

# HOME INSURANCE

## The Outlook for Home and Auto Insurance in 2025

Home and auto insurance premiums may not increase as much as in recent years, but the industry remains under pressure.



Todd Jackson is chairman of the Independent Insurance Agents and Brokers of America. He recently spoke to Kiplinger about the outlook for home and car insurance prices in light of inflation and recent natural disasters — and how to cut the cost of your premiums.

### **Consumers have seen premiums for homeowners and auto insurance rise sharply in recent years. What's behind the increases?**

There are several factors. Prior to 2022, the insurance market went through a phase of lower-than-normal hurricane activity. But hurricane activity really spiked in 2022 and 2023, which coincided with inflationary increases in a lot of different sectors that affected the homeowners insurance industry.

If you look at the consumer price index (CPI) of all consumer goods, prices increased by about 20% overall between 2020 and 2024. But the construction industry was hit much harder — 35% to 40% for trade services, lumber, concrete, asphalt and other things that are

required to replace and repair homes. In other words, the inflationary impact of goods and services affecting the insurance industry has increased at roughly twice the pace relative to other industries. As a result, we have found that these costs have been passed along to customers.

The auto industry also had supply-chain issues early in the COVID pandemic that spilled into 2021 and 2022. The cost of parts and supplies rose dramatically during that period, and the cost of repairing vehicles rose along with it. The time required for vehicle repairs has grown as well, which increases the need and expense for rental cars, also driving up the overall cost of repair. Those increased costs are still present today and are being passed on to insurance customers.

### **What's the outlook for insurance prices in 2025?**

While overall pricing may not be going down, the rate of increase appears to be leveling off — particularly for auto insurance, because the supply chain is improving. Insurance carriers were beginning to see an improving financial picture of their insured properties during the first three quarters of 2024, but the impact of hurricanes Helene and Milton coming back-to-back in the fall of 2024 was pretty dramatic and may have some effect on prices for homeowners insurance in the coming year.

### **Will insurers continue to leave states that have been hit by natural disasters, narrowing access to homeowners insurance for residents?**

All indicators in the property market seem to suggest that it will continue to be difficult. People in Florida are used to insurance companies leaving, but now you're seeing it happen in the Midwest and Plains states, too. Working with an independent agent who can offer options from multiple insurance companies will give homeowners a much better opportunity to find coverage when a carrier has left their area.

### **What steps can car owners and homeowners take to lower their insurance premiums?**

With regard to auto insurance, practicing safe driving habits and doing all you can to prevent losses will impact your premium the most. Having a good credit score can also help, because in recent decades, credit impacts how carriers price insurance.

For homeowners, proper maintenance of your home — roof, plumbing, electrical, HVAC — is paramount. You also want to review your deductibles and determine how much you can afford to pay before insurance kicks in. If you increase the deductible on your home and auto insurance, the insurer will reward you with lower premiums for taking on a higher portion of the risk.

Bundling your auto and home insurance with the same company can also save you money. As an independent insurance agent, I might work with 15 different carriers, and if I look at them in individual silos, insurance company A may offer the cheapest homeowners insurance and insurance company B may provide the cheapest auto insurance. But insurance company C might offer the lowest overall premium if you buy both policies through it.

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