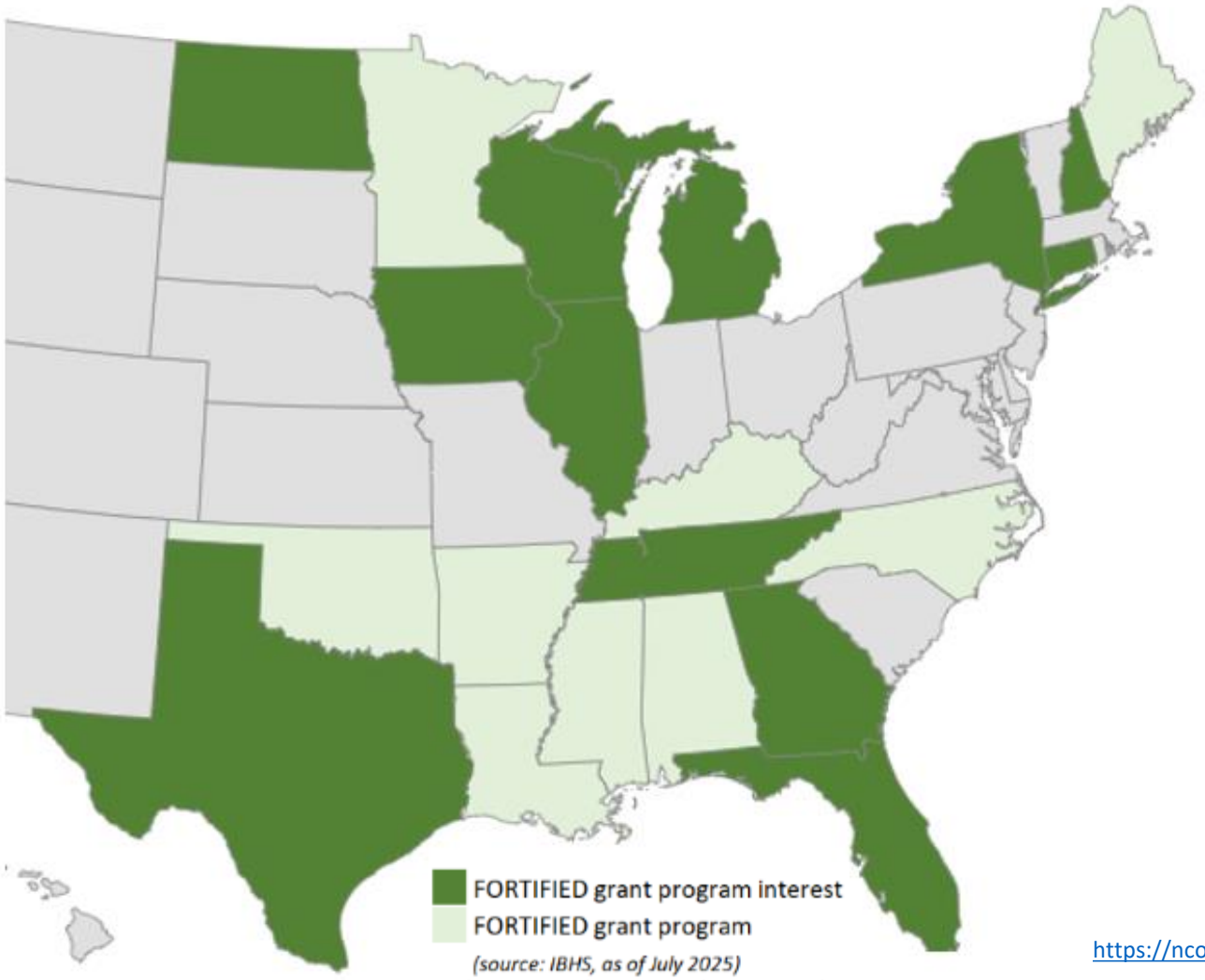
2. **Verifiable, grounded in science, and risk-based**

   To help meaningfully reduce losses, insurers must be able to verify actual implementation of mitigation actions via an independent and credible source. Additionally, prescribed mitigation actions must scientifically demonstrate a reduction in risk, with premium credits commensurate to the actual level of risk reduction. Discounts must be based on actuarially credible data and applied to actuarially supported premium components for the peril (e.g., wildfire, wind, hail) being mitigated against.

3. **Cost-effective, consistent, and complementary**

   The cost and measures needed to implement an insurance-based mitigation incentive program should not be excessive, thus negating the potential savings a mitigation program may provide for consumers. Mitigation actions should also be consistent with local codes and ordinances, so insurance incentives help reinforce efforts of state and local government officials and amplify other financial incentives, such as tax credits or grant programs, to maximize consumer benefits and resilience.

NCOIL 'Strengthen Homes' Model Act



- **Grant program**: Create "Strengthen Homes Program" under state DOI or a similar agency, to provide financial assistance for roof retrofits for insurable homes (with a homestead exemption).
- **FORTIFIED standards**: Retrofits must meet IBHS FORTIFIED roof standard.
- **Insurance discount**: Requires insurance discount for homes that receive IBHS designation, if actuarially justified and evidence of cost savings exists.

https://ncoil.org/wp-content/uploads/2024/12/NCOIL-Strenghten-Homes-Model-Final-November-2024.pdf

Incentives for Wildfire Resilience

In California, and a couple other states, laws have similarly been passed to require insurers provide discounts for actions that make homes more resilient to wildfire.

The **IBHS Wildfire Prepared Home** standard requires a set of actions to be taken together to meaningfully reduce risk of ignition from embers, direct flames, and radiant heat. Thus, homes that meet (and maintain) this standard are ***scientifically shown*** to be the most resilient.

Though, similar action must be taken (and maintained) at a community-scale to fully reduce risk of conflagration events.

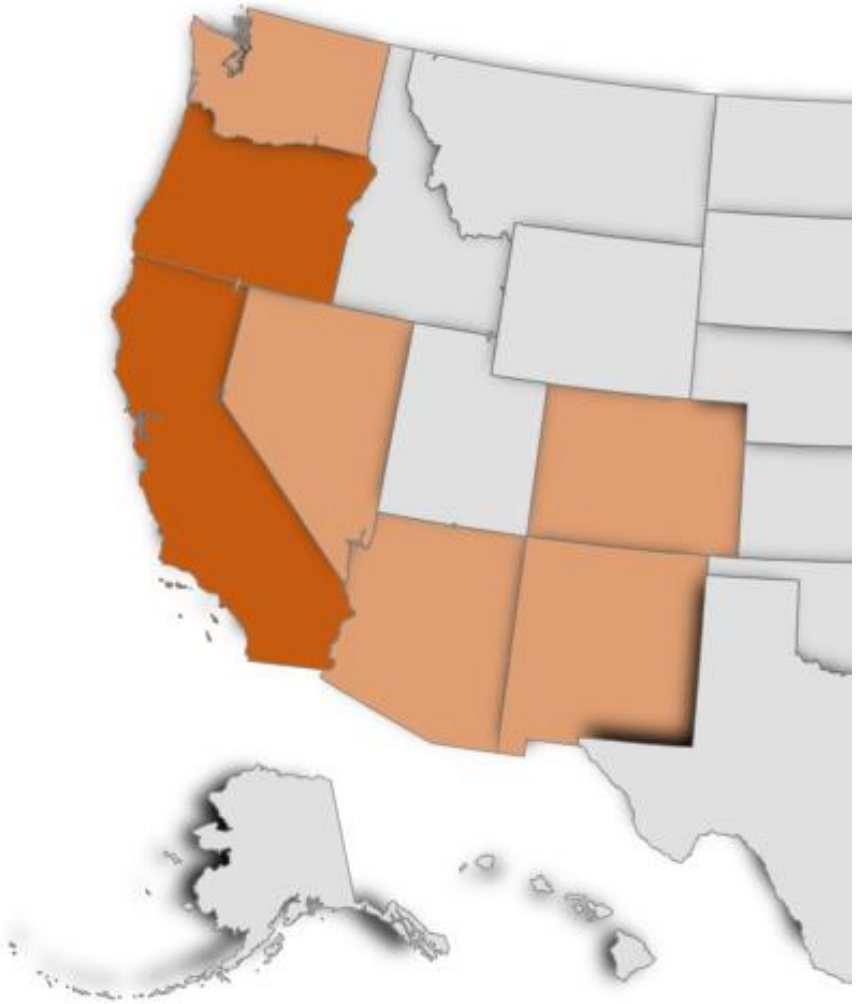
https://wildfireprepared.org/

IBHS Wildfire Prepared 'Home' program:

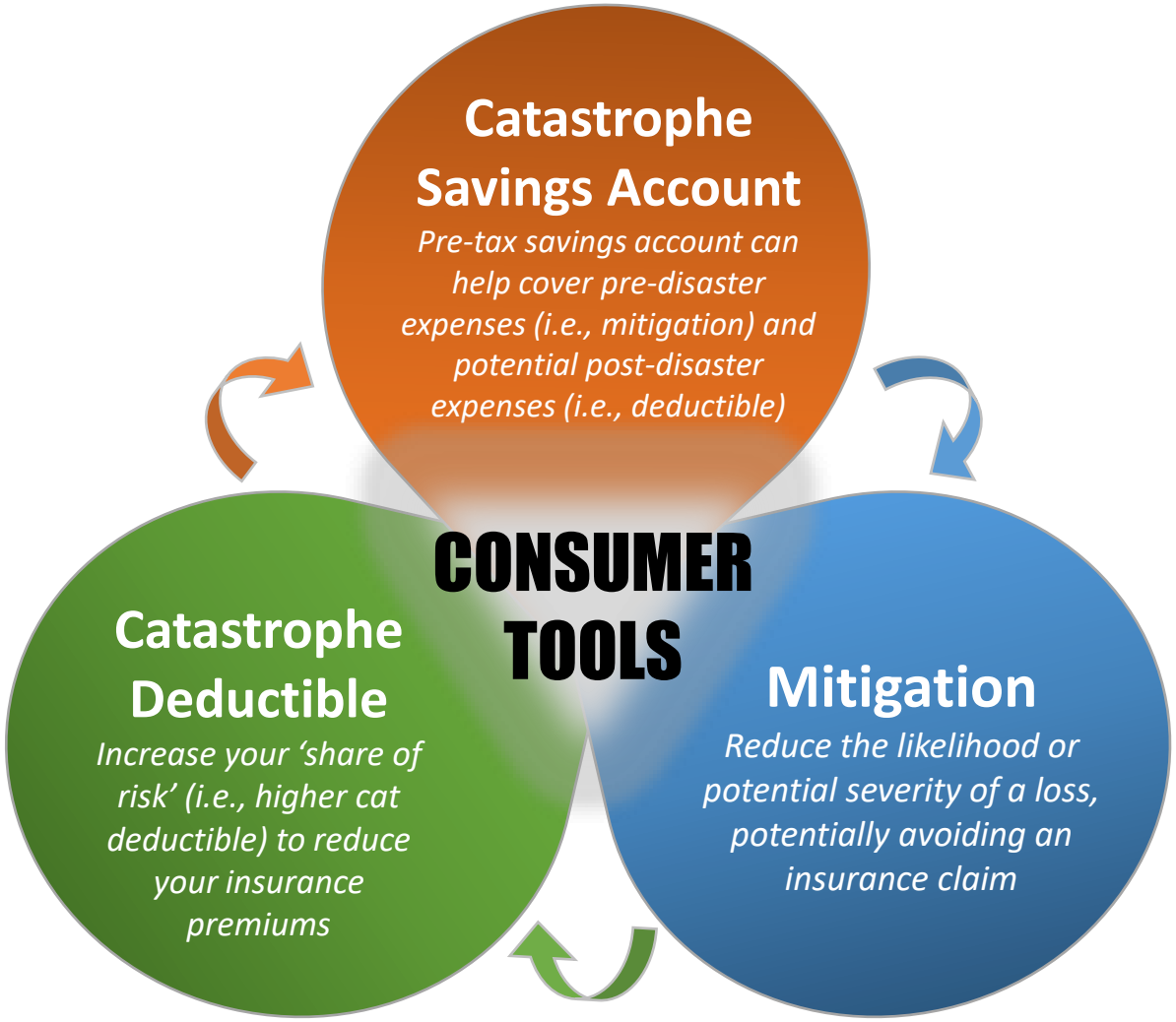
Now available *Interest*

IBHS Wildfire Prepared 'Neighborhood' program:

Pilot program launched in CA in 2025



Consumer Resilience Strategy



CSA-related activity:

NCOIL – Resolution approved in November 2024
'*Resolution in Support of Establishing Catastrophe Savings Account*'

Urges state and federal legislation to amend tax codes to support pre-event mitigation and post-event recovery.

States

- CA AB 232 (2025, died)
- CT SB 1401 (2025, died)
- LB HB 127 (2025, died)

Federal

- Residential Emergency Asset Accumulation Deferred Taxation Yield (READY) Account Act (2025)

Building Codes: Performance in Florida (2022)

Babcock Ranch is a 2,000-home community built 12 miles northeast of Fort Myers, Florida, and only 35 miles (as the crow flies) from where Ian made landfall in Cayo Costa. Touted as the first fully sustainable and "hurricane-proof" community, it received considerable attention because the community never lost power, experienced no flooding, and sustained minimal damage following category 4 Hurricane Ian.

Photo Credit: https://www.floridaforboomers.com/babcock-ranch-hurricane-ian

Suggested Policy Recommendations for the States and Localities

- Maximize the use of federal response and resilience funding, research and information and use information from other public and private sources including insurers.
- Coordinate legislative and administrative agencies in a whole of government approach to resilience and loss prevention.
- Engage with the insurance regulator on any insurance market questions, gain information on insurance cost drivers and help assure there are no unnecessary regulatory barriers to risk assessment and actuarial ratemaking, beneficial use of technology such as aerial imaging and innovative insurance products such parametric insurance.

Suggested Policy Recommendations for the States and Localities Cont'd

- Allow flexibility in insurance coverage so as to be able to insure more people.
- Empower consumers and communities to understand, reduce and manage their risks--assure the dissemination of risk information at point of real estate sale and afterwards and with communities.
- To the extent feasible, provide funding to support mitigation efforts--loss mitigation is far more cost/effective than paying the inflated costs of rebuilding after a loss, not to mention the human trauma that can be prevented.
- Authorize and fund non-taxed catastrophe savings accounts to allow consumers to better finance their own mitigation work and cover any insurance deductibles.

Suggested Policy Recommendations for States and Localities--Cont'd

- Enact and enforce building codes based on the latest data and best practices to prevent loss of life and property.
- Enact and enforce land use legislation that prevents the further increase of assets into climate sensitive areas.
- Upgrade infrastructure of all kinds to remedy repetitive loss conditions.
- Consider how to reduce the other drivers of insurance costs in the jurisdiction, including lawsuit abuse, inflation and other factors, to the extent relevant.

Note: A good example is how Florida has addressed its natural catastrophe risk and insurance cost issues.

Concluding Takeaways

Affordability

Key is risk mitigation, loss prevention and flexibility to tailor coverages to consumer needs and ability to pay

Availability

Key is allowing risk-based rates

Real Solutions

Key is society-wide/government-wide multi-sector focus on resilience and sustainability