

Division of Insurance

Commissioner Michael Conway

Wildfire Matters Review Committee

August 12, 2021



COLORADO
Department of
Regulatory Agencies
Division of Insurance

Basics of Homeowners Insurance - Wildfires

- Almost universally required by mortgage companies
- Levels of coverage
 - Actual cash value -- the value of the home and the contents but does not include the depreciation of the assets
 - Replacement cost -- includes depreciation once assets have been replaced
 - Extended replacement cost -- additional benefit (often a percentage above) to cover increased costs of replacement, e.g. materials costs, code compliance, law & ordinance, etc.



Insurance in Wildfire Recovery

- Protect consumer's investment

- Total loss v. partial loss
- Additional living expense (ALE)
- Primary v. secondary home
 - Secondary homes may not have same coverage as primary residence
 - Differing coverages for secondary homes -- e.g. reduced ALE, extended replacement cost, law and ordinance/code upgrade
- Flood coverage is not part of basic homeowner's insurance and floods always follow wildfires



Insurance challenges in Wildfire Recovery

- Infrastructure losses -- roads, utilities (electric, water)
- Recovery takes time
 - May need to look at time limits on build back and circumstances of particular communities -- weather, debris removal, other housing availability, materials availability, construction availability



Availability/affordability of homeowners insurance in high risk areas

- Division has begun surveying carriers annually to determine if certain areas (zip codes) are having availability issues
 - Based on results from 2019, we didn't see an availability problem
 - But then 2020 wildfire season happened
- Our 2020 survey results will provide more insight into whether the availability of homeowners insurance is changing
- In 2021, according to study by Aon, insured natural disaster losses have already hit a 10 year high

Affordability is related to availability

AVAILABILITY

- Insurance premiums are based on risk
 - When wildfire risk is increasing at the exponential/logarithmic rate, we anticipate increased price/availability issues and the possibility of carriers declining to write policies for certain properties or under certain conditions
- After every major fire we get a few consumer complaints about being unable to find coverage
 - To this point, we are not aware of large-scale availability problems
 - Anticipate that consumers unable to get coverage with an admitted carrier are going to the surplus lines market for coverage -- but coverage is more costly



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Claims Process and Role of DOI

- Information to educate and help consumers on [our website](#)
 - Video on wildfire and mitigation webinar on our website
 - Materials to help before a fire or other disaster (preparation)
 - Home inventory forms, apps and tips
 - Ready bag and what to do if evacuated
 - Read your policy and know how to access your insurance agent and company
- Work with groups and communities
 - Emergency managers, local governments, larger homeowners associations
 - Consumer groups like United] Policyholders, FireWise Communities, Volunteer Organizations Active in Disasters (VOAD)
 - Staff Disaster Recovery Centers, attend town and community meetings, hold consumer assistance forums, assist and help coordinate insurers in setting up “Catastrophe Recovery Villages”

DOI Info From 2020 Fires

East Troublesome -- Oct. 14 - Nov. 30, 2020

Burned acreage - 193,812

At height of fire: over 7,000 structures threatened, 35,000 people put under emergency evacuation

DOI Survey (as of March 2021)

- 1,066 claims for residential property, 156 for 2nd home - 366 residences as total losses
- \$436M in incurred loss, \$279M in paid loss - 64%

Complaints to DOI -- 46, mostly claims handling

Cameron Peak -- Aug. 13 - Dec. 2, 2020

Burned acreage - 208,663

461 structures destroyed

Rolling, sometimes multiple, evacuations

DOI Survey (as of March 2021)

- 651 claims for residential property, 48 for second home - 224 residences as total losses
- \$51M in incurred losses, \$35M in paid loss - 69%

Complaints to DOI - 2

Recoveries to date on DOI complaints - Approx. \$1.8M

Survey info collected quarterly, analyzing June 30 receipt

Risk and Mitigation

- We encourage consumers and their carriers to work together to reduce risk through mitigation to their homes.
- Webinar on DOI website on mitigation with partners: Colorado State Forest Service, Insurance Institute for Business and Home Safety, Colorado Realtors, Rocky Mtn. Insurance Assoc.
- Continued work with Center for Insurance Policy and Research of the NAIC, and other organizations such as Federal Alliance for Safe Homes (FLASH) on building codes/standards, FEMA on flood insurance and disaster prevention and recovery on immediate concerns
- NAIC focus on climate change and insurer capacity in growing catastrophes

Mitigation at all Levels

- Need to look at mitigation beyond individual homeowner level
 - We encourage mitigation at several levels
 - Communities -- land-use and planning, building codes, roads and access, utilities
 - Example of Buffalo Mountain Fire and community mitigation efforts
 - Individual properties -- building materials and “safer home” construction practices, vegetation clearance and non-flammable mulch
 - Mitigation of an individual property helps, but cannot withstand a catastrophic fire
 - Camp Fire in Paradise, CA; Dixie Fire that destroyed Greenville, CA just last week
 - East Troublesome foreshadowing Colorado risks?



Other states' approaches to insurance and disaster mitigation

- **California** FAIR program (fire and earthquake) -- “insurer of last resort” through pool of insurers and policy limits up to \$3M (raised in 2021 from \$1.5M)
- **Florida** Florida Hurricane Catastrophe Fund -- provides reimbursement to residential property insurers for a portion of their Florida catastrophic hurricane losses
- **South Carolina** Coastal Property income tax credit (hurricane) -- for costs homeowner incurs in fortifying their home against flood/wind, state tax-exempt catastrophic savings accounts
- Strengthen **Alabama** Homes program (wind) -- grants in 2 counties to help achieve FORTIFIED Home mitigation standard with a discount on the wind portion of a homeowner's insurance premium (Note: currently temporarily suspended due to demand)
- **Louisiana** (July 1, 2021) (hurricane/wind) -- new law/process for insurers to file for voluntary discounts/rate reductions for meeting FORTIFIED standards of the Insurance Institute for Business and Home Safety

Contact the Division of Insurance

File Complaints / Ask Questions

DOI Consumer Services Team:

- **303-894-7490 / 800-930-3745**
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- **doi.colorado.gov**

Questions?

