HOMEOWNERS INSURANCE AFFORDABILITY AND THE SERVICING EXPERIENCE

By **JODI BRECKE**

Homeowners insurance has always played an important role in protecting customers, property collateral, and investors. It is also becoming a more visible part of the affordability conversation. In many markets, homeowners are seeing higher premiums, more selective underwriting, and fewer coverage options. These shifts are being shaped by catastrophe exposure, rising replacement costs, inflation, and changes in carrier appetite by region. When insurance costs affect monthly payments or make coverage harder to maintain, the impact can extend to the customer experience, escrow performance, and day-to-day servicing operations.

Rising Insurance Costs Have Direct Servicing Consequences

For many customers, homeowners insurance is paid through escrow. When premiums rise, the impact can appear as escrow shortages that often lead to higher monthly mortgage payments. This increase can create financial pressure for customers who may not have expected their payment to change, especially if taxes and other household costs are also increasing. It can also lead to more calls, more questions, and more time spent explaining escrow changes.

The servicing impact can extend beyond customer inquiries. Affordability-related stress may affect payment performance for some customers. Coverage issues can also create additional work when policies lapse, renewals change, or coverage becomes more difficult to secure. For servicers, these situations require careful coordination across customer communications, insurance tracking, investor expectations, and compliance obligations.



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Homeowners Need Guidance and Education, Not Just Notifications

Insurance can be difficult for homeowners to navigate, particularly when the market is changing quickly. A customer may receive a non-renewal notice, see a meaningful premium increase, or learn that certain carriers are no longer writing coverage in their area. Others may face challenges related to property conditions or required repairs.

In those moments, required notifications are only one part of the customer experience. Clear education can help homeowners understand that insurance alternatives may be available and point them to state-specific programs or resources that may help address property-related needs. This type of support gives customers a clearer next step without overwhelming them with unnecessary detail. It can also help reduce confusion, reinforce the servicer's role as a helpful resource, and make a difficult coverage situation feel more manageable.

A Provider-Led Strategy Helps Customers Maintain Coverage

Mortgage servicers can benefit from a documented, consistent strategy for helping customers maintain appropriate voluntary coverage whenever possible. Because many servicers outsource insurance tracking, the insurance tracking provider is often well positioned to help develop and support that strategy. With the right provider support, customers can receive clearer guidance and be connected to information about available options when coverage becomes more difficult to maintain.

When there is a lapse in coverage, servicers maintain protection by issuing a lender-placed insurance policy. This form of insurance is an important



safety net when required coverage is not maintained. At the same time, a provider-led strategy that connects customers to coverage options that meet the homeowner's preferences can support compliance considerations, audit readiness, and servicer customer support objectives. It can also help reduce confusion and negative sentiment tied to coverage gaps, cost increases, or a perceived lack of help, while supporting a better customer experience and helping preserve trust.

How Your Insurance-Tracking Provider Can Help

In addition to tracking coverage, identifying gaps, and supporting compliance, the right insurance-tracking provider can help deliver a documented coverage strategy that supports both servicers and their customers. That may include identifying opportunities to educate customers about available insurance alternatives and, when appropriate, connecting them with a choice of insurance options they can select. This support can be especially helpful for customers with lender-placed insurance or those who are dissatisfied with their current coverage.

Annual pre-renewal outreach is one practical example. Many homeowners renew the same policy year after year, often automatically, without reviewing whether the coverage still fits their needs, budget, or risk profile. A yearly review creates a timely opportunity to present options.

Choice also matters. Customers have different coverage needs, price sensitivities, and property risks. Access to multiple carrier options can help customers evaluate coverage that may better fit their circumstances. Early visibility into renewal activity, cancellations, and policy changes, supported by integrated policy data, can help identify when outreach may be needed, reduce follow-up, and support a more proactive approach.

Insurance Strategy Is Becoming Part of Customer Retention

Insurance affordability challenges are unlikely to be temporary. Market volatility, catastrophe risk, and property cost pressures will continue to influence how customers secure and maintain coverage. For mortgage servicers, that means insurance-tracking programs are increasingly positioned to support more than coverage compliance. They can also help create a more coordinated, customer-focused response to affordability-related coverage challenges.

With the right provider-led strategy, servicers can give customers more visibility into available options while reducing operational risk and supporting customer confidence. The goal is not to add complexity. It is to bring more education, choice, and timely support into a process that increasingly affects both the customer experience and servicing operations. MP