

# Marshall Fire and Underinsurance

## Wildfire Matters Review Committee

Colorado Insurance Commissioner Michael Conway

July 27, 2022

# Underinsurance: DOI Analysis

One of the more troubling issues has been the problem of underinsurance.

Underinsurance

When the amount of money a homeowner will receive from their insurance company is not enough to repair or replace the home.

To better understand the scope of underinsurance concerns, DOI collected information on claims from insurance companies

# Underinsurance: DOI Analysis

The DOI's survey and analysis focused on:

Total Losses

Policy Types

Estimated Underinsurance

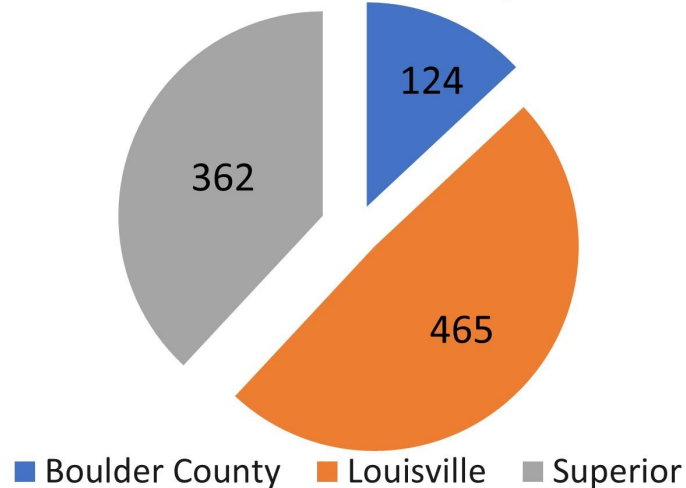


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Division of Insurance

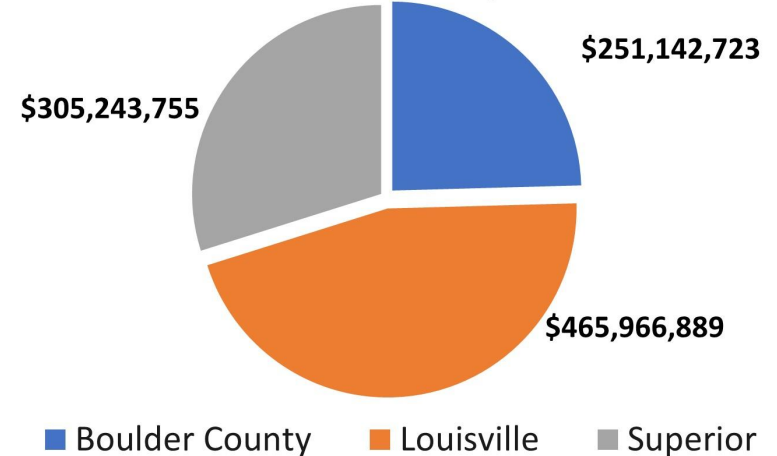
# Underinsurance: DOI Analysis

Total Losses - Homes reported and total incurred claim dollars, by community:

951 Total Loss Homes Reported



\$1,022,353,367 Total Incurred Claim Dollars by Community

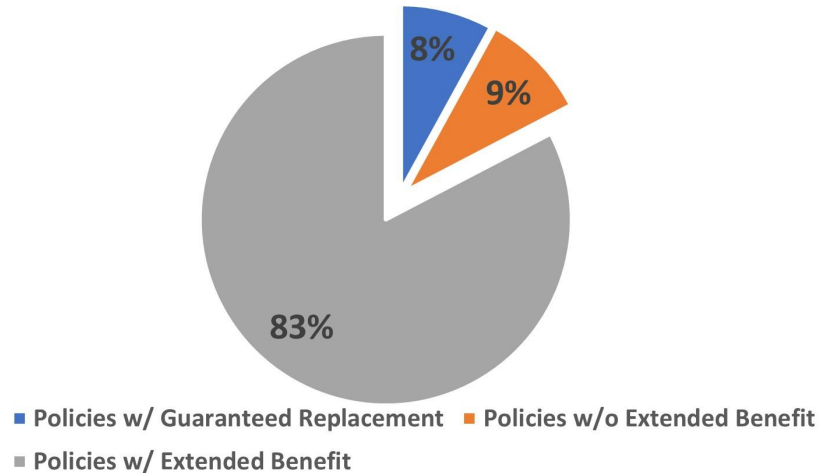


# Underinsurance: DOI Analysis

Policy Types - For the 951 total loss claims identified and analyzed:

- 8% had policies with guaranteed replacement coverage (similar quality, square footage, etc.) with no cap
- 83% had policies with extended benefits coverage (some add'l coverage if rebuilding exceeds policy limits).
- 9% had policies without extended benefits

Percentage of 951 Total Loss Claims





# Underinsurance: Home Builders' Estimates

## **Home Builders Association of Metro Denver (as of Feb. 2022):**

- Estimated the cost to rebuild would be between \$260 per square foot up to \$335 per square foot

## **Other Area Builders (Boulder Creek Neighborhoods, Remington Homes and Sheffield Homes):**

- Believed that they could rebuild homes in the \$250 - \$350 per sq. foot range if they could build enough homes to get economies of scale and homes were relatively standard.

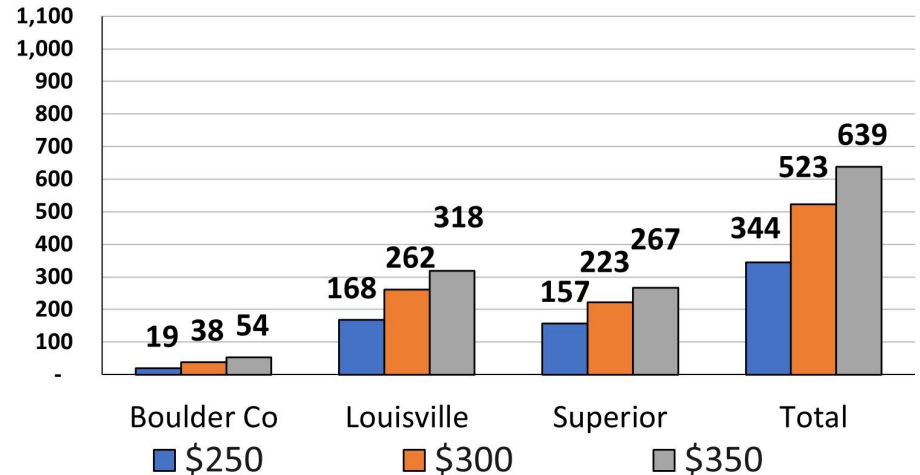
# Underinsurance: DOI Analysis

## Estimated Underinsurance

Dependent on anticipated rebuilding costs. Using rebuilding per sq. foot costs of \$250, \$300, \$350:

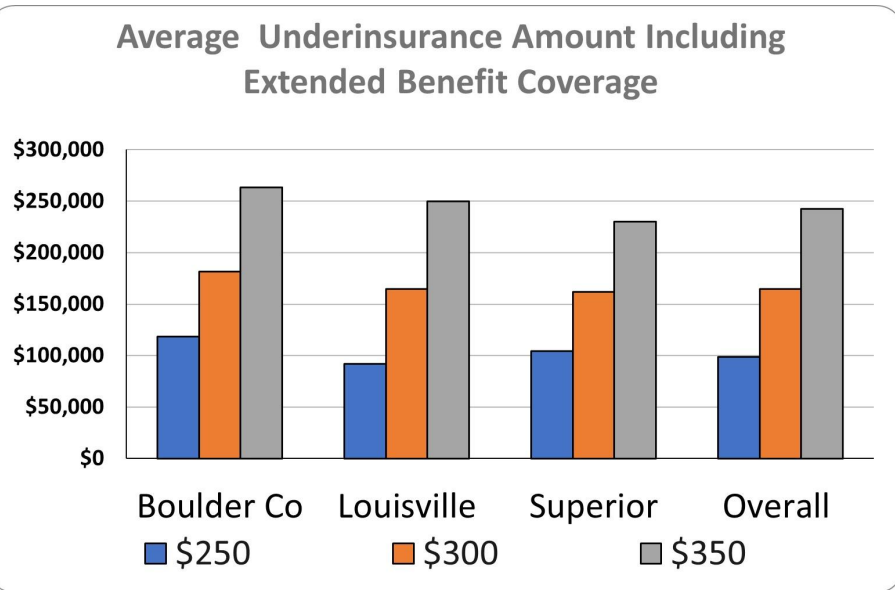
- At \$250, 344 (36%) policies are underinsured
- At \$300, 523 (55%) are underinsured
- At \$350, 639 (67%) are underinsured

Underinsured Policy Count Including Policies With Extended Benefit Coverage



# Underinsurance: DOI Analysis

Estimated Underinsurance - estimated average underinsurance per policy



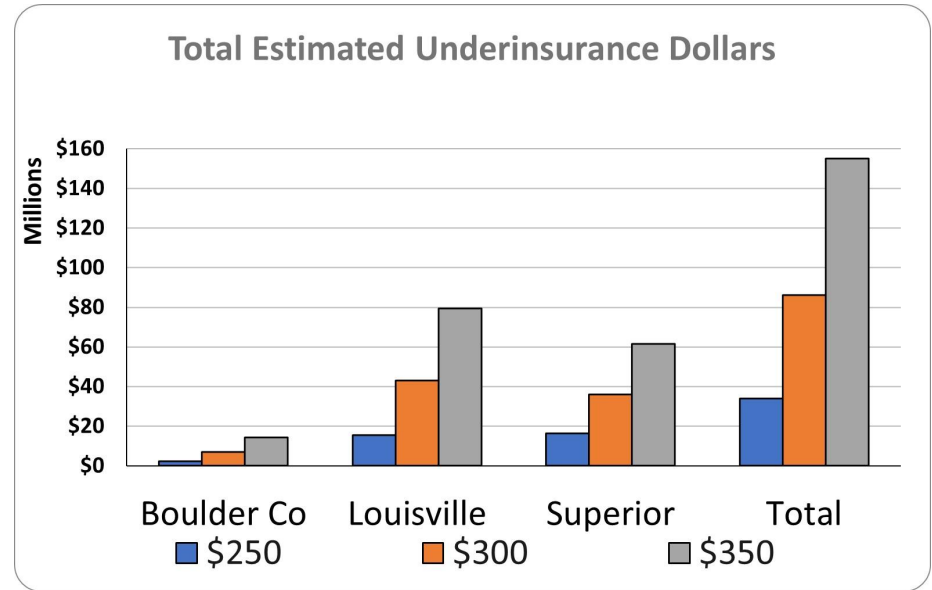
- At \$250, average underinsurance per policy is \$98,967
- At \$300, average underinsurance per policy is \$164,855
- At \$350, average underinsurance per policy is \$242,670



# Underinsurance: DOI Analysis

Estimated Underinsurance - estimated total underinsurance amounts for 951 homes in data

- At \$250, estimated total underinsurance is \$34 million
- At \$300, estimated total underinsurance is \$86 million
- At \$350, estimated total underinsurance is \$155 million



# Underinsurance: DOI Analysis

The full press release detailing the Division's analysis can be found on our **Marshall Fire Response website** -

[doi.colorado.gov/marshall-fire-response](https://doi.colorado.gov/marshall-fire-response)

in the “Announcements and Updates” section.

# Colorado Division of Insurance

**People with questions and complaints- about their insurance, company, agent or just the processes involved, can contact the DOI Consumer Services Team**

- **303-894-7490**
- **[DORA\\_Insurance@state.co.us](mailto:DORA_Insurance@state.co.us)**
- **[doi.colorado.gov](http://doi.colorado.gov)**



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# Questions??



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