

NATIONAL ASSOCIATION OF REALTORS

HOMEOWNERS' INSURANCE REPORT

EXECUTIVE SUMMARY

MAY, 2008

Introduction

The National Association of REALTORS (NAR), in response to concerns regarding the availability and affordability of homeowners insurance in real estate markets across the country, undertook a research project to explore the costs of homeowners' insurance in selected states.

Turmoil in homeowners' insurance markets may pose serious problems for REALTORS: If prospective purchasers of real property are unable to acquire insurance and not able to self-insure, they may not be able to secure a mortgage and complete the transaction. The resulting inactivity could contribute to sluggish markets and diminished property values in disaster-prone areas

Methodology

NAR hired the insurance consulting firm of Baker and Daniels to collect and analyze insurance premium data from a representative sample of 11 states. These states represented a variety of regions, terrain, weather patterns and demographics, including the Northeast (CT, NJ, MA); the Southeast (SC); the Gulf Coast (FL, LA, TX); the Midwest (IL); the Rocky Mountains (CO, ID); and the West (CA).

Baker and Daniels obtained information on homeowners and condo/co-op insurance policies and cost of premiums for the years 2000-2006. Table 1 below provides information on:

- the average cost of homeowners' insurance premiums for 2006 (the most recent year for which this kind of information is available);
- whether or not the average cost of homeowners insurance has changed over the most recent one-year period, and the extent of that change;
- the average cost of insurance premiums for condos and co-ops; and,
- whether or not the average cost of condo-co-op insurance has changed over the most recent one-year period, and the extent of that change.

Data Analysis

In the 11 states for which data was collected, there is wide variability regarding the affordability of homeowners insurance. According to the Insurance Information Institute, the average cost of homeowners' insurance premiums nationwide in 2005 was \$764. The cost of insurance premiums are influenced by a number of factors, including insurance market forces, the degree of government intervention, actual risk from natural and manmade activities, demographic trends and property values (expensive properties require more insurance).

In this sample of premium costs and trends, the average premium cost was in the \$750 – \$900 range. Not surprisingly, the three states exceeding this average cost were FL, TX and LA, which are at risk from Atlantic and Gulf Coast hurricanes. Louisiana had the highest average costs for homeowners insurance (\$1,844), while Idaho was the lowest cost state for homeowners' insurance premiums (\$493). Florida was also negatively impacted by a double-digit (+21%) increase in homeowners insurance, while Louisiana had the lowest change in premium costs (+1.1%)

TABLE 1

States	AVG Cost of HO Ins. Premium (2006)	% Change in HO Ins. Premium (2005-2006)	AVG Cost of Condo Ins. Premium (2006)	% Change in Condo Ins. Premium (2005-2006)
CA	\$867	1.2%	\$395	1.8%
CO	\$794	2.6%	\$231	2.6%
CT	\$914	6.5%	\$328	6.5%
FL	\$1,330	21.9%	\$605	6.2%
ID	\$493	5.6%	\$262	5.6%
IL	\$656	1.2%	\$300	1.2%
LA	\$1,844	1.1%	\$851	12.2%
MA	\$930	7.3%	\$444	7.3%
NJ	\$742	5.8%	\$321	5.8%
SC	\$847	8.6%	\$317	8.6%
TX	\$1,366	2.7%	\$4,024	2.7%