

LOWERING COSTS OF HOMEOWNERS INSURANCE

PUBLIC HOMEOWNERS INSURANCE

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Homeowners and renters insurance in New York is too expensive.

Homeowners insurance premiums are rising due to climate change. But instead of mitigating that cost, the industry is passing it on to customers with even more margin than necessary. This form of climate profiteering contributes to the broader affordability crisis and discourages wealth-building through homeownership. In New York State alone, homeowners insurance premiums rose from \$5.7 billion per year in 2020 to \$7.9 billion in 2024, a 5-year increase of 39 percent, which is over triple the speed of inflation during that same period.¹

The best way to determine whether insurance is over-priced is by looking at what is known as the insurer's loss ratio, which is the ratio between claims paid and premiums collected. A 60 percent loss ratio means, for example, that the insurer pays \$0.60 in claims for every dollar collected in premiums. A higher loss-ratio is good, as it reflects a cheaper premium relative to the risk covered.

The loss ratio in New York State for homeowners insurance, averaged over five years, is just 49.93 percent.² This means that only \$0.50 for every dollar paid by New Yorkers is paid out in claims, with insurers using the remaining \$0.50 as returns to investors and overhead. This loss ratio is the seventh-lowest in the nation (which also has too low an average—67.66 percent over five years).³

New York State spent \$7.9 billion in homeowners insurance premiums in 2024.⁴ The difference between a 50 percent loss ratio and a more reasonable 75 percent loss ratio represents about \$2 billion in excess costs to New Yorkers, and New York City homeowners bear a substantial percentage of that overall cost.

Expand NYC Public Insurance Program to homeowners and renters insurance.

New York City can expand the recently announced city insurance plan for owners of affordable apartment buildings into the homeowners and rental insurance market. This public insurer would be able to charge New Yorkers about 33 percent less than what the private market charges by earning lower profits and spending less in “selling expenses.” Eventually, the surplus fund could be used to finance public works and even generate returns for the city.

In April, New York City announced a new city-backed property and liability insurance program for landlords of affordable and rent-stabilized multi-family housing buildings.⁵ The insurance program will be managed by an interagency working group of housing agencies including the Economic Development Corporation, Housing Development Corporation, and Housing Preservation Development. The goal of that effort is to insure 20,000 units by next year and 100,000 units by 2030, with (1) cheaper rates that (2) nonetheless break-even so that the program is self-sustaining.

The City could use the same authorities, the same working group, and even the same program to expand into homeowners and renters insurance. The working group already has all of the relevant housing agencies, and the working group will learn operational lessons in launching an apartment insurance program that will be directly transferable to the homeowners insurance market. The City could even use the same actuarial firm.

In particular, a public option in homeowners insurance has tremendous promise due to the low loss ratios in the private market. Below is a chart itemizing how insurers spend New Yorkers’ \$7.9 billion in homeowners insurance premiums.⁶

Table 1. How Private Insurers Spend New Yorkers’ \$7.9 Billion in Homeowners Insurance Premiums

Expense	Percent of Premium	Dollar Estimate (millions)
Losses	50.0%	\$3,950
Loss Adjust Expense	6.4%	\$506
General Expense	4.3%	\$340
Selling Expense	20.8%	\$1,643
Taxes/Licensing	2.4%	\$190
Underwriting Profit	15.7%	\$1,240

By substantially reducing selling expenses (advertisements and agent commissions) and also by generating a thinner underwriting profit, the public insurer could offer premiums with a loss ratio of 75 percent or higher. Notably, the private industries in twelve states already have five-year average loss ratios above 75 percent.⁷

Every insurer builds a surplus fund (which it invests to generate additional funds) to be used to cover losses when the premiums from a year cannot cover the losses from that year. At first, the City should invest the surplus fund to balance risk and returns, being mindful not to overpay financial managers in the process. But once the surplus fund has reached a healthy and safe size, the City can begin to consider using portions of the fund to finance affordable housing, invest in climate risk mitigation, and other projects. It could even begin taking “dividends” to supplement the City’s budget.

This proposal is unique in certain respects, but not a radical shift from existing norms throughout the country. For example, states across the country run property insurance programs, often called FAIR plans, which operate as residual insurers of last resort that insure customers that the private insurance industry won’t cover. These entities are structured in various ways—often funded by the private industry and run by representatives from the industry, but not always. For example, Florida Citizens is a publicly run insurer, operated by the state. In fact, until the state sabotaged the plan by “depopulating” it in 2025, it was the largest homeowners insurer in the state, had a healthy surplus of \$4.8 billion, operated in the open market and not just as an insurer-of-last-resort, charged customers 20 percent less than the private market, and received high marks for customer satisfaction.⁸

There are three main lessons one can learn from comparing the FAIR plan in Florida (before it was depopulated) to other plans like that in California, which have fared less well. First, it is important to make sure the public insurer does not operate on a “cash-in, cash-out” basis. In other words, the insurer should keep the returns it generates in good years in its own surplus fund, unlike California’s FAIR plan, which often distributes the plan’s excess funds in good years back to the private insurers who run the plan.⁹ Second, it is important to make sure that insurance industry representatives, who have conflicting incentives, are not in charge of running the program. This can be accomplished by either making the plan a nonprofit with independent leadership or by making it a municipal entity. Third, the plan should cover the same risks that the private market does (or more), and should not be limited to only high-risk customers that the private market will not insure. Doing so can lead to something called “cream skimming,” where private insurers off-load high-risk customers to the public plan, but keep all the low-risk customers, which would result in even lower loss ratios for the privates and higher loss ratios for the public plan.

Lastly, one risk of establishing a cheaper public insurance plan by reducing selling expenses is that the public will have low awareness, and therefore, low uptake in the plan. Especially because the public insurer will not pay insurance agent commissions to obtain referrals, the City should be sure to prioritize publicity and public awareness campaigns. The plan may need to balance the interest in keeping costs low with the benefits of creating early brand awareness in the first years of operation.

Conclusion

New York City is already starting a public option insurer for affordable housing landlords. Given how much homeowners and renters insurance is overpriced in the state, the City should consider expanding that plan to compete openly in the homeowners and renters insurance markets. Doing so could save its residents hundreds of millions of dollars and generate revenue for the city.

Endnotes

1 Nat'l Assoc. Ins. Commsr, *2024 Market Share Reports for Property/Casualty Groups and Companies by State and Countrywide* 162 (2025), <https://content.naic.org/sites/default/files/publication-msr-pb-property-casualty.pdf> (hereinafter "NAIC 2024 Market Share Report"); Nat'l Assoc. Ins. Commsr, *2020 Market Share Reports for Property/Casualty Groups and Companies by State and Countrywide* 177 (2021), <https://naic.soutronglobal.net/Portal/Public/en-GB/DownloadImageFile.ashx?objectId=8758&ownerType=0&ownerId=4923>.

2 NAIC 2024 Market Share Report, at 4 (showing 42.56 percent loss ratio in 2024). The 5-year average was calculated by reviewing the last 5 years' versions of this NAIC market share report.

3 *Id.* at 4.

4 *Id.* at 162.

5 Press Release, Office of the Mayor, New York City, *Mamdani Administration Unveils First-of-its-Kind Insurance Program to Reduce Operating Cost of Housing Across New York City* (Apr. 16, 2026), <https://www.nyc.gov/mayors-office/news/2026/04/mamdani-administration-unveils-first-of-its-kind-insurance-progr>.

6 Nat'l Assoc. Ins. Commsr, *Report on Profitability by Line by State in 2023* (Apr 2025), <https://content.naic.org/sites/default/files/publication-pbl-pb-profitability-line-state.pdf>. This chart applies the 2023 cost ratios to the 2024 overall premium figure because NAIC has not yet published the cost ratios for 2024.

7 Based on author's analysis of NAIC Market Share Reports from 2020 to 2024.

8 See also Brian Shearer, *Regulating Insurance as a Public Utility*, Vanderbilt Policy Accelerator, forthcoming *Columbia Business Law Review*, at 37 (Apr 2026), <https://cdn.vanderbilt.edu/vu-URL/wp-content/uploads/sites/412/2026/04/28170109/Regulating-Insurance-as-a-Public-Utility.pdf>

9 *Id.* at 39.