

## Homeowner's Insurance Companies Face Questionable Future As ROE And Policyholder Rates Drop

Aon Benfield recently released its [Homeowners ROE Outlook report](#), which revealed that the prospective ROE for homeowner's insurance companies has slumped for the first time since 2011. Aon Benfield is the capital advisor of Aon plc, the leading global provider of insurance, risk management, and reinsurance brokerage.

The drop in ROE coincides with a hike in property insurance premiums. In 2011, total U.S. homeowner's premiums reached \$74 billion, but that sum is projected to be \$91 billion in 2016. The most profound premium increases were in southeastern states that are prone to hurricane damage.

Mortgage lenders in these regions usually require borrowers to purchase property insurance to protect their investments. However, due to the recent increase in insurance premiums, there has been a marked decrease in the percent of property owners who continue to carry homeowner's insurance after paying their mortgages.



### Trulia Report: Homeowners In Southeast Drop Property Insurance After Paying Off Their Mortgages

Across the southeast, the number of homeowners who carry property insurance has decreased in the last eight years, according to data from [Trulia](#). In Miami, only 78 percent of property owners without a mortgage carry insurance. The percentages are even similar in Tampa (79 percent), Fort Lauderdale (80 percent), and West Palm Beach (82 percent).

All four of these cities are located in Florida, which has the highest homeowner's insurance premiums in the country – [109 percent higher](#) than the national average.

To the benefit of homeowners on the west coast, this trend seems to be confined to the southeastern United States. In California, property insurance premiums are only 5 percent higher than the national average, and the average premium cost remained consistent from 2007 to 2015, according to [Shift Insurance](#).

### Insurers Are Looking For Opportunities In The Softening Market

Insurance companies are looking for opportunities following the drop in ROE and policyholder rates, which have softened the homeowner's insurance market.

Homeowner's insurance has always taken a back seat to auto insurance in terms of profitability. Often used as an incentive or add-on to an auto policy, homeowner's insurance has never been a top priority for profit-minded insurance companies that operate at the whim of their like-minded shareholders.

But as competition in the auto insurance market continues to grow, opportunistic insurers are experimenting with [sophisticated pricing structures](#) to create a competitive edge. And even with the

current trends, Aon Benfield's Homeowners ROE Outlook report projects accretive returns in most states in 2017.