

## WSJ Print Edition



Ryan Harper and his wife decided to sell their Santa Clarita, Calif., mansion after their insurance costs tripled.



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### Luxury Homes Are Facing A Steep Rise in Insurance

Many are in parts of the country that are now hotbeds for climate disasters

BY GINA HEEB

Ryan Harper and his wife decided to sell their Santa Clarita, Calif., mansion last year after the insurance premium on it nearly tripled. An exodus of home insurers from the state had left them with a state-government insurance policy, as well as a supplemental private one, that cost more than \$7,000 a year.

The Harpers listed the sixbedroom Spanish-style home, which had been labeled fireprone by the state, at \$1.25 million. Months went by with little interest. For the handful of potential buyers who did emerge, insurance costs would often come up as a concern. The couple dropped the price by \$75,000, then took it off the market.

“To sell a home in California right now seems almost impossible,” Harper said. “The insurance market is crazy.”

Insurance premiums have surged across the U.S. for homes of all types. But the increases have been particularly dramatic for some luxury real estate, a change that could ripple through the market for high-net-worth and investment home buyers and sellers.

At Citizens Financial Group, home-insurance premiums for mortgage loans of more than \$1.5 million jumped 130% between mid-2020 and mid-2024. For mortgages of between \$400,000 and \$800,000, home insurance premiums increased 12% over the same period.

Luxury homeowners pay more in part because their properties often sit along the coastlines, forests and deserts that have become hotbeds for climate disasters in recent years.

Major insurance companies have pulled back from those parts of the country, as disasters have turned more frequent and severe. In states such as Florida and California, some companies have left completely.

Losses from Hurricane Helene across the Southeast have added to concerns that insurers could further increase premiums in high-risk markets or even withdraw from them. Property damage from the Category 4 storm could be as high as \$26 billion, according to estimates from Moody's Analytics.

"What I'm hearing companies saying is, I have less of an appetite for high-end homes," said Dale Porfilio, chief insurance officer at the Insurance Information Institute. "Because that is an awful lot of money to put at risk for a single home that could be destroyed."

Insurance companies have increasingly sought to spread out that increased risk across a greater number of homes, according to Porfilio. Some would rather insure four \$250,000 homes than one \$1 million home, for example. That has forced more luxury homeowners to go to specialty insurance companies that are less regulated than the rest of the market, he said.

"I've gotten calls where people are incredulous" about the rise in insurance premiums, said Paulette Koch, a Palm Beach, Fla.-based luxury real-estate broker at Corcoran Group. "It's part of the cost of living here."

Years of inflation haven't helped. Insurance companies have had to contend with widespread increases in costs to rebuild homes, especially for those that require high-end or boutique materials, as well as for reinsurance policies. Still, home-insurance premium increases have outpaced broader inflation.

"Beach homes, second homes and the like, their insurance factors have gone up more substantially," said Eric Schuppenhauer, former head of consumer lending at Citizens.

Insurance companies have pulled back around the same time that more Americans have flocked to some floodand fire-prone parts of the country.

"If you're an insurance company, it feels like overnight your exposure has gone up threefold," said Robert Kerdasha, a director at the insurance brokerage firm Assured-Partners, which specializes in high-net-worth clients.

Kerdasha said he has recently had to spend "more time than ever" with his clients, who are millionaires and above, on conversations "about why their rates are what they are" for home insurance.

Some homeowners have decided to drop protection altogether, or self-insure. But that is an option only for those without a mortgage, since banks require home insurance.

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