Covered.

September 2026

Covered Insurance Trends.

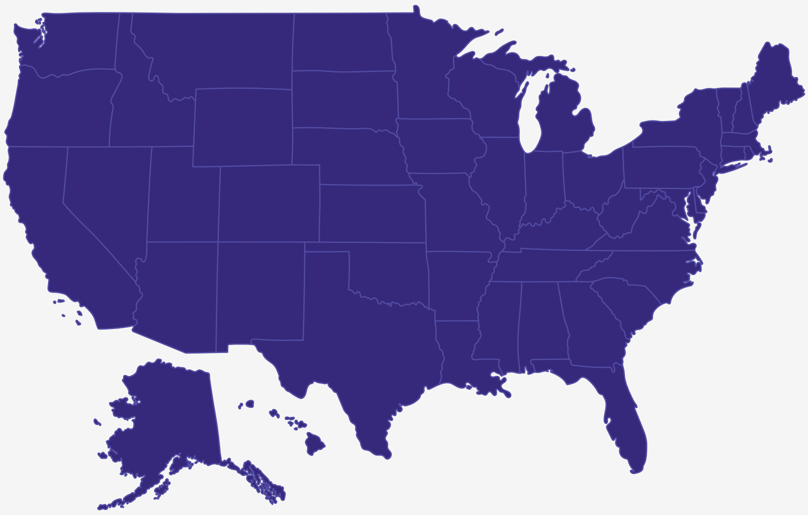
Data at a Glance

The insights in this brief bring together real-world data from the Covered platform with validated third-party studies and government publications, offering a data-driven perspective on the trends and behaviors impacting Covered's book of business. That book sits inside a wide footprint: through our technology partners we reach 10 million servicing loans and POS relationships covering almost half of all originated loans in the United States.

Carrier access & coverage adequacy

Drawn from H03 applications and leads in 2026

January – August 2026



From the CTO

"Every mortgage begins with a borrower making the most significant financial decision of their life. Insurance has always been part of that decision, but what has changed is how much it matters. The proprietary data in this research is from our own platform. That means what you're looking at is part macro trend and part Covered: how the insurance market has moved, and how the changes we've made internally have shaped what our borrowers actually experience."
— Doug Morgan, CTO

Covered's proprietary data reflects the borrower population of its lender partners during the periods studied and should not be read as nationally representative. Findings are informational only and do not constitute legal, financial, or regulatory advice.

Key Findings

30%

Lower quote cost

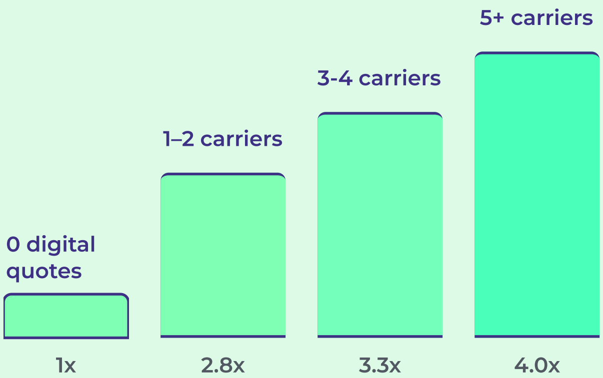
Borrowers see a 30% lower policy quote cost when 5+ competing carriers return digital quotes, compared to a thin market where only 1 to 2 carriers return quotes.

43.5%

of customers underinsured below 80% of RCE

43.5% of active borrowers are underinsured - below 80% of what it would cost to rebuild their home today.

Marketplace access determines outcomes



Bind rate

$769

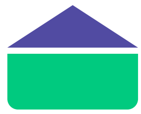
lower median annual premium with 5+ carriers competing vs. 1–2

+52%

increase in HOI premiums since 2018

Source: NAIC; S&P Global RateWatch; Triple-I; BLS CPI

The gap is larger than most assume



$150,000

is the median amount borrowers homes are under-insured by - the difference between what a policy covers and what a rebuild costs.

The fix only costs

$25/month

is the median increase for an underinsured borrower to reach adequate coverage, about $297 a year. More than a third find a policy cheaper than their existing one.

Force-placed insurance is the worst outcome

77%

of force-placed policies are underinsured

When a loan loses coverage, the servicer force-places a policy. It is the worst outcome for everyone: it protects the loan, not the borrower’s ability to rebuild.

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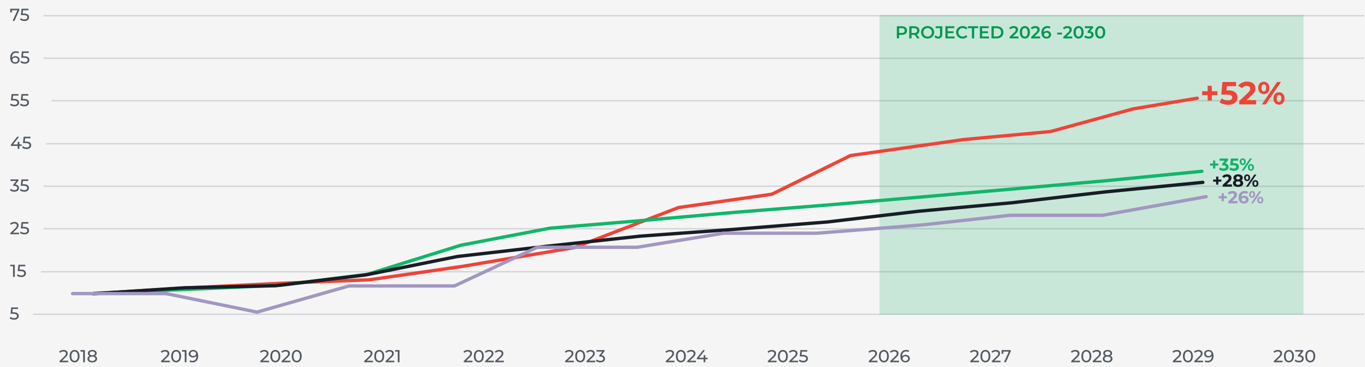
Insurance Has Structurally Repriced

Homeowners insurance has risen 52% since 2018, 1.5x the rate of food and almost double the rate of overall inflation.

Homeowners Insurance Has Outpaced Every Major Cost Category Since 2018

Cumulative cost index, 2018 = 100 · shaded region = projection (2026–2030)



"Historical sources (2018–2025): NAIC Homeowners Insurance Report; S&P Global RateWatch; Insurance Information Institute (Triple-I); U.S. Treasury / Federal Insurance Office (Jan. 2025). BLS Consumer Price Index (Food, Transportation, All Items). Projections (2026–2030): Cotality (+8% 2026–2027); GlobalData (6% CAGR 2028–2030); CBO / Fed consensus for CPI, Food, Transportation. All figures represent national averages. Individual costs vary by state, property, and policy."

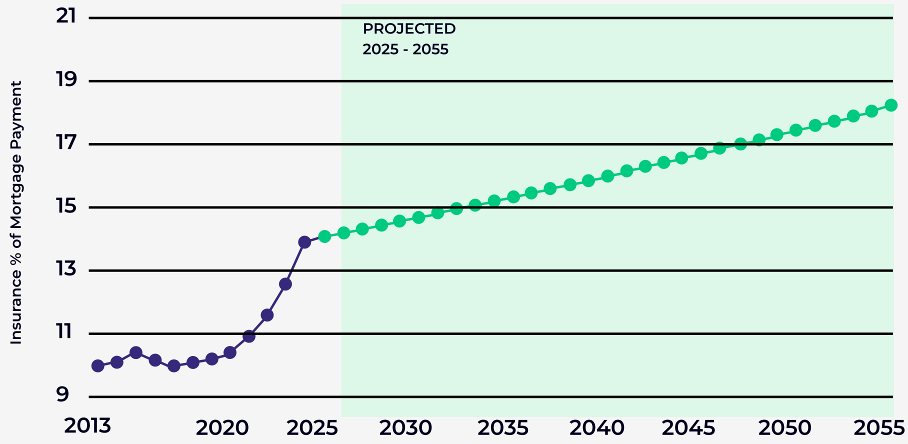
Home insurance	Food	CPI all items	Transportation
+52%	+35%	+28%	+26%

Reconstruction costs rose 38.5% over five years, one of the primary reasons premiums are where they are. When materials, labor, and climate-driven demand all push in the same direction, carriers adjust pricing or exit the market.

Source: NAIC; S&P Global RateWatch; Triple-I; BLS CPI; Cotality (+8% '26–'27); GlobalData (6% CAGR '28–'30)

Insurance Is Driving Up the Cost of Homeownership

Five years ago, insurance was a minor fraction of the total home mortgage payment. Today, it's 14% and growing.



Projected premium increase by 2055

+29.4%

cumulative increase in homeowners insurance premiums

Resulting insurance share

18.12%

of monthly T&I by 2055

vs. 14.0% today and 9.9% just 5 years ago

Historical data: Federal Reserve Bank of Dallas / ICE McDash Data (Dec. each year). Projection: First Street Foundation 12th National Risk Assessment (2024) — 29.4% avg. national premium increase to 2055. Methodology: premium increase applied to 2025 baseline ratio assuming fixed mortgage P&I.

At 14%, insurance is larger than property tax components in many markets, changing the affordability math on every loan.

Percentage of mortgage payment

9.9%	14%	18%+
5 years ago	today	projected by 2055

The Risk: Research from the Federal Reserve Bank of Dallas finds that for every $500 annual premium increase, a borrower is 20% more likely to become delinquent at least one full billing cycle past the original due date. Rising premiums pushed approximately 31,000 mortgages into delinquency in 2022 alone.

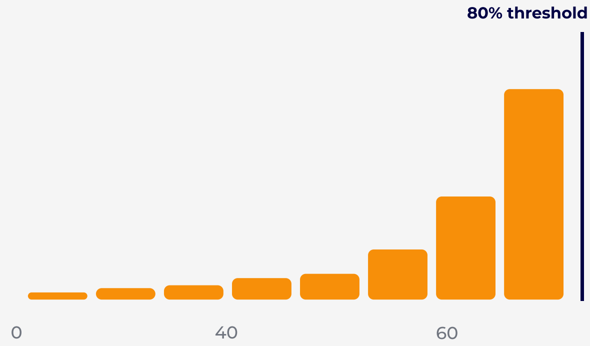
> **What this means for servicers**
>
> In 2023, an estimated 12% of homeowners did not purchase insurance due to cost or lack of availability. Those properties sit as collateral on performing loans with no coverage backstop, the risk sits entirely with the servicer.

Source: Federal Reserve Bank of Dallas / ICE McDash; First Street Foundation, 12th National Risk Assessment (2024)

Over 40% Are Underinsured

Rebuild costs have moved faster than home insurance policies have. Reconstruction is up 38.5% in five years, and coverage limits largely have not followed, creating unintentional and potentially unknown gaps in coverage. Across the borrowers who shop with us, 43.5% were carrying Coverage A below 80% of what it would cost to rebuild, with a median gap of $150,000. Below that line the insurer isn't obligated to pay the full rebuild after a total loss, and the shortfall lands on whoever holds the loan.*

Coverage A as % of Replacement Cost



*Below 80% Coverage A, most policies trigger a coinsurance clause, even a partial loss is paid out at a prorated rate. An underinsured borrower can file a valid claim and still receive less than the repair cost.

Servicers are caught on both sides of the same problem

An underinsured property puts the asset at risk. But the Dallas Fed finds that for every $500 of annual premium increase, a borrower becomes 20% more likely to fall at least one full billing cycle behind. So the obvious fix carries its own risk: buying more coverage raises the monthly payment, and a higher payment is the thing that tips a current borrower into delinquency.

Source: Covered Insurance proprietary analysis. January–August 2026; Cotality reconstruction cost data, May 2025.

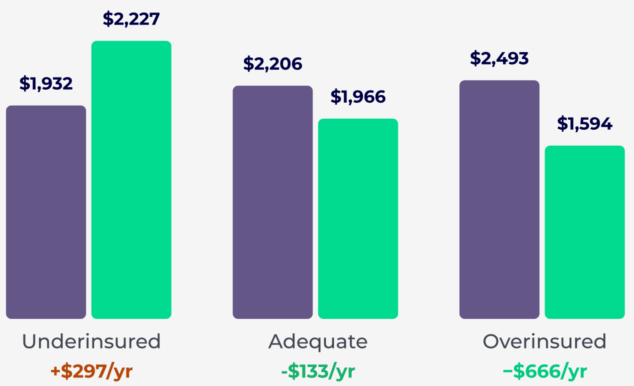
43.5%
Of Borrowers Underinsured

$150K
Median coverage gap per home

Affordability breaks the tie

Across our platform, an underinsured borrower can reach adequate coverage for a median cost of $297 a year, roughly $25 a month. More than a third find a policy cheaper than the one they already have. At that price the tradeoff mostly goes away: the gap closes without a payment shock big enough to put the loan at risk. That price is a function of how many carriers are competing for that borrower's business, which is where the next section picks up.

Median Annual Premium: Existing vs. Best Available Quote



+$297/yr

37% would find savings

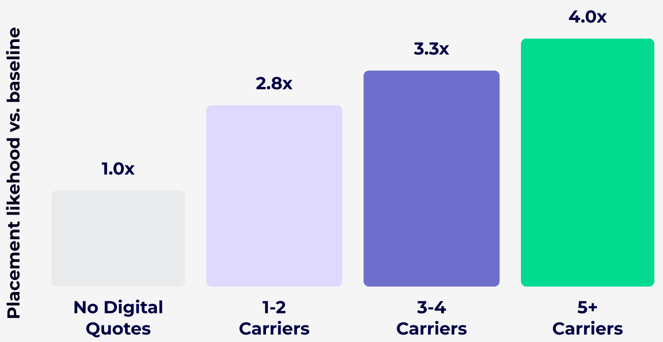
77% of force-placed policies are underinsured

Carrier Depth Drives Affordability

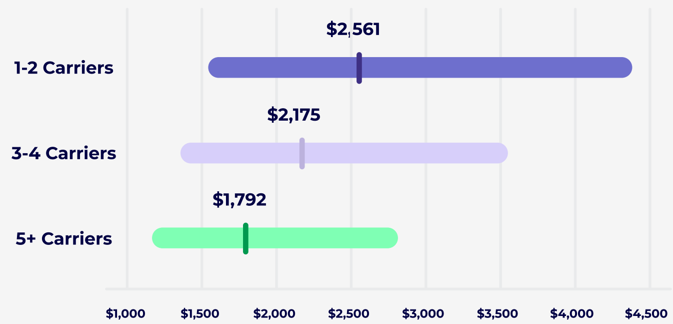
When national carriers have appetite in a market, we can put several competing quotes in front of a borrower and place them in the most affordable policy that fits.

When they don't, coverage still exists, but finding it means an agent working the phones carrier by carrier, under stricter underwriting and with far less price discipline. Marketplace depth is what turns that search into a competitive, transparent shopping experience, and it is the single biggest lever on what a borrower ultimately pays.

With 5+ competing carriers, we place a borrower in an affordable policy 4x as often as in a market with no digital quotes.



In 5+ carrier markets the median best quote runs $769 (30%) below thin markets. Depth is savings we can pass to the borrower.



Median best available quote by tier • light bar = IQR (P25-P75) • HO3 • Jan-Aug 2026

4x
more likely to place a customer in an affordable policy when provided 5+ options

$769
lower median annual premium in 5+ vs. 1–2 carrier markets

Why marketplace depth matters

A "no digital quotes" market means that to find coverage, an agent has to shop manually through an insurers proprietary quoting portal. In challenging markets this can mean the only options are from non admitted carriers, which are not regulated by the state, meaning there is no oversight on what they charge. In many states an agent can only place a borrower with a non-admitted carrier after three admitted carriers have declined, which makes it a genuine last resort, not a first option.

Marketplace depth is what lets us put options in front of a borrower; a dashboard of competing quotes, clear prices, and room to save. Thin markets take that away: fewer choices, more manual research, longer placement timelines that can delay a closing, and less pricing pressure protecting the borrower. Depth is the difference between a borrower who can save and one who can't.

Source: Covered Insurance HO3 Data, Jan to Aug 2026; FSOC 2024 Annual Report

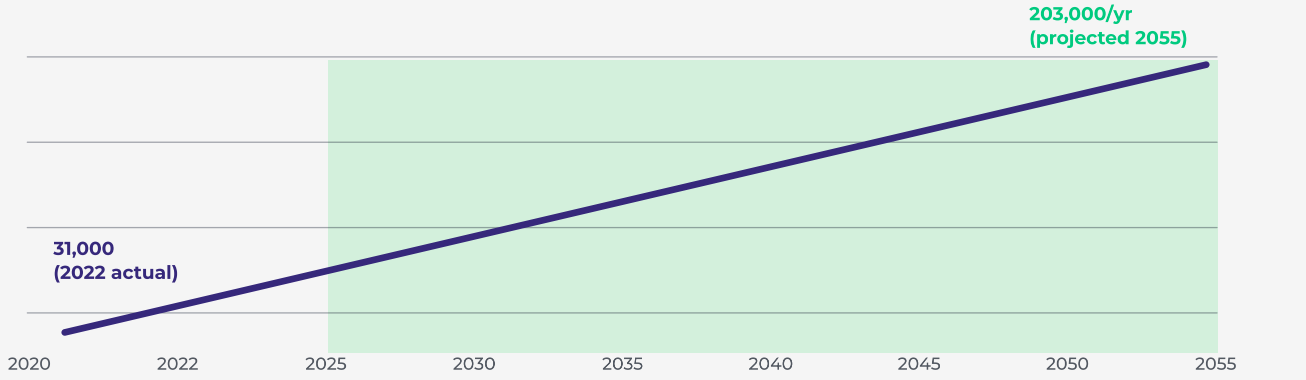
The Risk Is Already in Portfolios

> "Mortgage defaults from uninsured damages could push losses across the financial system, including mortgage servicers and MBS purchasers."
>
> FSOC 2024 Annual Report, Executive Summary

The data suggests that the most difficult markets are softening, but that doesn't mean the risk has decreased. Delinquency as a result of insurance costs is a growing problem, on current trajectories that number will reach 203,000 a year by 2055. For a servicer this is a risk to calculate and prepare for now, not a cycle to wait out. The borrowers on your book still need to shop, and depth and adequate coverage are what keep delinquency out of your portfolio.

The trajectory is what matters for any servicer managing a portfolio over time.

Annual Mortgage Delinquencies Attributable to Rising HOI Premiums



Source: Ge, Johnson & Tzur-Ilan, Federal Reserve Bank of Dallas, March 2026; Covered Insurance proprietary, January-August 2026.

> **GSE eligibility risk**
>
> When insurance becomes unavailable, loans become ineligible for delivery to Fannie Mae and Freddie Mac — removing GSE execution at exactly the moment the market is most stressed.

When a borrower carries Coverage A below 80% of replacement cost, their policy typically includes a coinsurance clause, a valid claim is paid at a prorated rate, not full repair cost. The loan balance and monthly payment don't change, but a major repair bill the policy didn't cover is exactly the kind of shock that pushes a current borrower into delinquency.

The fix is upstream:

Borrowers who never shop are the ones who stay underinsured. In July we began telling borrowers directly when their coverage was below replacement cost. Selection in that group doubled, from 9% in the first half of the year to 18% in July and August, and the lift held inside every partner book. Selection rose across all coverage levels in the same period, so the market accounts for some of it, but the direction is consistent: borrowers who are told they are underinsured act on it.

Terms & Glossary

User-friendly definitions for the insurance and marketplace terms used throughout this brief.

Insurance & Coverage

Coverage A (Dwelling)
The part of a homeowners policy that pays to rebuild the physical structure of the home. Measured against replacement cost, not market value.

Replacement Cost Estimate (RCE)
What it would cost to rebuild the home today at current material and labor prices, the benchmark Coverage A should keep pace with.

Underinsured
Coverage A below 80% of replacement cost. At a major loss, the policy may not cover the full cost to rebuild.

Adequate coverage
Coverage A at roughly 80–130% of replacement cost, enough to rebuild without paying for excess.

Coinsurance clause
Pays a claim at a prorated rate when a home is insured below a set share (usually 80%) of replacement cost. A valid claim can pay less than the repair bill.

Admitted carrier
An insurer licensed and rate-regulated by the state and backed by the state guaranty fund. Pricing has state oversight.

Data & Marketplace

Marketplace depth / carrier return tier
How many carriers return a real, digital quote for a borrower, grouped 0, 1–2, 3–4, 5+. More depth means more competition and more room to save the borrower money.

No digital quotes (zero-return)
A market where no carrier returns an instant digital quote. Coverage may exist, but it has to be shopped in a carriers proprietary quoting portal.

Bind / bind rate
A quote is “bound” when accepted and a policy issued. Bind rate is the share of borrowers who reach a bound policy.

Best available quote
The lowest quote a borrower saw across all carrier attempts.

Median
The middle value, half of cases above, half below. Less skewed by outliers than an average.

IQR
Interquartile range, the middle 50% of values, a measure of spread. A wider IQR signals more pricing uncertainty.

Lead (deduped)
One unique borrower opportunity, with duplicate records removed.

Terms & Glossary

Plain-language definitions for the insurance and marketplace terms used throughout this brief.

Insurance & Coverage

Non-admitted (surplus lines) carrier

Not licensed or rate-regulated by the state, no oversight on what it charges. A last resort, allowed only after admitted carriers decline (often three).

Force-placed insurance

Coverage a servicer buys on a borrower's behalf when insurance lapses. Protects the lien, not the borrower, usually costlier and narrower.

HO3

The standard homeowners insurance policy form, and the basis for all proprietary data in this brief.

HOI

Homeowners insurance.

Data & Marketplace

Servicer

The company that manages a mortgage after origination; payments, escrow, and the risk when a loan goes bad.

GSE (Fannie Mae / Freddie Mac)

Enterprises that buy conforming loans. A loan must stay eligible to be sold to them; a coverage lapse can break that eligibility.

Methodology & Sources

Dataset 1 — Coverage Adequacy (Covered Proprietary)

8,000+ HO3 applications last rated January 1 to August 31, 2026, pooled from three internal sources that share no application IDs. Each application classified by the ratio of existing Coverage A to replacement cost at quoting: Underinsured = below 80%; Adequate = 80–130%; Overinsured = above 130%. Premium economics computed on applications with existing premium ≥$500 and at least one successful carrier quote.

Dataset 2 — Carrier Access & Marketplace (Covered Proprietary)

Nationwide HO3 leads, deduped by lead, January 1 to August 31, 2026. Insurify-sourced leads excluded. Carrier return tier is the highest number of carriers that returned a quote across a lead's applications. Bind rate analysis indexed to the zero digtial-return tier as baseline. Premium analysis restricted to leads with both a best-available and a bound premium on record.

Third-Party Sources

[1] NAIC Homeowners Insurance Report; S&P Global RateWatch; Insurance Information Institute (Triple-I). [2] U.S. Bureau of Labor Statistics, Consumer Price Index — bls.gov/cpi. [3] Cotality, reconstruction cost research, May 2025 — cotality.com/insights/articles/insurance-gap. [4] GlobalData, Insurance Market Projections, 2028–2030. [5] Federal Reserve Bank of Dallas / ICE McDash, mortgage payment share data. [6] First Street Foundation, 12th National Risk Assessment, 2024. [7] Ge, Johnson & Tzur-Ilan, "Home insurance premiums influence mortgage delinquencies," Dallas Fed, March 2026. [8] Financial Stability Oversight Council, Annual Reports 2023 and 2024 — home.treasury.gov/fsoc.

About Covered Insurance

Covered is a mortgage-first insurance marketplace connecting lenders, servicers, and borrowers to competitive carrier markets at origination and in-servicing. We integrate with Blend, Total Expert, Insellerate, nCino, Blue Sage, ICE / MSP, SWBC and other leading technology platforms and partners. The data in this brief comes from live transactions processed on our platform.

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