

Homeowners Insurance In Montana: Uninsured Homeowners, Rising Prices, Non-Renewals, and the Path Forward

By Michael DeLong

The Consumer Federation of America



Introduction to Homeowners Insurance

- Homeowners insurance is vital for the protection of consumers' property and belongings
- Consumers are required to have coverage to get a mortgage, so rising costs and inability to get coverage hinders homeownership
- Homeowners without insurance are completely on the hook for repairing or rebuilding their home
- Homeowners with a loan will also pay for force-placed insurance that protects their lender but usually not themselves
- Federal, state, and local aid is not enough to fill the gap

Uninsured Montana Homeowners in 2021

- First CFA Report: [EXPOSED: A Report on 1.6 Trillion Dollars of Uninsured American Homes](#)
- **Nationally, in 2021 7.4% (or 6.1 million homeowners) lacked coverage, resulting in \$1.6 trillion in uninsured homes**
- **In Montana, 9% of homeowners were uninsured**
- Low-income homeowners, owners of manufactured homes, homeowners with inherited homes, and homeowners in rural areas were most at risk of being uninsured
- Because of premium hikes and non-renewals, number of uninsured homeowners is likely higher now

Rising Homeowners Insurance Premiums in Montana

- Second Report: [Overburdened: The Dramatic Increase in Homeowners Insurance Premiums and its Impacts on American Homeowners](#)
- In Montana...
 - Average homeowners insurance premiums for a typical homeowner **increased by 10%** from 2021-2024
 - In 2021, the annual premium for a typical homeowner with a \$350,000 replacement value policy was **\$2,408**. In 2024, it rose to **\$2,638**
 - In 2021, the annual premium for a typical homeowner with a \$250,000 replacement value policy was **\$1,950**. In 2024, it rose to **\$2,150**
 - Premiums increased by **11% in rural areas** and **5% in urban and suburban areas**

Federal Insurance Office and NAIC Report on Homeowners Insurance

- From 2018 to 2022, average nationwide homeowners insurance premiums increased by 8.7% faster than the rate of inflation
- In top 20% of ZIP codes (with the highest expected losses), homeowners insurance premiums increased by 14.7% faster
- Insurance costs for consumers were much greater in areas with higher expected losses from climate and natural disasters
- Policy nonrenewal rates were higher in areas with higher expected losses from natural disasters
- Call was limited and Montana did not participate

Montana Homeowners With Poor Credit Face Severe Penalties

- Insurance companies use many factors to price policies including credit scores (in the form of credit-based insurance scores)
- Very little hard data on the impact of credit scores on insurance
- Our recent CFA study sought to fill this gap. We found:
 - Use of credit scores results in higher premiums for younger and low-income homeowners
 - Use of credit scores locks out many people from becoming homeowners
 - Households with lower credit scores get punished, even if they live in safer areas

Credit Score Penalties in Montana

- In addition to charging more over the past few years, insurers also charge Montanans more for simply having a low credit score
- In Montana...
 - Insurers charge **113%** more (or **\$2,048** annually) for having a **low credit score** versus a high credit score
 - Insurers charge **46%** more (or **\$825** annually) for having a **medium credit score** versus a high credit score
- An interactive map detailing these credit score penalties for every county in Montana can be found here [on the CFA website](#)

Montana Credit Penalties by County

County	Premium Penalty for Consumers With Low Credit (\$)	Premium Penalty for Consumers With Low Credit (%)
Yellowstone County	\$2,501	113%
Gallatin County	\$1,840	114%
Missoula County	\$1,655	112%
Flathead County	\$1,666	115%
Cascade County	\$2,119	115%
Lewis and Clark County	\$1,893	113%
Ravalli County	\$1,781	113%
Silver Bow County	\$1,730	112%
Lake County	\$1,680	112%

Homeowners Insurance Non-Renewals

- CFA does not have data on homeowners insurance non-renewals for Montana
- Last year Idaho issued a data call, which was completed in six months
- Data call found the following non-renewal statistics in Idaho:
 - 3,900 policies or 0.84% in 2022
 - 27,798 policies or 6.55% in 2023
 - 8,591 policies or 2.02% in 2024
 - Grand total of 40,289 policies that were not renewed
- Similar trends likely occurring in Montana and the study should collect data on this

Recommendation #1: Mitigation Efforts to Reduce Risk and Lower Insurance Premiums

- Insurance regulators and companies should encourage mitigation efforts to reduce wildfire risk
 - Class A fire resistant roof covering
 - Clearing vegetation around the home
 - Steps to reduce or block embers
- Measures are often unaffordable for consumers living paycheck to paycheck
- One possible solution: a state funded grant mitigation program for eligible homeowners

Recommendation #2: Transparency & Discounts for Consumers Undertaking Mitigation Measures

- Transparency regarding wildfire risk scores used to set insurance premiums
 - How they are calculated and concrete actions consumers can take to reduce risk and lower premiums
- Require insurers to give premium discounts/rate reductions to consumers who undertake mitigation measures
- Discounts should also be given to consumers in communities that have done community level mitigation, such as forest management and other wildfire abatement

Recommendation #3: Transparency Regarding the Use of Catastrophe Models

- Catastrophe models are computerized processes that simulate natural disasters
- Used by insurance companies to estimate losses and damages, and so price premiums
- Models are often opaque, with little transparency and accountability as to how they function
- Require transparency and input on the data that is used in these models and how they function
- Build a public wildfire model to provide regulators and consumers a baseline to assess fairness of private models



Questions? Email us at
mdelong@consumerfed.org