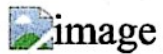


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Home-Insurance Rates Are Only Going Up

BY JEAN EAGLESHAM

Collin County in North Texas is the kind of place that delights developers and scares insurers. A magnet for Dallas commuters and thunderstorms alike, the county is home to four of the nation's 10 fastest-growing cities and some of its worst weather.

This year, 12 hailstorms have battered Collin County and generated an estimated \$400 million in damage. The region's surging expansion into the path of such storms is a pattern repeated across much of the country.

The net effect: Losses from storms, wind, wildfires and other natural disasters are hitting new records, slamming insurance-company profits and forcing home-insurance rates ever upward.

"In my own circle of friends and family, whenever we're together, home insurance is now a topic of conversation," said Julie Penrod, who owns a Goosehead Insurance agency in Plano, part of Texas' Collin County.

Penrod, who has lived all her life in Collin County, said her own home-insurance premium has doubled in two years. "I talk to clients daily to see what we can do to help alleviate the costs," she added.

Higher home-insurance rates are here to stay, while homeowners in many areas face an increasing risk of nonrenewals, reduced coverage and expensive policy conditions, from paying for a new roof to cutting down trees.

For tens of millions of Americans, home insurance will never be the same, insurers and analysts say.

"I don't expect the property market to soften any time soon," said Mario Greco, chief executive of Zurich Insurance. "Nobody is ready to bet on a different weather pattern."

Disaster-prone areas

Behind the crisis: Climate change is making the weather worse, scientists and insurers say. But that is only part of the story. A bigger driver of the record underwriting losses roiling home-insurance markets in many states is the propensity to build in disasterprone areas.

"We're just putting more things to break where the weather is," said Neil Alldredge, chief executive of the National Association of Mutual Insurance Companies. "If you were a dictator and wanted to move your population to all the most dangerous places, you couldn't do a better job than we've done to ourselves."

Insured losses from U.S. storms have grown 8% a year for more than a decade, according to reinsurer Swiss Re, faster than economic growth. Climate change accounted for around an eighth of that increase. Inflation made up more than a third of the annual rise and development in disaster-prone areas much of the rest.

Hail, in particular, is putting a hole in insurers' profits. It drives 50% to 80% of insured losses from thunderstorms, which are this year expected to hit \$51 billion globally—more than a third of all natural- catastrophe losses, a Swiss Re report this month said.

To account for the changes, insurers are increasingly penalizing storm-prone areas in Texas and Colorado, as well as Midwestern states such as Illinois, Iowa, Michigan, Minnesota and Wisconsin, analysts said. Eye-watering premiums and coverage cancellations are spreading.

Home insurers in Collin County have in the past two years typically doubled the hail-and wind deductible to 2% from 1%, Penrod said. That is an expensive change: For a \$500,000 home, it means the policyholder has to pay the first \$10,000 of any claim.

A storm in September pelted homes in Hebron on the county line with 2-inch stones, each about the size of a hen's egg, local television reported. In 2019, hail up to 4.5 inches—roughly softball size—across the county caused \$733 million of damage, according to insurance broker BMS Group.

Bundled policies

Penrod said a lot of insurers are now requiring customers to buy bundled home and auto policies as a condition of getting their property insured.

Texas insurance regulators have overseen rate increases averaging 55% since the start of 2019, more than the 45% nationwide average over that nearly six-year period, S&P Global Market Intelligence data show.

Premiums will keep rising next year, analysts predict. "Nationally, rate increases will probably still be in the double digits for the year to come," said Michael Zaremski at BMO Capital Markets.

Homeowners in Texas and other storm-prone states face a higher risk of nonrenewals, as insurers try to cap their overall exposure to weatherrelated losses. Progressive, for example, told investors recently that it shrank its homeinsurance policies in "volatile weather states" by 9% in the three months through September, while growing the policy count by 19% elsewhere.

The insurer has "temporarily restricted" some agents' sales of new home-insurance policies in several states, said a spokesman, who declined to identify the affected areas. States where Progressive this year said it has racked up a lot of its storm losses include Texas, Colorado, Missouri and Nebraska.

These four states last year suffered some of the highest hail losses per home in the country, according to data provider LexisNexis Risk Solutions. Hail damage has become a much bigger headache for home insurers recently, causing an estimated 2.8 million claims this year—by far the biggest single source of claims and almost double the 1.5 million tally of just two years ago, according to insurancedata firm Verisk Analytics.

Companies are zeroing in on the areas—and houses—most at risk. "We're seeing insurers getting the upper hand on hail risk," said Andrew Siffert, senior meteorologist at BMS.

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