

# Wildfire Matters Review Committee

Insurance Commissioner Michael Conway

July 18, 2024



**COLORADO**  
Department of  
Regulatory Agencies  
Division of Insurance



## As Insurers Around the U.S. Bleed Cash From Climate Shocks, Homeowners Lose

It's not just California and Florida now: Insurers are losing money around the country. It means higher rates and, sometimes, cancellation notices.

By Christopher Flavelle and Mira Rojanasakul  
May 13, 2024

POLITICS

MONEY

ARTS

JUSTICE

ENVIRONMENT

NEWSLETTER

SUPPORT CPR

## Late-night hailstorms pummel Denver metro



By Joe Wertz · May 31, 2024, 6:59 am

## Home Insurers Curb New Policies in Risky Areas Nationally

Pullback goes beyond California and Florida as insurers face climate risks and inflation

Damage to homes from wildfires is an area of risk for insurers in California. MIKE BLAKE/REUTERS

By Jean Eaglesham [Follow](#)

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SUPPORT CPR

## A warm, dry spring is forecasted for Colorado. That could be a recipe for wildfires



By Joe Wertz · Mar. 28, 2024, 4:00 am

Videos



## The home insurance market is crumbling. These owners are paying the price



By Nathaniel Meyersohn and Anna Bahney, CNN

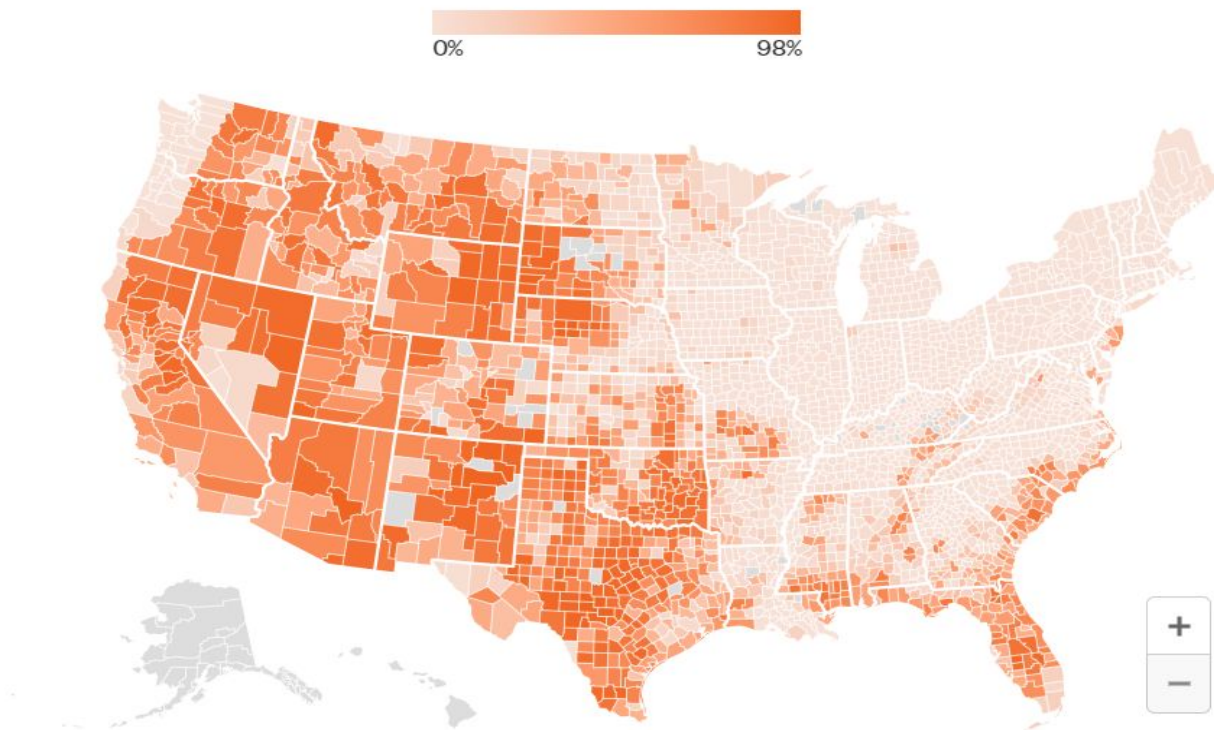
6 minute read · Updated 2:34 PM EDT, Fri April 26, 2024



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## Wildfire risk

The share of properties with a risk score of "moderate" or greater, moderate indicating a 1%-3% chance of burning in the next 30 years.



Notes: Counties colored grey have no data.

Source: [First Street Foundation](#)

Graphic: Joe Murphy and Randi Selvi / NBC News



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# Homeowners' Insurance: Premiums

Profitability of homeowners insurance in **Colorado**



*“In the state of Colorado, homeowners insurance was unprofitable in eight of the last 11 years, more than any other state.”*

# Recent Legislation

- Underinsurance (HB23-1174): Increases certain coverage offerings and requires preparation of annual Reconstruction Cost Report
- FAIR Plan (HB23-1288): Insurer of last resort
- Partial Loss Study (HB24-1315): Analysis of potential standards for remediating smoke, soot, and ash
- HOA Study (HB24-1108): Market analysis for HOAs and lodging facilities and potential recommendations

# The FAIR Plan

May 2023  
Signed into law

October 2023  
Board  
Appointed

June 2024  
Executive  
Director Started

July 2024  
Plan of  
Operations  
Submitted

January 2025  
Plan Offerings



*FAIR Plan Website: <https://coloradofairplan.com/>*

# Underinsurance (HB23-1174)

- Regulations in progress
  - Reconstruction Costs and Replacement Cost Estimates
  - Homeowner Disclosure Requirements
  
- Reconstruction Cost Report
  - Due April 1, 2025

# Community Outreach & Education

## Community Meetings

- Homeowners Stakeholder Meetings (4 in the past year)
  - Education on Home Hardening standards
  - Challenges in the global reinsurance market
  - Wildfire models
  - Hail
- HOA Study Stakeholder Meeting (July 2)
  - [HB 24-1108](#) requires DOI to conduct study on HOA insurance market
- Partial Loss Study Stakeholder Meeting (June 27)
  - [HB 24-1315](#) requires DOI to conduct study regarding standards for remediation of residential premises after a property has been damaged by a fire
- Presentations at various town halls

## HOA and Homeowners Toolkits

- <https://doi.colorado.gov/homeowners-hoainsurancetoolkit>





# Global Reinsurance Market

# Home Hardening Programs

- Nine states have home strengthening programs, including Alabama, Louisiana, Minnesota, and Oklahoma
  - Many based on IBHS roof hardening standards
  - Stronger roof attachments, impact resistant materials, and water barriers/reinforced connections
- “Structural modifications can reduce wildfire risk up to 40%, and structural and vegetation modifications combined can reduce wildfire risk up to 75%.” (NAIC)

# Wildfire Risk Models

- Used by insurers to evaluate where to write business and the premiums they charge
- Insurers use different models with different data sources; blend models
- Generally focus on the immediate property and surrounding areas; don't factor in community/state mitigation efforts
- Consumers have no insight into these models

# We will figure this out!!

- Please don't listen to the pessimists
- Yes, it's a challenging market and we need to find solutions - but we will because we have to
- Those solutions will need to focus on both the historical losses in our homeowners market as well as the impacts from prospective models
- Mitigation is still key - but we have to be able to tell Coloradans where to get the best bang for their buck

# Next Steps

- Future Stakeholder Meetings (will be shared via list serve and posted online)
  - To sign up:  
<https://doi.colorado.gov/sign-up-for-division-of-insurance-email-lists>
- Online Resources:
  - If your constituents have a specific issue:  
<https://doi.colorado.gov/for-consumers/file-a-complaint>
  - For general homeowners information, including past and upcoming stakeholder meetings:  
<https://doi.colorado.gov/homeowners-insurance-affordability-availability>

# Questions?



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