Rising Home Insurance Costs Causing Many to Drop Their Policies Altogether

August 31, 2023 - In an unsettling trend, many Americans are finding it hard to keep up with their finances and are making the tough choice to forgo homeowner insurance due to skyrocketing premiums. This decision, however, puts them at risk of being unable to repair or rebuild their home in the wake of a disaster such as fires or windstorms.

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The Wall Street Journal reports that some individuals are choosing to skip insurance because they simply can't manage the rising costs. According to data from Bankrate, insuring a $250,000 home now costs nearly $1,450 annually. That's a 20% increase from 2022 rates and amounts to roughly $121 per month.

The impact here may be greatest for those who own their homes outright. Evidence indicates that many of them are joining the ranks of the uninsured due to financial constraints. In many cases, this means the elderly who have lived in their homes for decades only to find themselves living on fixed incomes now. Most mortgages require borrowers to carry an insurance policy; cancellation of which can lead to foreclosure.

Owning a home without insurance is risky at best. At worst, it could be financially devastating. A home is the largest purchase that most people will make in their lifetime. And when you lose your home, you still have the obligation to pay any bills accrued on it. Even if you own it without a mortgage, you'll have things like property taxes, voted indebtedness, and even potentially items that were financed such as a new roof or solar panels. Those bills will go on. And then, on top of those costs, you'll need to find a new place to live and likely get hit with a large bill for rent.

A survey conducted in 2023 by the Insurance Information Institute and reinsurer Munich Re found that around 12% of homeowners in the US lack homeowners' insurance. Worryingly, half of these uninsured homeowners earn less than $40,000 annually.

Anyone who finds themselves in the position of thinking that dropping their insurance policy is their only option should really rethink their position. While the idea of selling your property and becoming a renter or moving to a lower cost area may not seem attractive, it is a far better option that going broke after losing your home in a disaster.

It is quite likely that more homeowners will find themselves in this situation over the coming year as insurance premiums

continue to rise. And while it may be easy to blame insurance companies for these price increases, that position ignores the fact that government fueled inflation is having a significant impact on the cost of rebuilding homes. And it is policy-holders that are left to pay that bill. The same thing is happening with auto insurance.

As all insurance costs continue to rise, the financial strain on the working class is growing. Some individuals are finding that owning homes and cars is increasingly unaffordable.
by Jim Malmberg
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