

Written Testimony: Cost and Availability of Insurance for Residential Property in New York

New York Senate Committees on Investigations and Government Operations, Insurance, and Housing, Construction, and Community Development November 18, 2025¹

Submitted by Patrick Schmid, Chief Insurance Officer, The Insurance Information Institute

Introduction

Thank you, Chairmen Bailey, Kavanagh, and Skoufis, and members of the Committees, for the opportunity to provide written testimony today on the cost and availability of insurance for residential property in New York State.

The hearing notice raises an important opportunity to help policymakers and constituents better understand insurance market pressures on national scale from the likes of climate-related disasters, recent economic inflation increases, as well as legal system abuse. The notice also appropriately notes that while "this market has not yet experienced the levels of distress that have been seen in some other states, it is essential for New York to ensure that property/casualty insurance markets are affordable, accessible, and stable in the years to come."

This written testimony will demonstrate that New York's homeowners insurance market is, in fact, functioning well and remains affordable when properly contextualized. While premiums may appear high in absolute dollars, they are relatively average and reasonable as a percentage of household income. According to the Insurance Research Council, New York ranked 29th in its homeowners 'affordability study with a 2.11% (homeowners insurance expenditure to income ratio) which is lower percentage than a decade prior for the state. More importantly, the data shows that New York's broader housing affordability challenge, driven by pervasive inflation and high property values, creates a perception of insurance unaffordability that objective analysis does not support.

Key Finding #1: Insurance Costs Are Highly Efficient Relative to Property Values

New York ranks #21 nationally for insurance cost efficiency at 0.39% of median home price.²

This means New York homeowners pay approximately \$390 per year for every \$100,000 in home value, lower than the national average. Despite having the 15th highest median home values (\$413,588), New York's insurance costs represent one of the most efficient risk transfers in the country.

Comparative Analysis:

- Louisiana: 1.18% of home value (over 3x NY's rate)
- Mississippi: 1.04% of home value (nearly 3x NY's rate)
- Alabama: 0.78% of home value (2x NY's rate)
- Florida: 0.64% of home value (1.7x NY's rate)
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What this demonstrates: New York's insurance market is functioning well at pricing risk relative to asset values. Only 20 states have more efficient insurance costs relative to home values.

This contradicts the narrative of an affordability crisis in New York's homeowners insurance market. Our market is delivering coverage at rates that are among the most competitive in the nation when measured against the value of assets being protected.

Key Finding #2: Housing Affordability Drives Cost Burden Perception in Insurance

New York's median home price to median income ratio: 545%

The median New York home costs 5.45 times the median household income (\$75,910). This ranks as the 13th least affordable state in housing affordability.

² This analysis utilizes the Insurance Research Council's home insurance affordability index as its foundation, which incorporates NAIC average homeowners insurance expenditure data and median income statistics at the state level. However, the temporal lag inherent in this NAIC dataset, with 2022 representing the most current available year, presents challenges when attempting to align it with corresponding state-level home price data. To address this limitation, we identified Zillow as a compatible data source for 2022 home prices, enabling a consistent comparative assessment of the relationship between home values, income levels, and insurance expenditures across states. Future research should reexamine these findings with additional and more recent data sources.

For comparison, NY's 5.45x income to other states:

- Illinois: 321% (homes cost 3x income)
- Iowa: 277% (homes cost 2.8x income)
- Pennsylvania: 350% (homes cost 3.5x income)

The critical implication: New Yorkers face significant cost burdens that are structural and related to a variety of factors outside of insurance. For example, prices for property values themselves are quite elevated. When a home costs \$413,588 and insurance costs \$1,602 annually (0.39% of the home's value), the insurance premium is not necessarily the driver of unaffordability within the region. The underlying property cost, and associated replacement costs, are likely a key challenge.

This is a crucial distinction for policymakers: Interventions targeting insurance premiums would address 0.39% of the affordability problem while potentially destabilizing a well-functioning market.

Key Finding #3: Insurance Expenditures Remain Moderate as Share of Household Income

New York homeowners pay 2.11% of household income for insurance (ranked #22 highest nationally).

This is only 0.02 percentage points above the national average (2.09%), and in line with states like Kansas, Tennessee, Wyoming, West Virginia and Minnesota. More importantly, insurance in New York is becoming MORE affordable over time.

Expenditure to Income growth analysis (2017-2022):

- NY insurance expenditure growth: 4.1% annualized
- NY household income growth: 4.3% annualized
- Insurance costs are growing slower than incomes

The hearing notice references concerns about "substantial increases in the cost of insuring property." While nominal premium dollars have increased, this analysis shows that insurance costs as a share of household budgets have actually *declined* relative to income growth and are inline with national averages.

Key Finding #4: Insurance Expenditure Levels Reflect Legitimate Cost Drivers, Not Market Dysfunction

New York's slightly above-average premiums (relative to income) are driven by measurable, actuarially sound factors:

Higher Claim Severity:

- Catastrophe claims: \$11,722 (NY) vs. \$11,250 (US average)
- Non-catastrophe claims: \$16,040 (NY) vs. \$12,260 (US average) — a 31% difference

Why NY claims cost more:

- Higher labor costs: Skilled trades in NY metro areas command premium wages for repairs and reconstruction
- Higher material costs: Transportation, storage, and regulatory compliance add expenses
- More expensive building codes: Stricter standards (particularly post-Superstorm Sandy) increase rebuilding costs but improve resilience
- Higher property values: More expensive homes have higher replacement costs

These are not arbitrary price increases or evidence of price gouging. They reflect the actual economic reality of repairing and replacing New York homes. Insurance companies cannot charge less than it costs to rebuild homes without becoming insolvent.

Notably, New York has LOWER natural hazard risk than the national average:

- Weather-related hazard risk: \$202 per \$1M (NY) vs. \$436 (US average) — 54% lower
- Other hazard risk: \$2 per \$1M (NY) vs. \$61 (US average) — 97% lower

New York benefits from lower catastrophic risk exposure compared to hurricane-prone, wildfire-prone, and tornado-prone states. New York's premiums reflect this advantage. The modest premium difference above the national average is entirely explained by higher replacement costs, not higher risk.

Key Finding #5: Market Competition and Profitability Indicate Healthy Function

New York's homeowners market showcases significant market competition.

New York's homeowners insurance HHI index, which is often a measure of market competition, is ranked 11th lowest overall across states, measuring at 763 (the lower, the more competitive). The state's HHI is lower than the US average, indicating stronger price competition.

New York's consistent insurer profitability over the past decade demonstrates:

- Adequate rate adequacy
- Sustainable market conditions
- No evidence of market dysfunction requiring intervention

The combination of profitability, competitive markets, and reasonable premiums indicates a well-functioning market.

Important context: The "past decade" of profitability begins after Superstorm Sandy (2012)

Hurricane Sandy struck New York in October 2012, causing catastrophic losses that significantly impacted insurance markets. The storm resulted in approximately \$19 billion in insured losses nationally, with New York bearing a substantial portion of those costs.

Why this matters for evaluating current market conditions:

When analysts cite "consistent profitability over the past decade" (roughly 2014-2024), this period strategically follows Sandy's impact and the subsequent market adjustments:

- Reserve adjustments: Insurers established reserves for Sandy claims that extended beyond 2012, affecting financial results for several subsequent years
- Rate adjustments: Post-Sandy rate increases brought premiums in line with newly understood coastal risk
- Building code improvements: Enhanced standards implemented after Sandy reduced future loss severity
- Market discipline: Carriers that couldn't price risk appropriately exited or reduced exposure

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In other words, the "profitable decade" reflects a market that learned from a major catastrophic event and adjusted accordingly. This is how insurance markets should function, pricing risk based on experience, building reserves for future events, and maintaining adequate capital.

The profitability is not evidence that risk is overstated or premiums are excessive. Rather, it demonstrates that:

1. Rates were adjusted to reflect post-Sandy risk understanding
2. Reserves are being maintained for future catastrophic events
3. The market remains attractive to capital, ensuring claims-paying ability
4. Competition, which is shown to be very strong by the HHI for carriers in the state, prevents excessive pricing despite profitability

Evaluations focusing solely on the past decade may understate future risk because:

- They exclude the most significant catastrophic event in recent NY history
- Sandy-level events are infrequent but inevitable
- Reserves and capital must be maintained for events that haven't occurred yet
- Profitability during calm periods is necessary to offset catastrophic loss years

This is in stark contrast to the distressed markets referenced in the hearing notice. States experiencing insurer withdrawals, coverage restrictions, and other challenges (California, Florida, Louisiana) share common characteristics that New York does not:

- Intervention preventing actuarially sound pricing after catastrophic events
- High catastrophic loss exposure with increasing frequency
- Unprofitable underwriting that drives carriers from the market

New York has avoided these pitfalls. The New York market remains stable, competitive, and accessible. The profitability since then reflects prudent risk management, not excess profits at consumer expense.

The Real Affordability Challenge: Replacement Costs

The fundamental driver of insurance costs is the cost to rebuild homes.

When median home values reach \$413,588, and construction costs continue rising, insurance premiums must reflect these realities:

- Labor costs: Skilled trades in NY metro areas command premium wages
- Material costs: Transportation, storage, and compliance add to expenses
- Building codes: Stricter standards increase rebuilding costs but improve long-term resilience and reduce future losses
- Land values: Property values include expensive land that doesn't require insurance, making the actual structure component even more valuable proportionally

The hearing notice appropriately identifies "inflationary pressures" as a factor affecting insurance markets. However, these inflationary pressures affect the *cost of rebuilding homes*, which directly translates to insurance premiums. Insurers cannot charge less than rebuilding costs without becoming insolvent.

Policy interventions that suppress premiums below actuarial costs will not make homes more affordable—they will make insurance unavailable, as we have seen in other states.

Conclusion

New York's homeowners insurance market demonstrates strong affordability fundamentals:

- Highly efficient pricing relative to property values (0.39% of home price – #21 nationally)
- Reasonable share of household income (2.11% – #22 nationally, near the median)
- Premium growth is slower than income growth (4.1% vs 4.3% annually)
- Costs justified by legitimate factors (31% higher non-CAT claim severity, likely due to construction costs)
- Stable, competitive market HHI indicates strong competition in New York homeowners market

The perception of insurance unaffordability stems from New York's broader housing challenges—median home prices of \$413,588 create substantial burdens regardless of insurance costs. A home costing 5.45 times median income is likely considered expensive, whereas insurance premium representing 0.39% of that value is not likely the key inflationary driver.

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Policy interventions targeting insurance premiums would address a symptom rather than the cause, potentially destabilizing a well-functioning, competitive market without improving overall housing affordability for New York residents.

The hearing notice appropriately recognizes that New York "has not yet experienced the levels of distress that have been seen in some other states." With such strong evidence of good competition in the New York home insurance marketplace (as shown in HHI data), policy should work to preserve market health in order to ensure affordability stays in check.

Thank you for the opportunity to testify. I welcome any questions (schmid@theinstitutes.org).

Supporting Data Tables

New York Insurance Affordability Metrics

Metric	New York	US (or state avg.)	NY Rank/Notes
Insurance as % of Home Value	0.39%	0.48% (State avg)	#21 (lower is better)
Insurance as % of Income	2.11%	2.09%	#22 of 51
Home Price to Income Ratio	545%	473% (State avg)	#13 (higher indicates less affordability)
Annual Expenditure	\$1,602	\$1,559	Slightly above avg
Median Home Price	\$413,588	365,000 (State aver)	#15 highest
Insurance Expenditure Growth (2017-22)	4.10%	5.70%	Below average
Income Growth (2017-22)	4.30%	4.80%	Above expenditure growth
Cost Driver Justification			
Factor	New York	US Average	Difference
CAT Claim Severity	\$11,722	\$11,250	4.20%
Non-CAT Claim Severity	\$16,040	\$12,260	30.80%
CAT Claim Frequency	2.2	2.49	
Non-CAT Claim Frequency	2.95	3.94	

Sources: Insurance Research Council (IRC) Homeowners Affordability Index; Zillow Home Value Index (2022); National Association of Insurance Commissioners (NAIC) Expenditures data; Federal Emergency Management Agency (FEMA) National Risk Index