

POLICY & COMPLIANCE TRACK: Home Insurance Crisis Staying Compliant in this Volatile Market

Wednesday, February 18, 2026

Moderator:

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Panelists:

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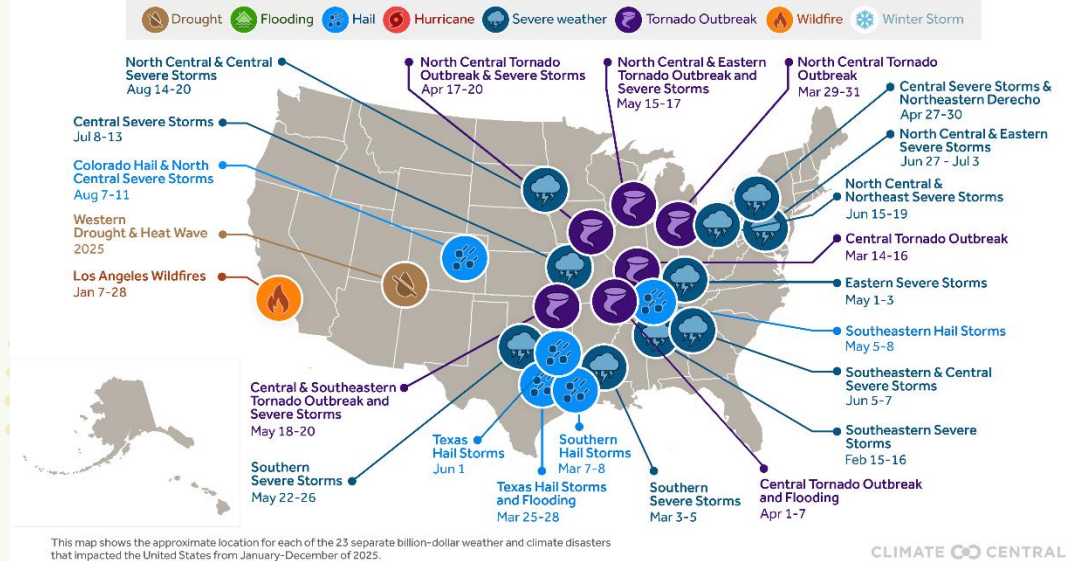


Homeowners Insurance – Macro Trends

Climate Pressure in P&C Insurance – 2025 Snapshot

- 23 separate billion-dollar weather disasters impacted US in 2025
- CAT losses surpassed \$100 billion for the fifth consecutive year (\$107 billion)
- LA-area wildfires: \$40 billion in insured losses
- Severe convective storms: \$50 billion in global insured losses

U.S. 2025 Billion-Dollar Weather & Climate Disasters

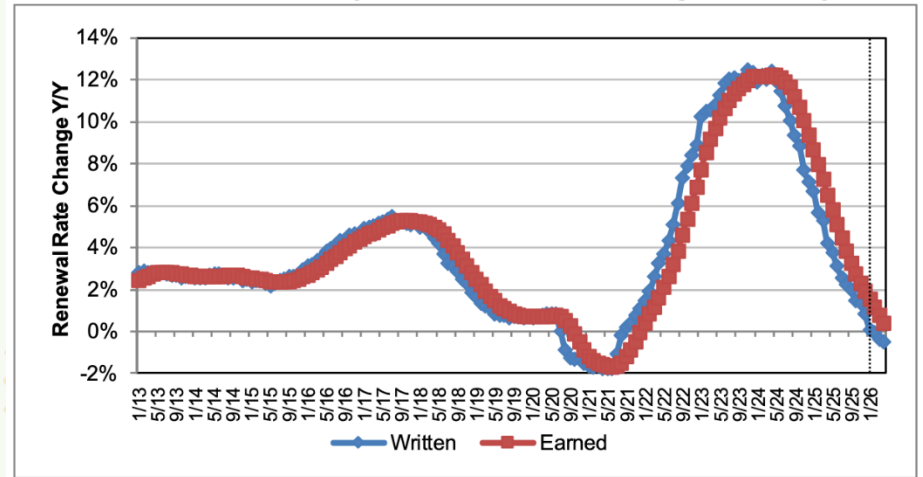


Source: Climate Central

Some Signs of Stabilization

- Insurance market saw improvement in underwriting results (\$34.9b net gain in first 9 months of 2025 vs. \$3.7b in 2024)
- 2025 hurricane season was first in a decade without a major US landfall
- Premium growth slowed (18% in 2024 → 8.5% in 2025)
- Carriers eased restrictions as they reached rate adequacy
- Quotes available per person increased 78% from a low point in March 2024
- Deductibles increased 22% in 2025 vs. 15% in 2024
- Natural disasters will continue to influence the market → Winter Storm Fern estimated to reach \$4 billion in insured losses

Exhibit 1: Estimated Monthly PPA Renewal Rate Changes, Industry



Source: S&P Global and KBW Research

Sources: SwissRe, Verisk, Matic, S&P Global, KBW Research

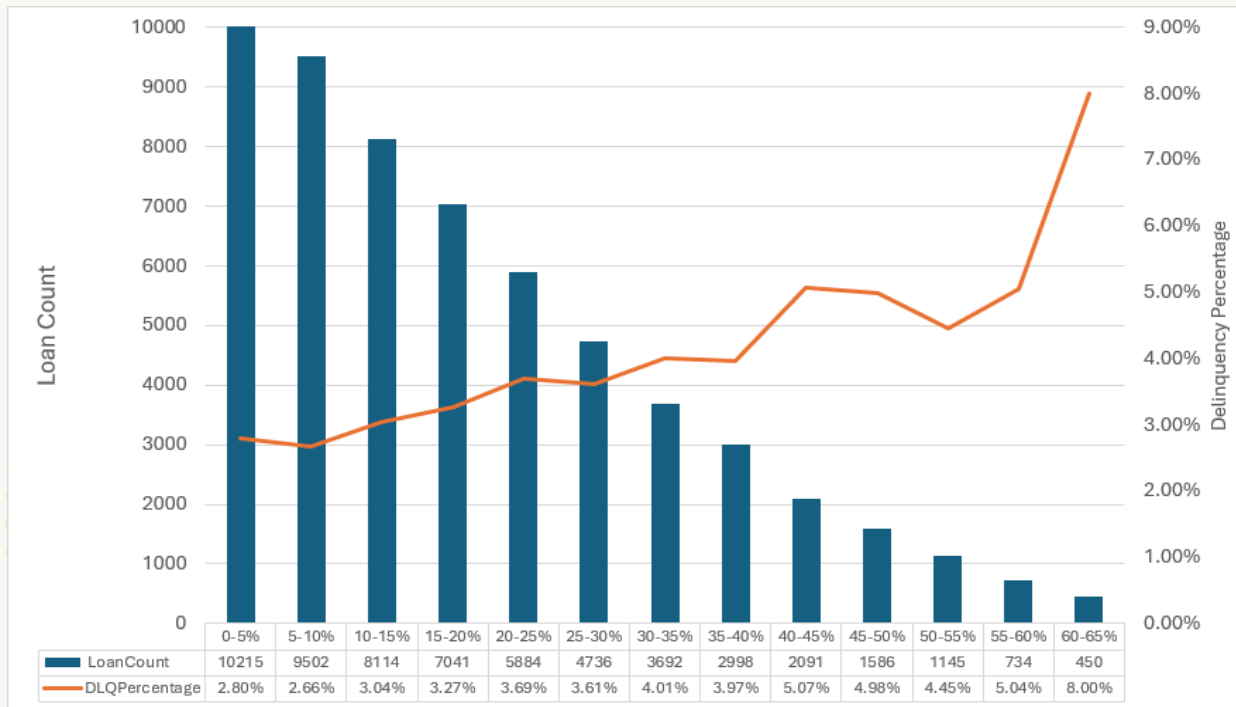
Homeowner and Servicer Impacts

Consumer Impact

- The U.S Department of Treasury's Federal Insurance office released a report on January 16, 2025, highlighting that from 2018-2022, homeowners insurance premiums increased 8.7x faster than inflation.
- Non-renewals of insurance policies by carriers in some coastal states make it difficult for customers to find private hazard policies.
- Lender placed insurance policies are used by servicers to provide coverage for consumers that are unable to find a commercial policy; the downside is that these policies don't cover the consumer's contents.
- The graph on the following page, containing data derived from the Two Harbors portfolio, illustrates the impact of rising tax and insurance costs on delinquencies in the US.

Data from 2025 sources from a Fortune article dated April 30, 2025.

Rising Taxes & Insurance Are Impacting Delinquencies



Graph illustrates delinquencies on loans with TI equal to 100-165% of the borrower's PI

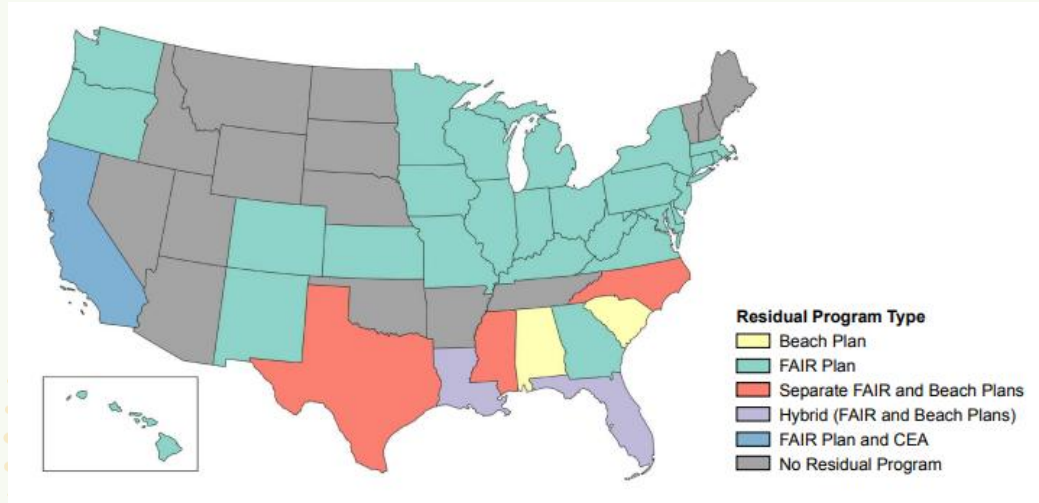
Insurance Affordability / Availability – State FAIR Plans

State FAIR Plans can serve as a bellwether for trends in insurance market affordability / availability

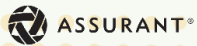
State FAIR Plan Policies in Force 2024 (Top Ten)

Florida	1,335,517
California	431,300
North Carolina	246,155
Massachusetts	214,158
Louisiana	161,647
Texas	126,680
Virginia	23,125
New York	22,225
Michigan	16,274
Rhode Island	16,138

source: Insurance Information Institute (III)



Source: Environmental Defense Fund



Key Insights:

- Only 34 states have a FAIR plan
- Only 6 states have a plan with more than 25,000 policies (most FAIR plans are true residual-market players)

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Insurance Affordability / Availability – State FAIR Plans



State FAIR Plans – Additional Detail

Total FAIR Plan Policy Growth - Top Ten States

Georgia	302.6
Louisiana	282.8
Florida	235.3
California	159.5
Washington	138.6
North Carolina	25.8
Oregon	-10.6
Michigan	-13.7
Massachusetts	-15.8
Rhode Island	-17.2

Key Insights:

- FAIR plan growth and concentration highlights regional nature of insurance markets.

CA FAIR Plan – County Policies in Force by County



Source:

APCIA, via data from residual market plan(s)

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Compliance Trends and Insights

LPI & Insurance Tracking Compliance

- Top insurance trends impacting lenders & servicers
 - Increase in NFIP Lapse frequency and duration
 - Increase in carrier non-renewals / cancellations
 - Increase in carrier changes
 - Increase in state insurance exceptions – wildfire exclusion
- Top challenges
 - Force placement vs customer affordability
 - Coverage availability vs. coverage requirements
 - Touchpoints = friction and complaints

Staying Compliant with LPI

- Update compliance management systems
- Document insurance requirements and policies
- Ensure end-to-end LPI traceability with timing requirements
 - Origination/loan boarding
 - Lapse detection/coverage adequacy
 - Notices
 - Placement
 - Cancellation/refund
- Engage customers with education
- Maintain quality/compliance oversight

Industry Updates – Flood Insurance and GSE Guide Updates



Flood Compliance – Recent Issues

- Senate letter requesting re-set on NFIP Risk Rating methodology
- Affordability will be critical issue in NFIP reforms (mortgage servicers could be viewed as resource to enforce/arbitrate affordability)

GSE Updates on Insurance Policy

- Targeting end of first quarter for an announcement (most in industry expect distinct Selling and Servicing standards)
- GSEs focusing on improved data
- RCV vs. ACV settlement basis still an issue

Segment of Personal Property Coverage.	Additional Breakdown by ISO Policy Type	Analysis/Commentary
Homeowners Policy Types	HO-03 = 78.99 % HO-05 = 12.38 % HO-02 = 6.51 % HO-01 = 1.80 % HO-08 = 0.32 %	True ACV limits on coverage are only found in the HO-08. ACV typically offered though endorsements on other HO property forms.
Condo/Tenant	HO-04 = 76.28 % HO-06 = 23.72 %	HO-04 is only for personal property. A HO-06 Policy pays claims based on actual rebuilding costs for betterments and improvements.
Dwelling Fire	About 1.8% of the total residential property policies in force.	Commonly referred to as “Landlord” insurance. DP-1 settlement is at ACV. DP-2 and DP-3 settlement is at RCV.

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