

How Wildfires In California Affect Insurance Premiums Nationwide - Insurance Industry Update

The recent wildfires in California and the destructive 2024 hurricane season in Florida and the east coast have levied tremendous losses on insurance companies that cover properties across the country. Additional factors including higher construction costs and extreme weather patterns which have elevated coverage costs even further.

With billions of dollars in insurance payouts, reinsurance companies eventually start paying one another in order to cover distributions on claims. As reinsurance payouts escalate, so do premiums on policies throughout the insurance industry in order to recoup distributed funds.

As insurance companies pay out claims on catastrophic losses in Florida and California, premium increases are imposed on nearly every other policy holder in all 50 states. Insurance companies pool large amounts of funds collected from premiums as payable funds for payouts on claims. According to S&P Global, the average increase for a homeowners insurance policy was 10.4% nationwide. Some states saw even larger increases, such as Nebraska with a 22.7% increase and Montana, Utah and Washington with more than a 20% increase. Nevada and Texas saw among the lowest premium increases. California policy holders experienced a 13.6% average premium increase in 2024, with another hike expected this year. Several variables contribute to premium increases including weather, number of policy holders, and number of claims.

Sources: Philadelphia Federal Reserve

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