



The Homeowners Insurance Market: A Changing Landscape of Affordability and Availability

New Mexico Economic and Rural Development and Policy Committee

October 20th, 2026

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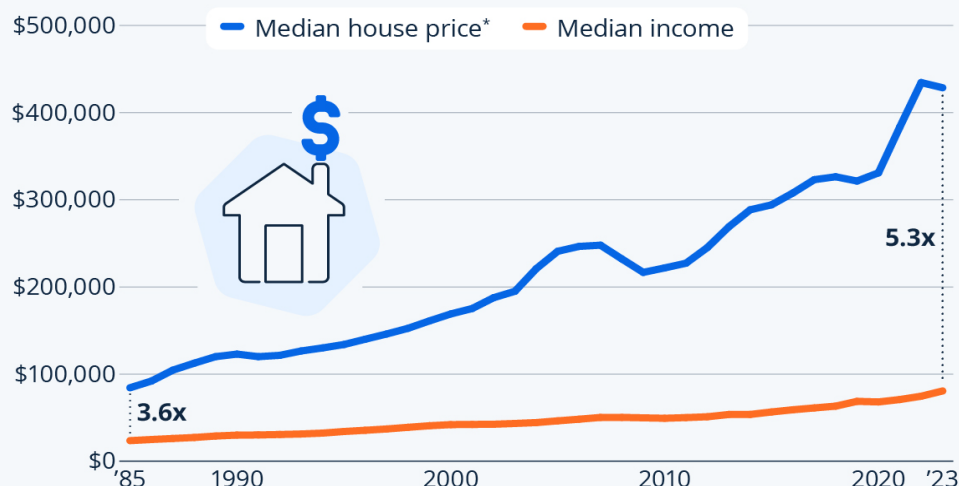
American Property Casualty Insurance Association



Housing Affordability Near Record Lows (Median Income vs Home Prices/Qualifying Income)

House Prices Outpaced Income Growth Over the Past 40 Years

Median household income and median house price in the United States (in current U.S. dollars)



* Median sales price of new privately-owned houses

Sources: U.S. Census Bureau, U.S. Department of Housing and Urban Development



statista

United States

Gap Between Actual Median Household Income and Qualified Income

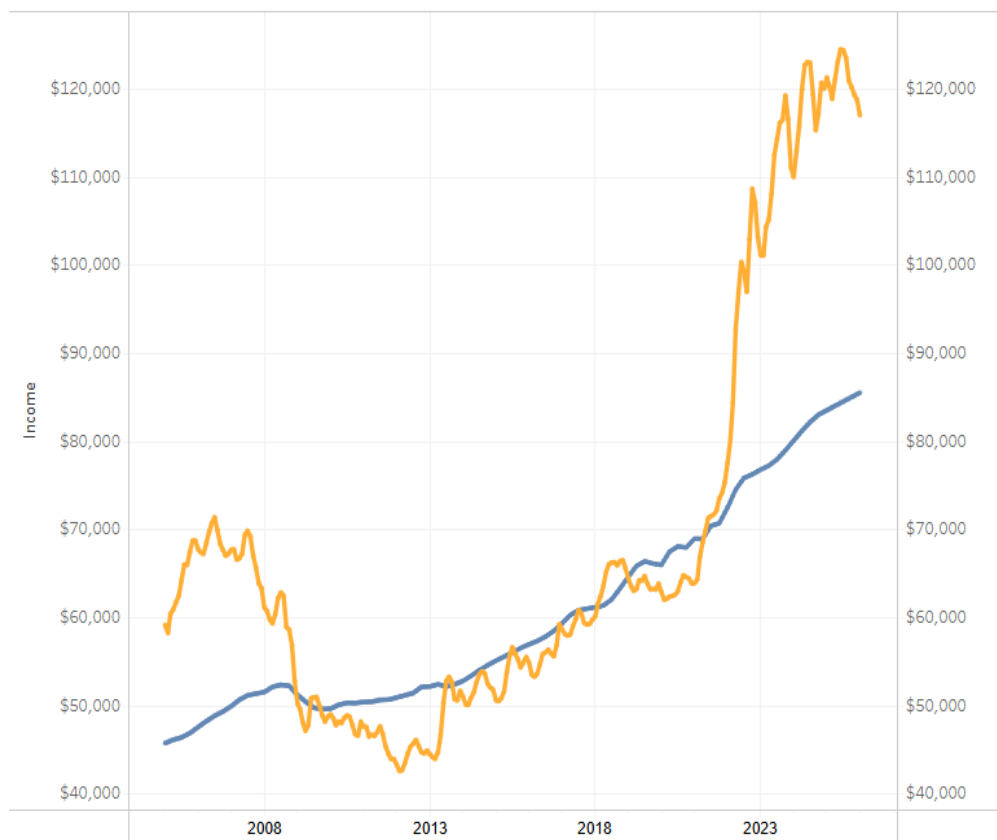
(Qualified Income = Income needed for annual homeownership cost to equal no more than 30 percent of annual income)

Source: Federal Reserve Bank of Atlanta

Select Measure>>>

Actual Median Income

Qualified Income

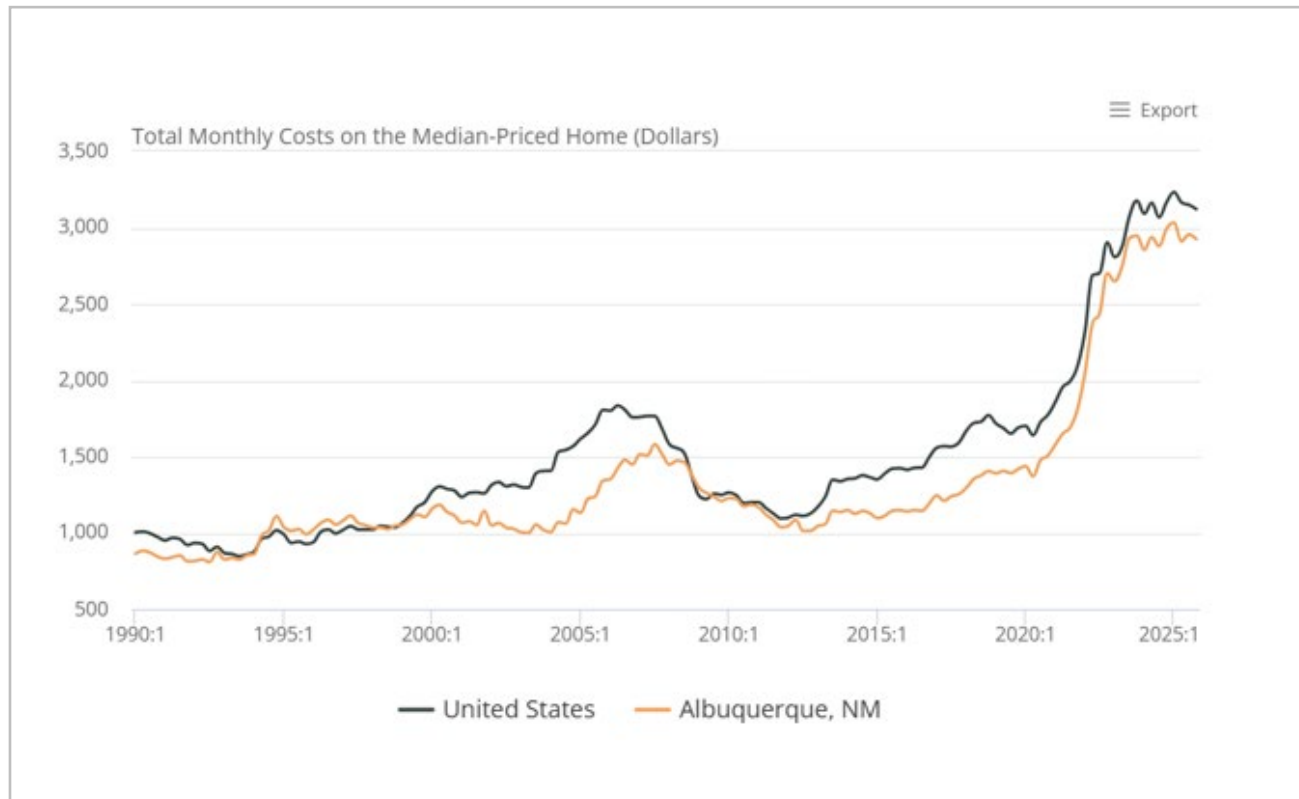




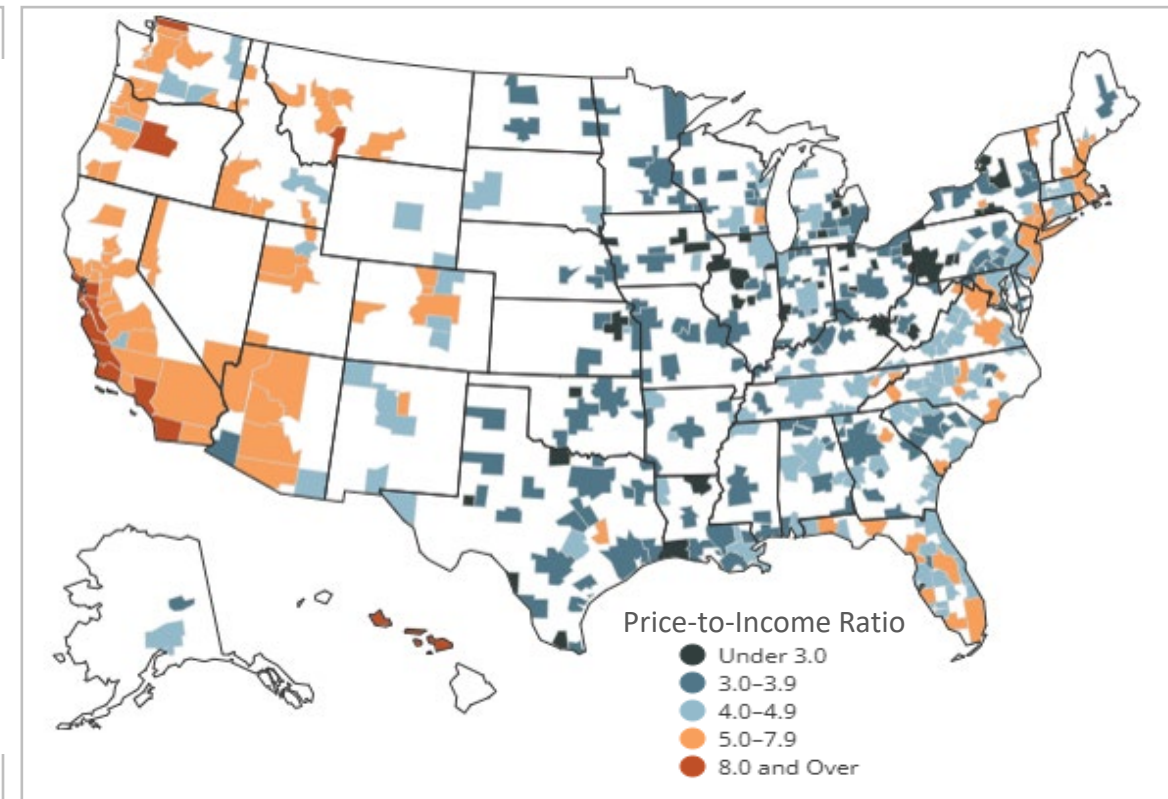
Housing Affordability Near Record Lows

JCHS State of the Nation's Housing 2026

Home Price-to-Income Ratios
Albuquerque Metro Area, since 1990

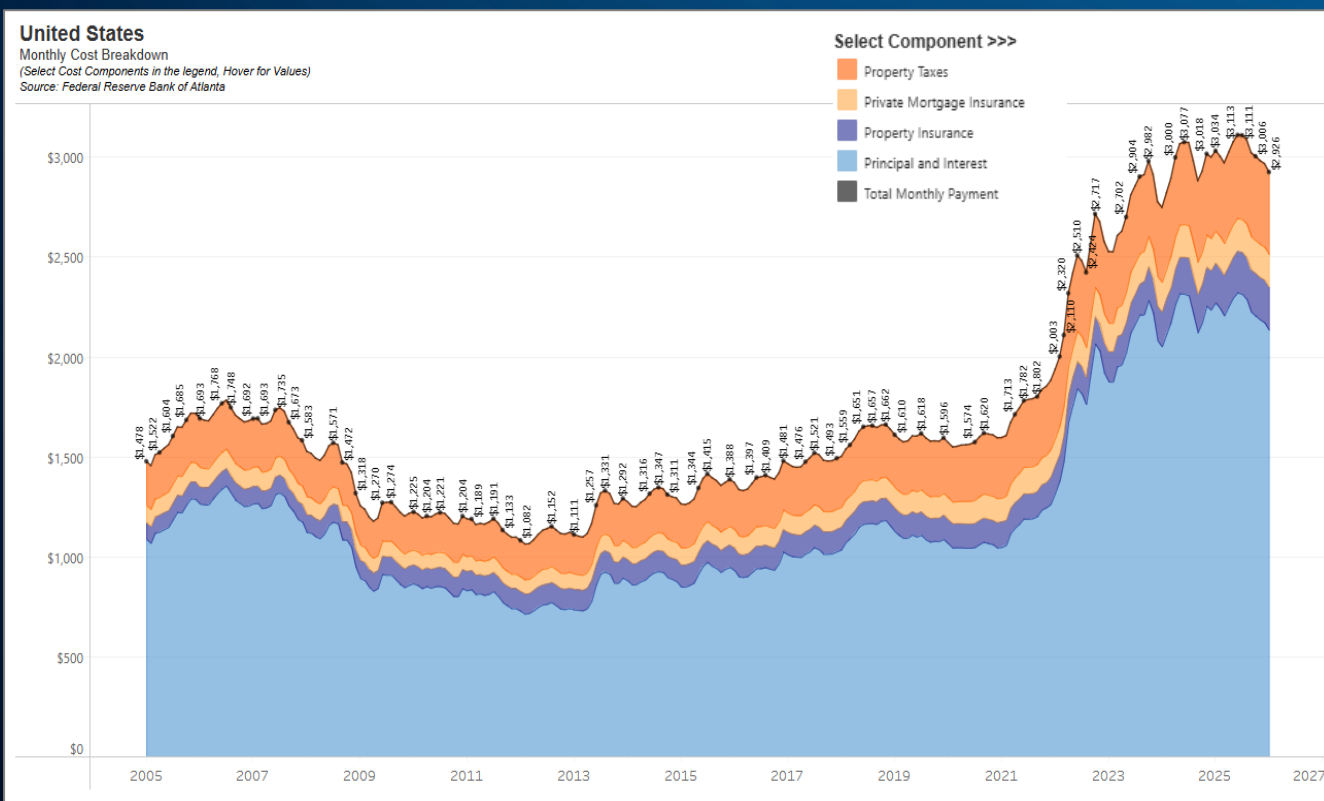


Home Price-to-Income Ratios
Metro Areas, 2025

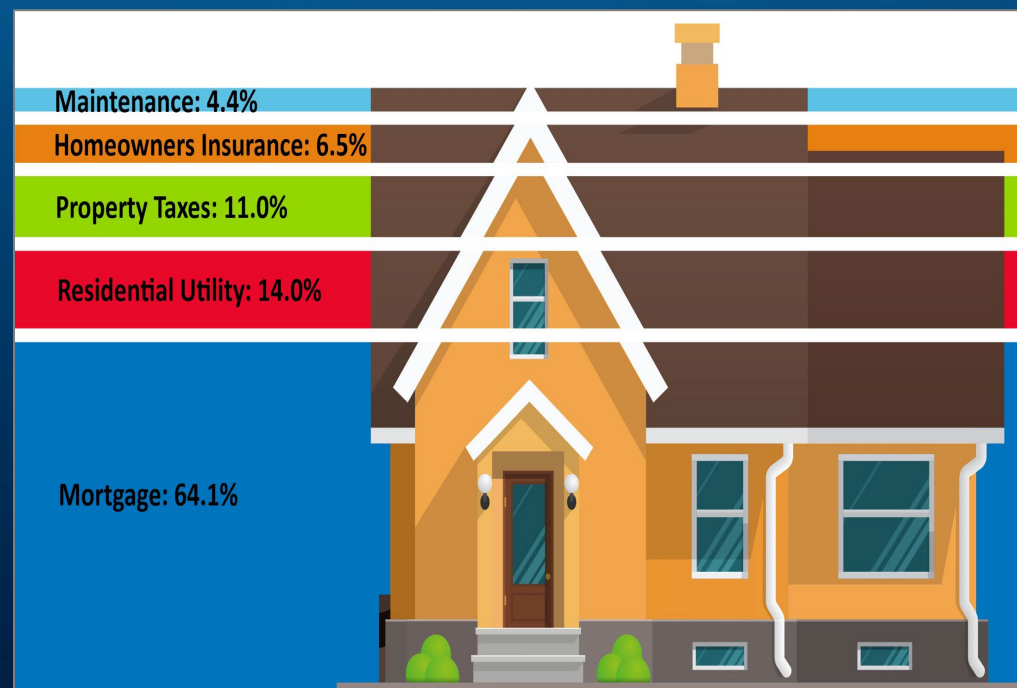




Insurance is a Relatively Small % of Costs (Monthly Breakdown of Homeownership Costs)



Source: Federal Reserve Board (Principal & Interest, Insurance, and Taxes)



Sources: Experian, Statista, ATTOM, Statista, Insurify, Bureau of Labor Statistics

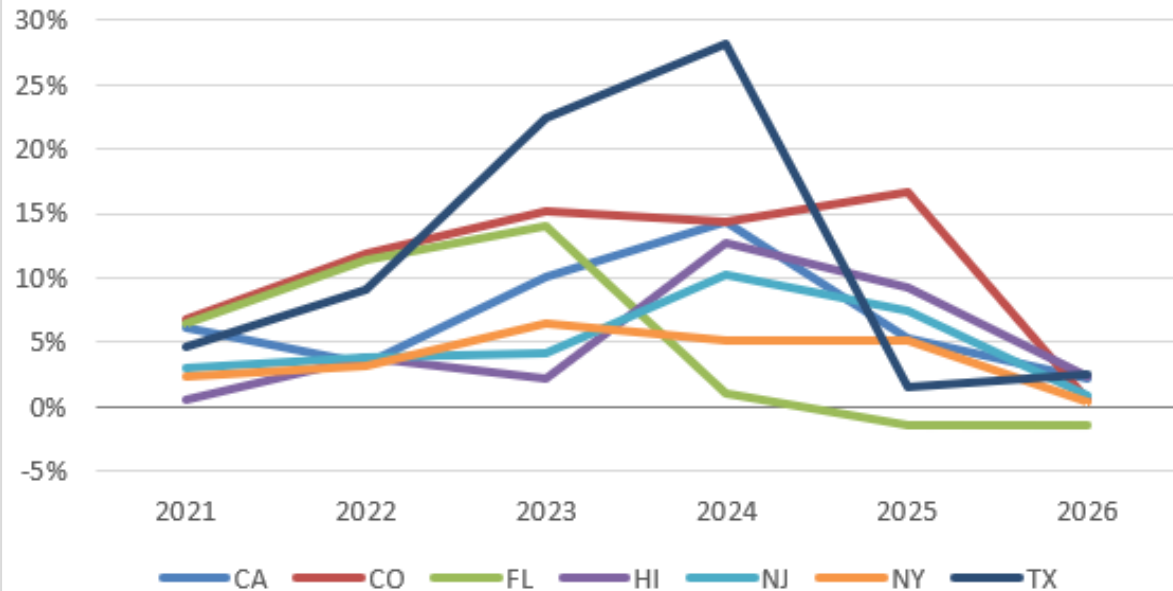


Rate Changes (HO & Condos)

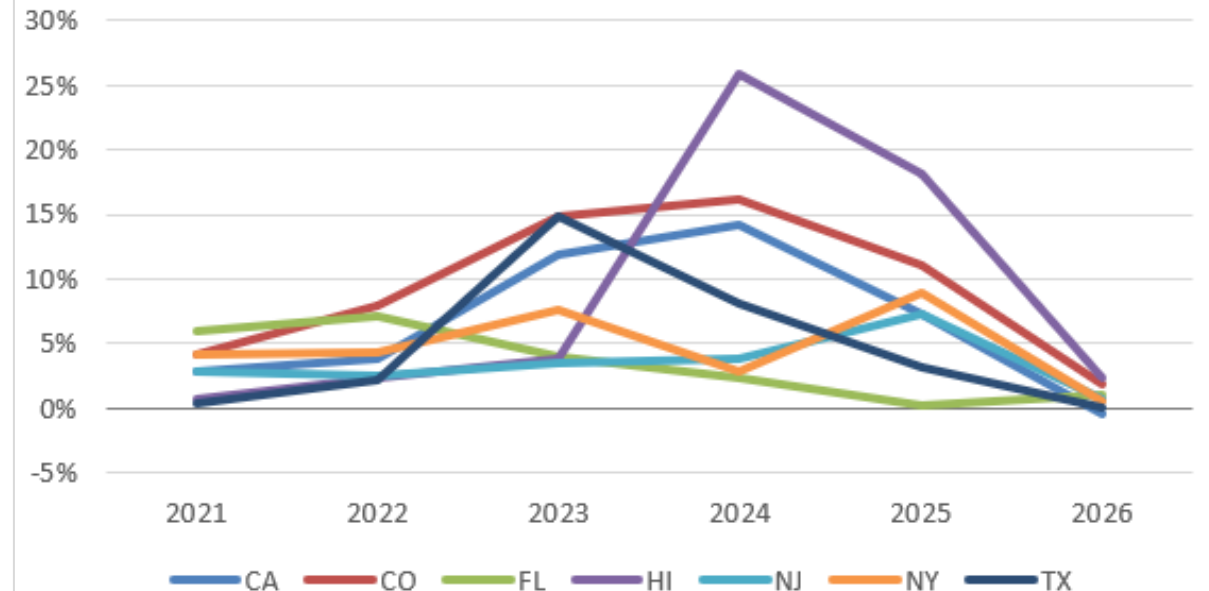
Individual States 2021-2026 (CA, CO, FL, HI, NJ, NY, TX)

Rate increases peaked in 2023 or 2024 for most states and have decelerated

Approved HO Rate Change %



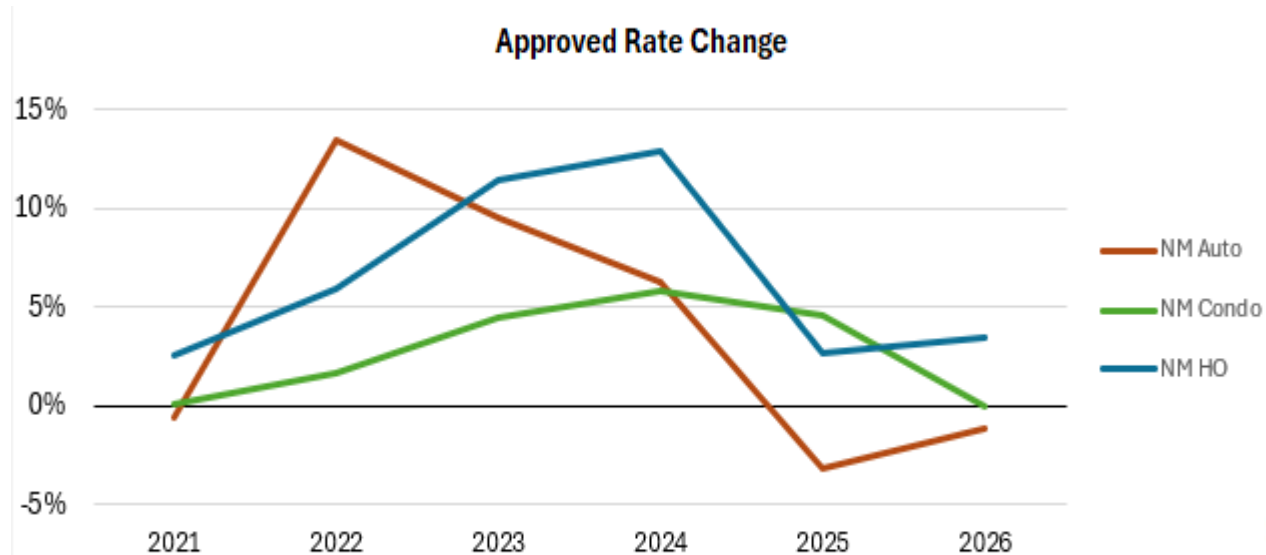
Approved CONDO Rate Change %





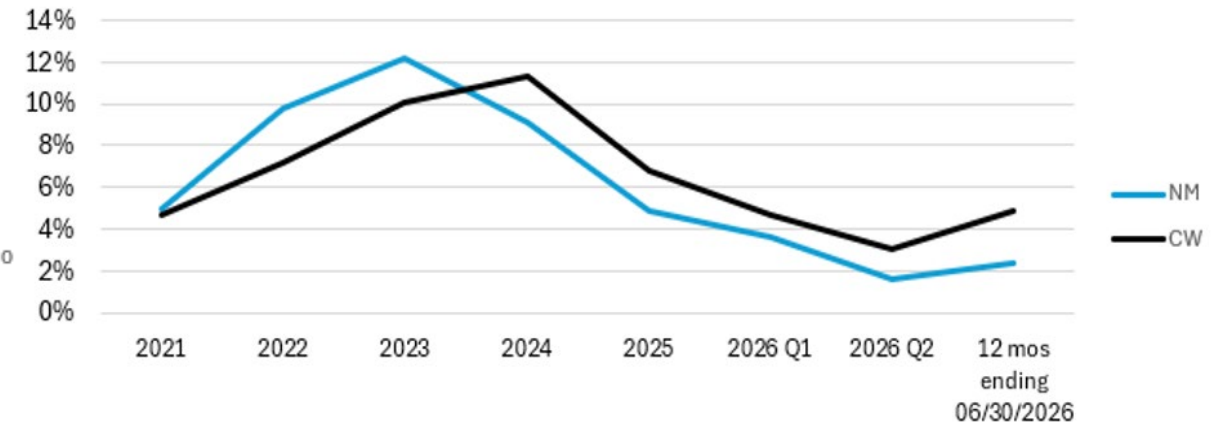
Insurance Rates Climbed, but Stabilizing

New Mexico Approved Rate Changes, by Line



Source: APCIA, via S&P Global Market Intelligence, as of Sep 30, 2026)
Top 10 Groups, based on NAIC 2025 Direct Written Premiums

Homeowners Median Approved Rate Change



Source: APCIA, via Perr & Knight (State Filings Pulse, Q2 2026)
P&K data compiled from filings available through S&P Global Market Intelligence.
Includes Homeowners, Condo, Renters and Farmowners
Rate filings includes all filings (rate filings, rate/rule filings and rate/rule/form filings) with non-zero rate impact.



Question: Is there an Insurability Crisis? Will Consumers Be Able to Purchase Insurance?

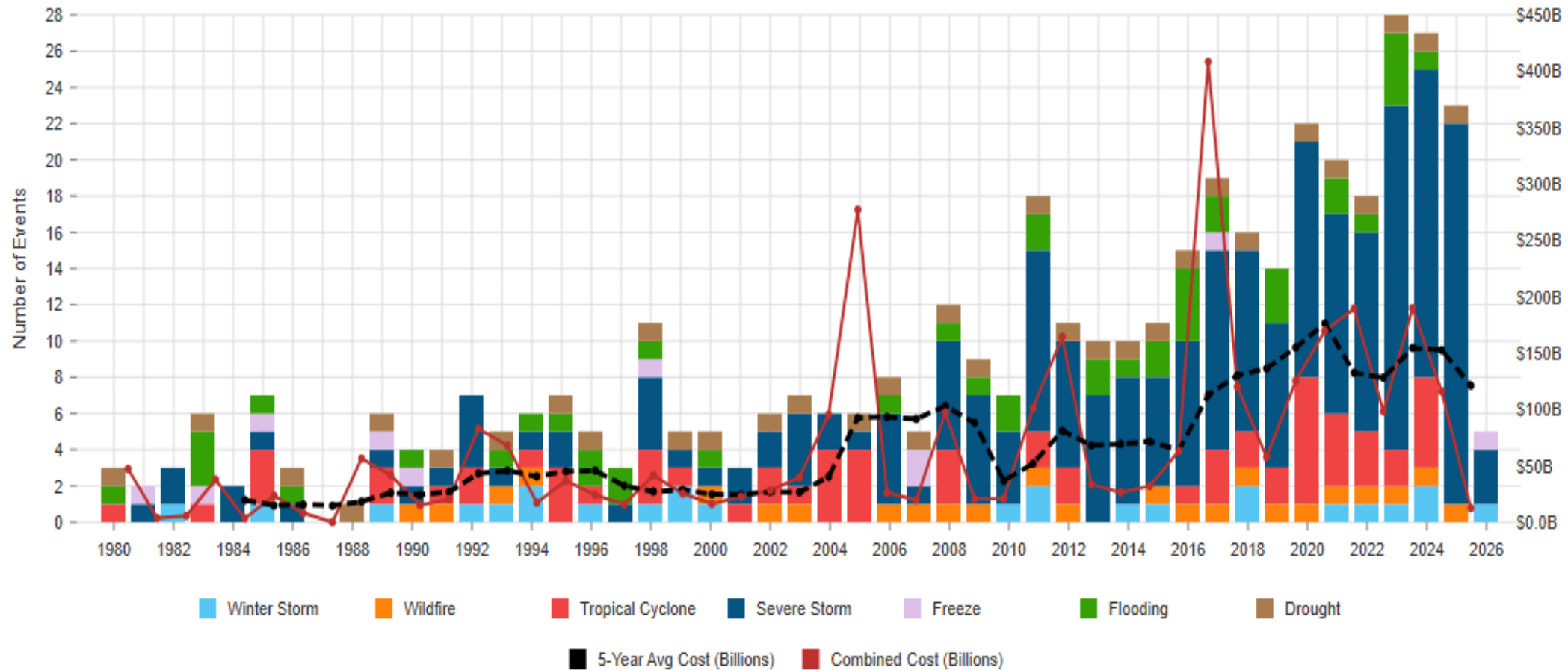
“Extreme weather patterns caused by climate change have led [insurers] to stop writing coverages in some regions... [and] say they will cut out damage caused by hurricanes, wind and hail... along coastlines and in wildfire country”

- *Washington Post*



Property Losses Escalating

Billion-Dollar Disaster Events 1980-2026 (CPI-Adjusted)





What Has Caused Increased HO Losses

It's not just the weather



MACROECONOMIC PRESSURES

- Economic growth
- 40-year record inflation
- More severe inflation for building materials/labor



CLIMATE

- Demographic shifts to disaster-prone regions
- Increasing weather severity



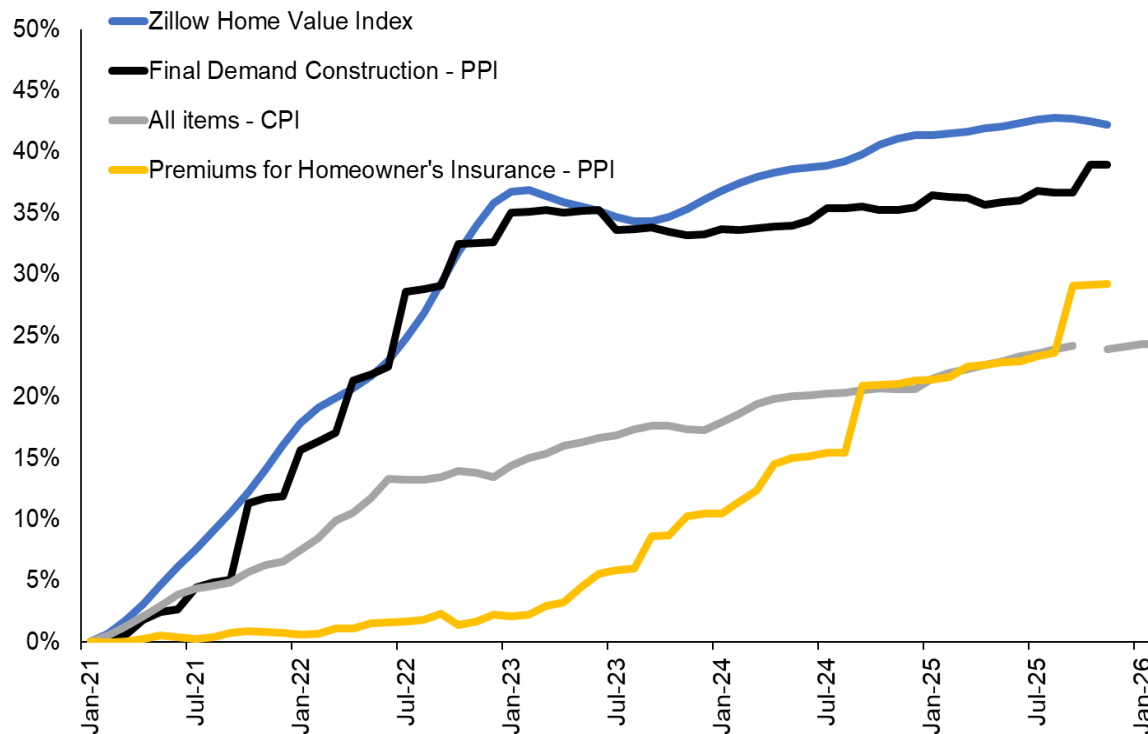
GOVERNMENT RISK

- State coverage mandates, rate suppression, legal system abuse, fraud



Inflation in Construction & Building Replacement

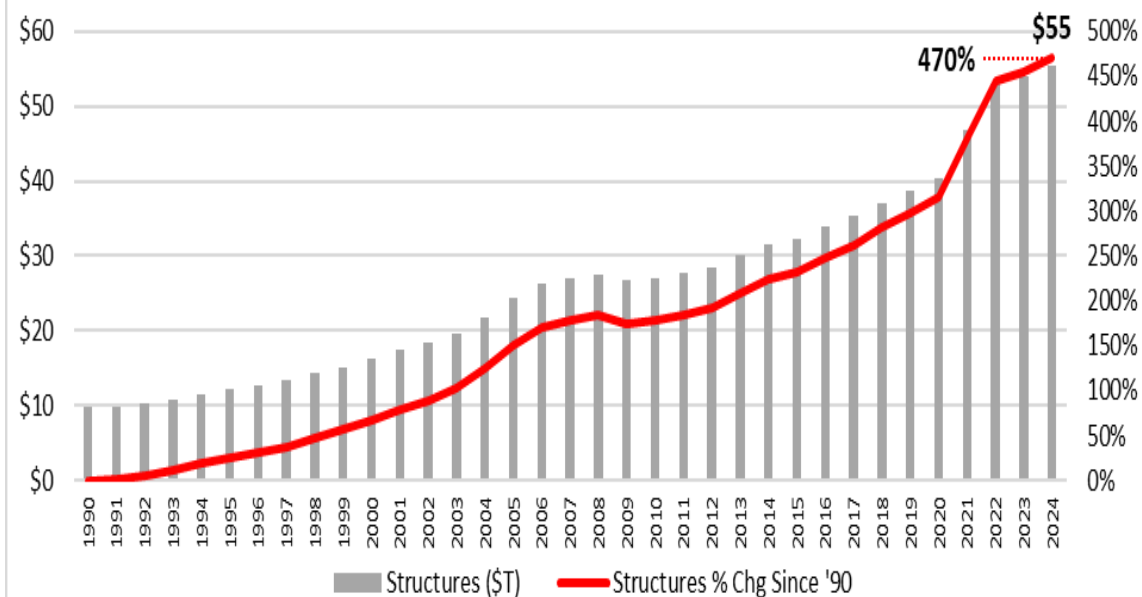
Cumulative Price Changes



Notes and Sources: Bureau of Labor Statistics. Missing data attributable to DOGE activity and Federal government shutdowns..

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.

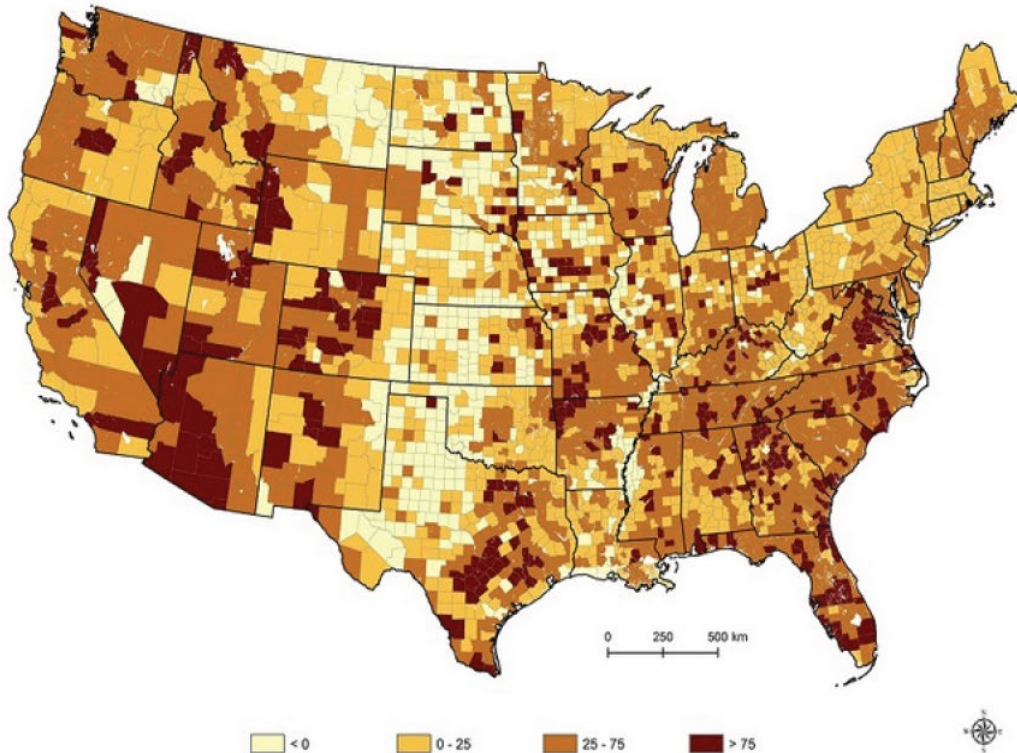


Community Growth Exploding in the WUI

The 'WUI' was the fastest growing land use type

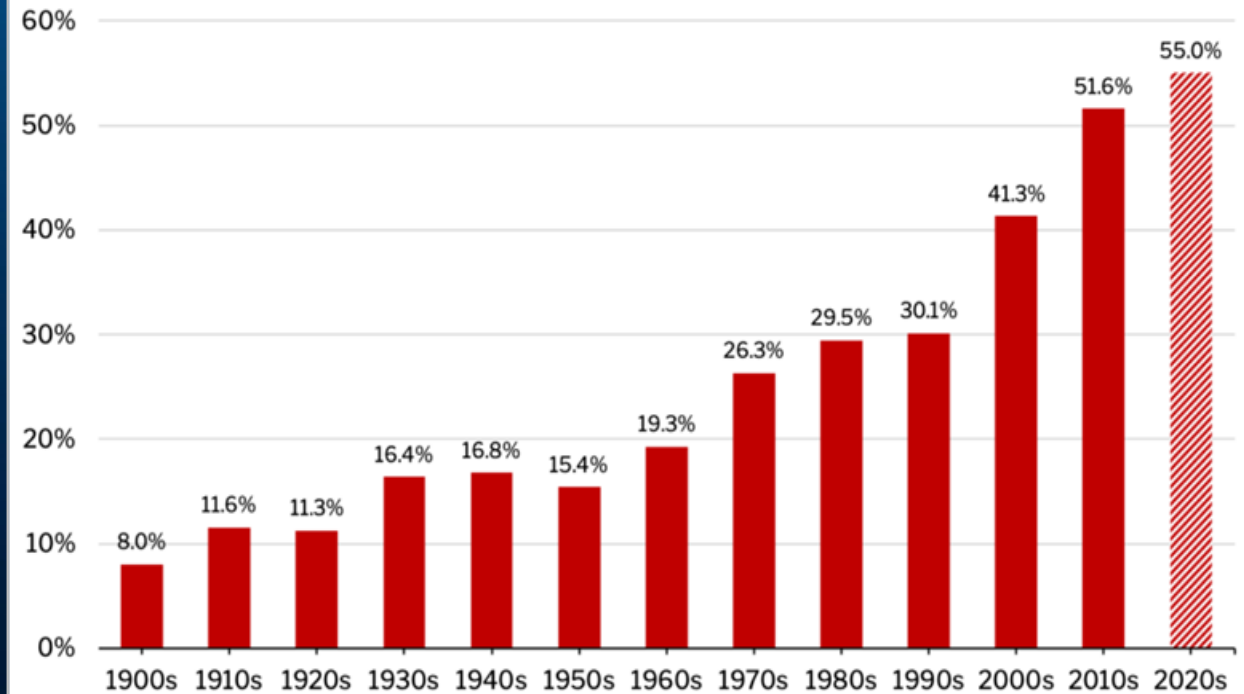
...and growth is continuing to accelerate

Areas where homes, forests mix increased rapidly over two decades
Growth Rate of Homes in the WUI 1990-2010 by County (in percent)



Source: U.S. Forest Service.

Fire Risk Plagues More Than Half of Recently Built Homes
Share of existing U.S. single-family homes that face fire risk, by decade built



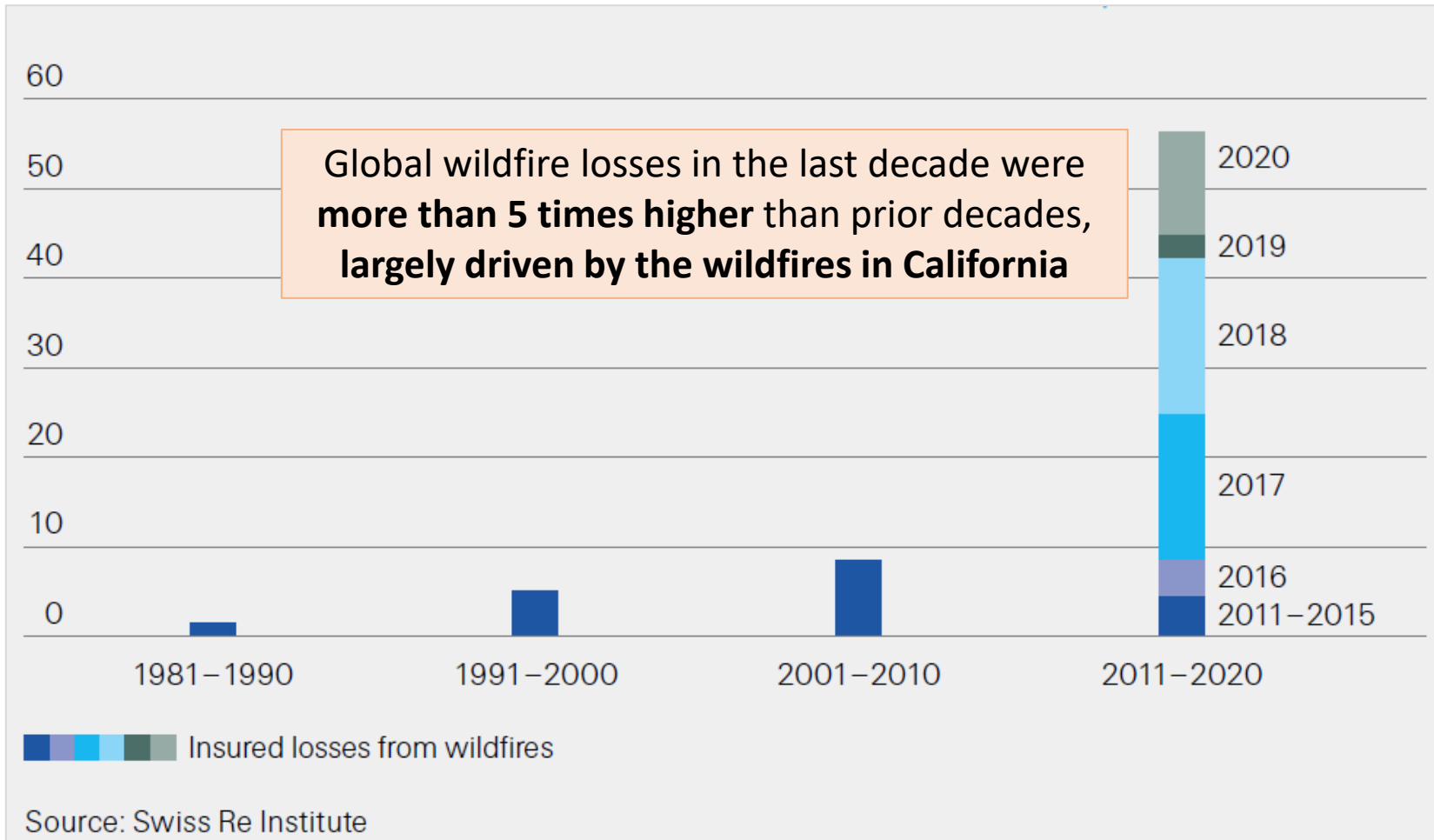
Source: Redfin analysis of data from ClimateCheck, county records

REDFIN



Increasing Losses from Wildfires

Global insured losses from wildfires (in USD billion, at 2020 prices)



Global Top 10 Costliest Wildland Fires

(Insured Losses in \$ billions, in 2025 dollars)

1. **\$40.5 - 2025 Palisades & Eaton Fires ***
2. **\$13.0 - 2018 Camp Fire ***
3. **\$11.6 - 2017 Tubbs Fire ***
4. **\$5.4 - 2018 Woolsey Fire ***
5. **\$4.6 - 2023 Maui/Hawaii Fires ***
6. **\$4.1 - 1991 Oakland Fire (Tunnel)**
7. **\$4.0 - 2017 Atlas Fire ***
8. **\$3.9 - 2016 Horse Creek Fire (Canada)**
9. **\$3.8 - 2020 Glass Fire (2020)**
10. **\$3.2 - 2020 CZU Lightning Complex Fire**

Sources, Aon, Triple-I, RMIIA

Bold emphasis indicates U.S. wildfires

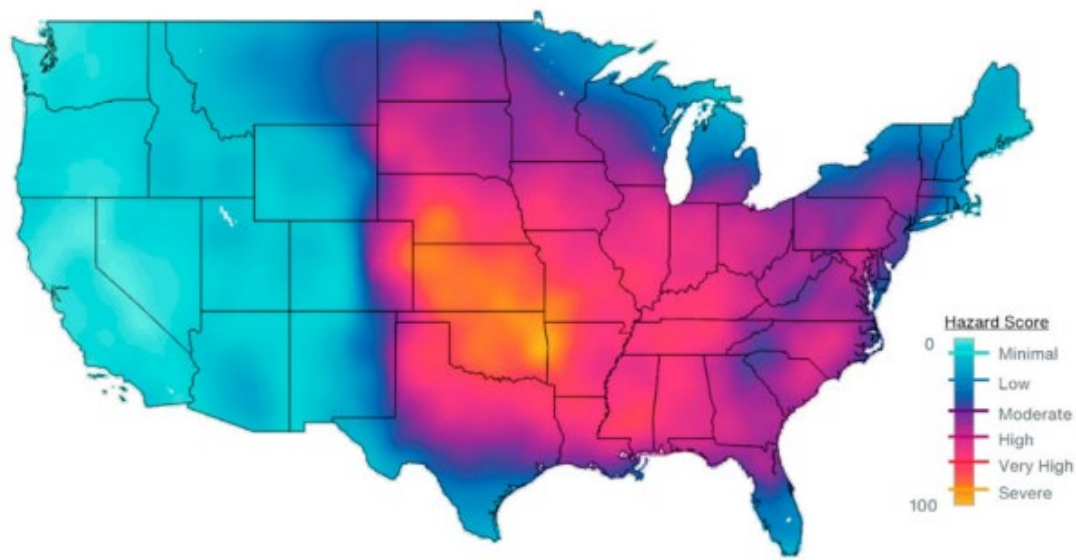
*** Indicates utility-involved ignition**



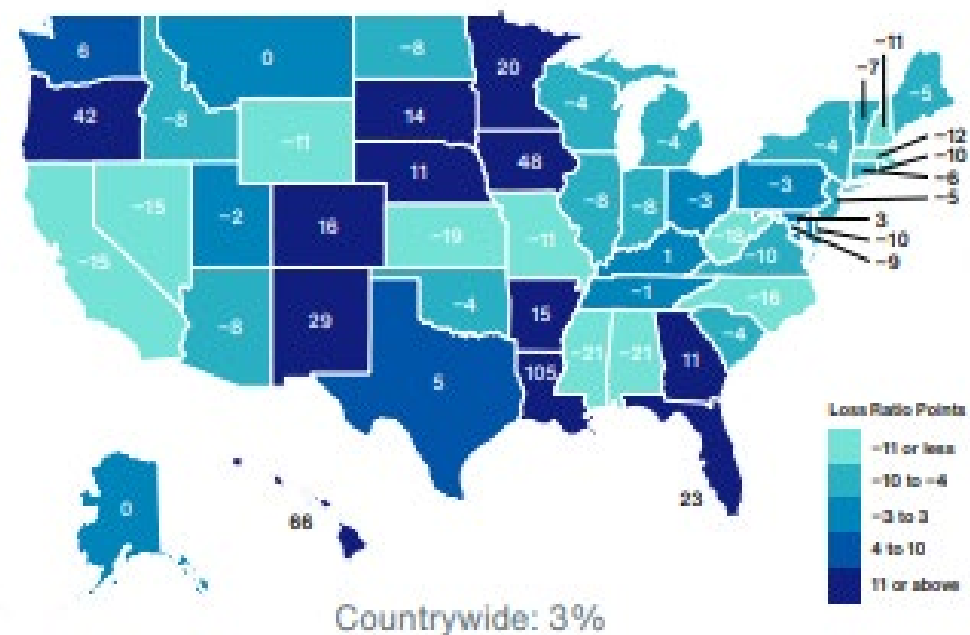
Severe Convective Storms Are the Top Weather Cost Driver (esp. Hail)

Severe Convective Storm Hazard Score (AON)

Exhibit 6: Aon Severe Convective Storm Hazard Score



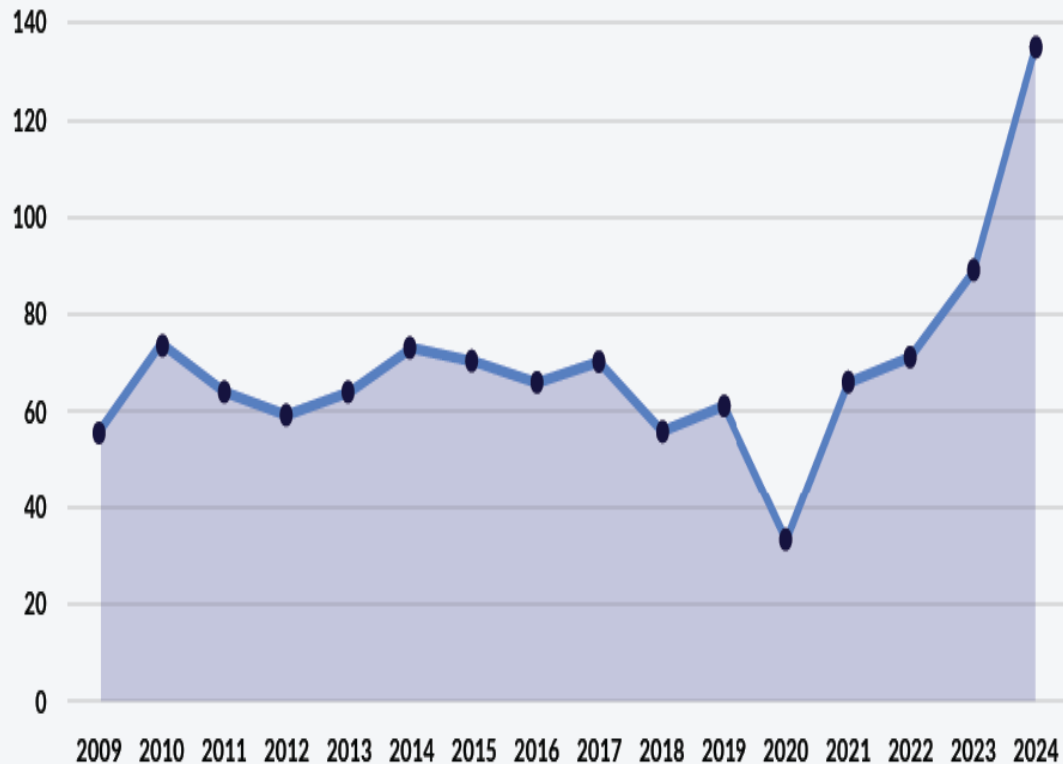
Five year Property Claims Serves loss experience vs. modeled average annual loss





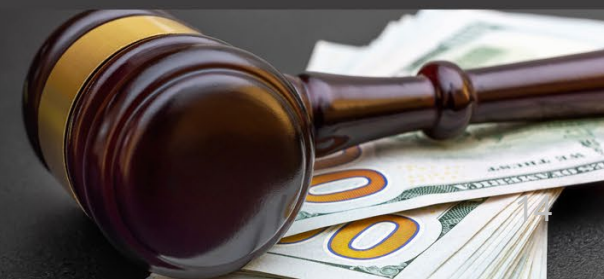
Legal System Abuse Costs Dangerously Escalating

Number of Corporate Nuclear Verdicts: 2009-2024



Source: Marathon Strategies.

- \$5,135 annually in higher costs of goods and services per household
- 4.8 million jobs lost
- \$160 billion higher small business costs
- Typical personal injury awards more than tripled between 2010 (\$39,300) and 2020 (\$125,366)
- U.S. liability claims as a % of GDP are more than twice as high as most EU countries
- Plaintiffs receive only 53% of legal expenditures

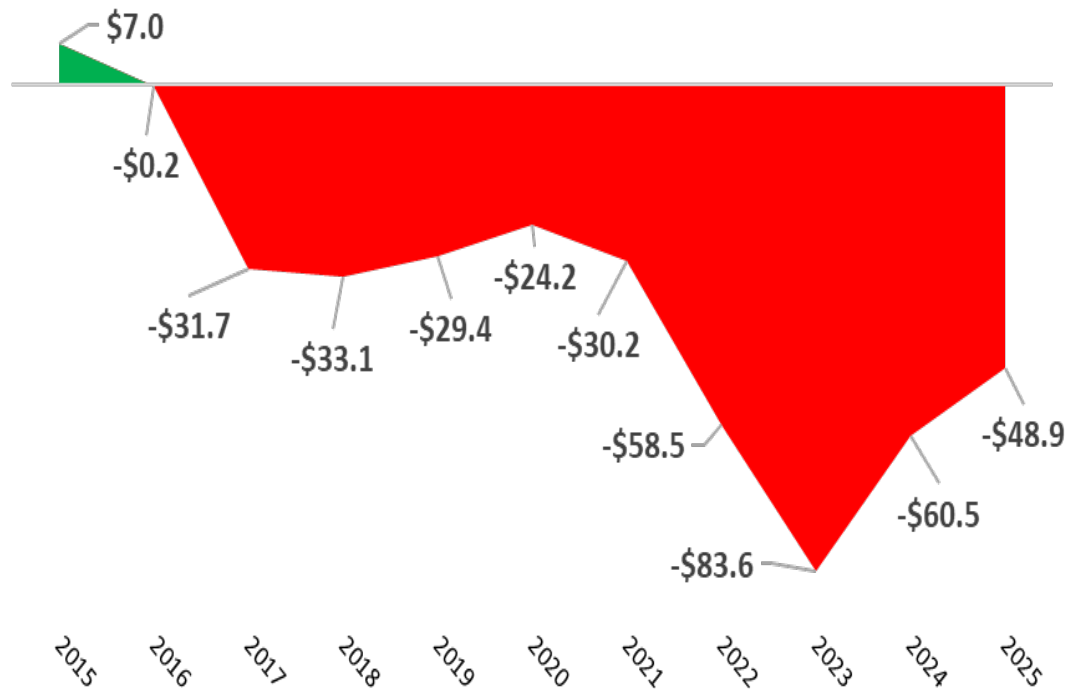




Profitability Improved in 2025 But Insurers Are Not Making Long-Term Cost of Capital

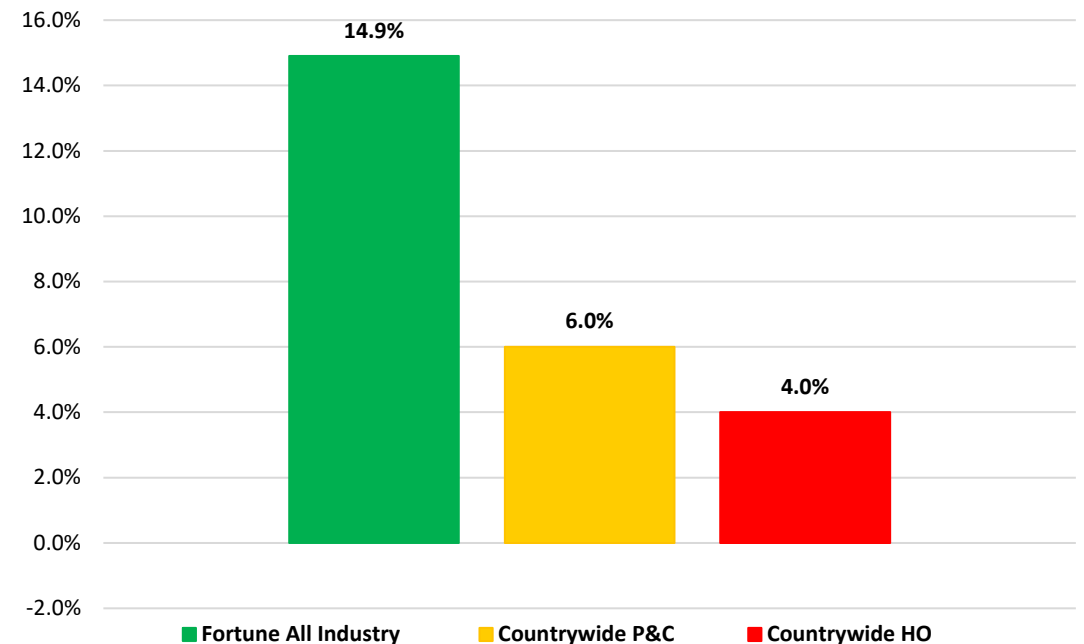
Cumulative Ten-Year Underwriting Losses

Billions, 2025 Dollars



Net Reported Underwriting Gain or Loss after Policyholder Dividends, 2015-2024. S&P Global data as of April 10, 2025.

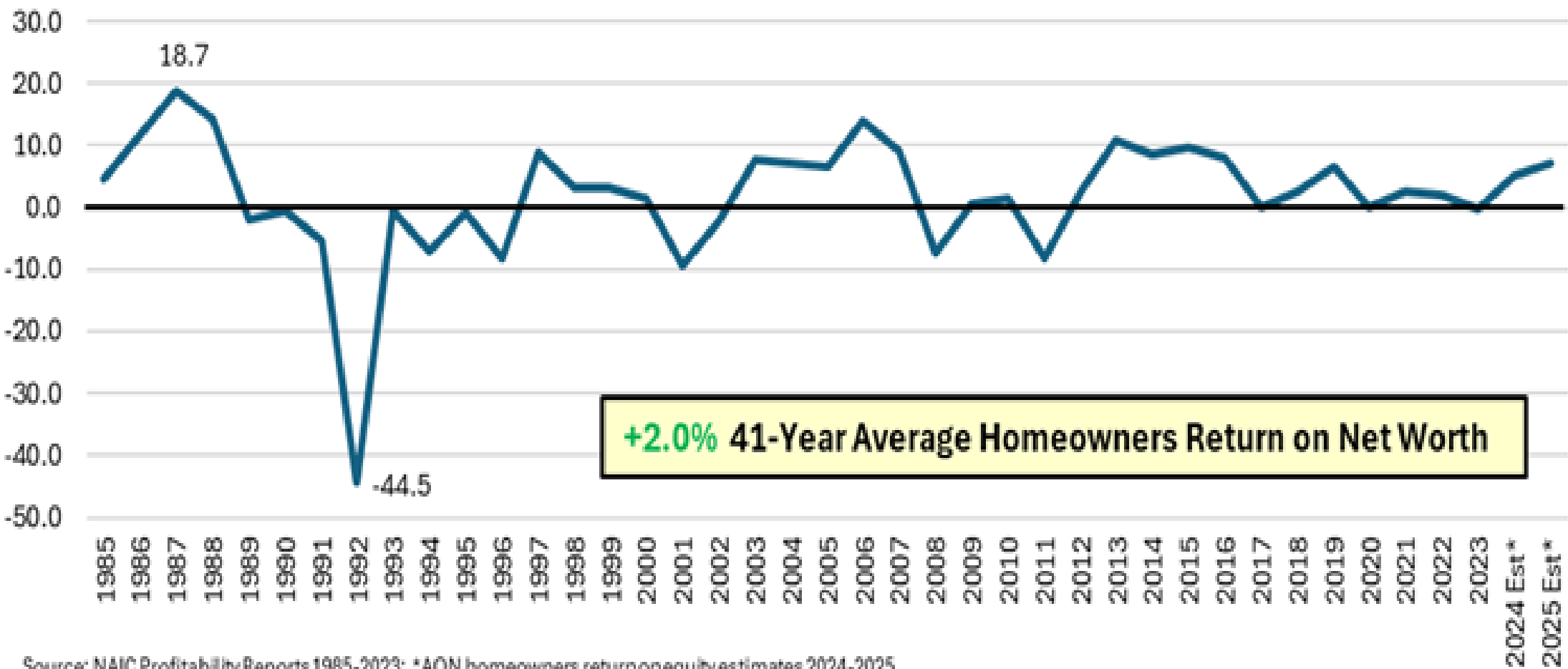
2014-2023 10-Yr Avg Return on Net Worth



Source: APCIA via NAIC Profitability Report, April 2025.



Countrywide Homeowners Return on Net Worth



Source: NAIC Profitability Reports 1985-2023; *AON homeowners return on equity estimates 2024-2025.



Rate Suppression = Unavailability

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





SOLUTIONS

Mitigation and Resiliency

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

- 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





State Housing Affordability Solutions

- Grant programs and low-interest loans for resilience.
- State-level tax incentives for builders and lenders that invest in or subsidize resilience upgrades.
- State-level tax incentives to consumers to offset the cost of mitigation and resiliency (e.g., catastrophe savings accounts)
- Strengthen building codes and inspections (IRC/IBC/IBHS) including defensible space standards (e.g., Zone 0) and invest in training for inspectors, builders, and local officials on resilient construction and code enforcement.



Industry Led Housing Affordability Solutions

- Add IBHS-based resiliency data to the MLS
- Provide educational materials, including toolkits, to housing groups, brokers and consumers on long-term insurance and finance risks and cost benefits of resilience
- Promote innovative, science-based resilient building products and solutions that strengthen homes and businesses against severe weather and natural hazards