

# Wildfire Matters Review Committee: Colorado Wildfire & Insurance Update



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Rocky Mountain Insurance Association / [www.rmiia.org](http://www.rmiia.org)

# Who We Are:

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- **RMIA is a non-profit trade association representing auto, home & business insurers in Colorado, New Mexico, Utah & Wyoming.**
- **RMIA's full-time job is to help consumers & community partners understand how insurance works & share safety, awareness & loss prevention advice. On frontlines of preparedness, response & recovery**
- **Insurance partner with government & community wildfire stakeholders:** Colorado Fire Commission, All-Hazards Advisory Committee, Boulder Wildfire Partners, Firewise USA, State Recovery Task Force, Fire Adapted Communities, Colorado Resiliency Office, Colorado Division of Insurance, Colorado State Forest Service, Colorado Association of Realtors.

# Wildfire Insurance Challenges

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- Escalating wildfire & catastrophe risk
  - More than **60%** CO property claims catastrophe-related (IRC)
  - Colorado **#2** in U.S. hail claims: May 2017 hailstorm: \$2.3 billion (NICB/RMIA)
  - More than half Colorado population living in wildfire-prone areas (CSFS)
- **Rising claims & claims costs:** hail/wind most frequent average claim, wildfire most expensive average claim cost
- **Skyrocketing repair/rebuilding costs:** COVID impacts—supply chain problems, material costs/construction labor shortages—**short-term vs. long-term**
- Insurers paid **\$1.07** for every **\$1.00** collected (2019): 7<sup>th</sup> worst combined loss ratios for homeowners insurance in U.S.
  - **2018: 161.4**      2015: 96
  - **2017: 118.5**      **2014: 135.2**
  - **2016: 116.9**      2013: 109.4

# 2020 Colorado Wildfire Season

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- **East Troublesome, Cameron Peak Fires**
  - **\$614 million in insured losses:** Smoke damage, additional living expenses, destroyed/damaged property, personal belongings & vehicles (CO DOI)
  - **Perfect storm:** Late season fire, COVID impacts, mountain terrain, housing shortages
  - Working with state & community partners on recovery issues & public education, community outreach
  - **Mudslide & flood:** 22,000 NFIP policies in force
  - Reinforces need to keep wildfire covered by private market

# Wildfire Insurance Challenges

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- What we hear from homeowners, government/fire officials, media
- Fears over non-renewals, insuring new properties
- Lack understanding on how insurance works, expectations, mitigation requirements
- Anecdotes vs. reality
- Rising insurance costs for all risk
- Confusion over impact of other risks

# Question:

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“How do homeowner mitigation activities impact premiums and/or ability to get (and keep) insurance?”

- Insurers stricter about all property risk
- Wildfire increasingly considered “shared risk”
- Those unwilling to take required steps to make their properties safer risk ability to get & keep affordable insurance.
- Most insurers have mitigation requirements and programs to get & renew insurance
- Insurance is a risk we CAN mitigate against & put odds in our favor

# Question:

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“To what extent are insurance companies influencing homeowner decisions to mitigate and/or develop property in wildfire-prone areas?”

- Financial incentive to do the right thing
- Insurance shouldn't be viewed “enforcer”
- Insurers have different underwriting guidelines, risk/mitigation assessments: May need to shop more depending on risk
- Parcel-level mitigation AND community, state-level mitigation key!

# Question:

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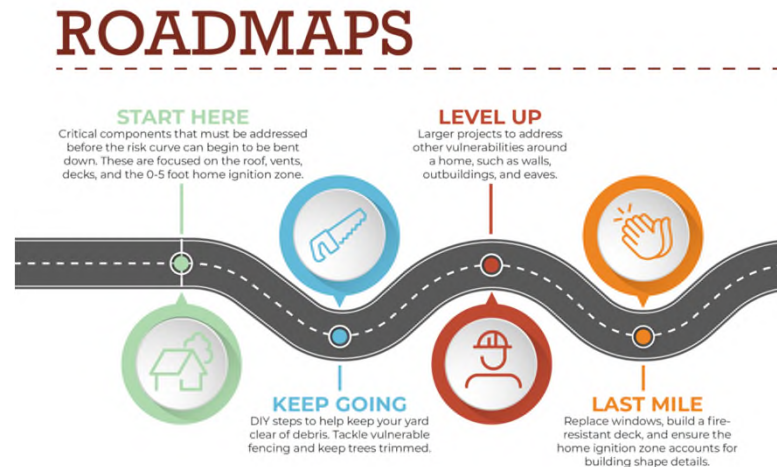
“What role will insurance play in the future regarding homeowner’s decisions to build in wildfire-prone areas?”

- **Keep competitive, stable private insurance market & available, affordable insurance**
- **Homeowners/communities must consider insurability & responsibility BEFORE building or buying a home in WUI areas**
- **Wildfire risk insurable with comprehensive, ongoing, individual property and community mitigation programs**
- **Key stakeholder partnerships that inform, engage & motivate homeowners on best mitigation practices**



# Key Resources & New Initiatives

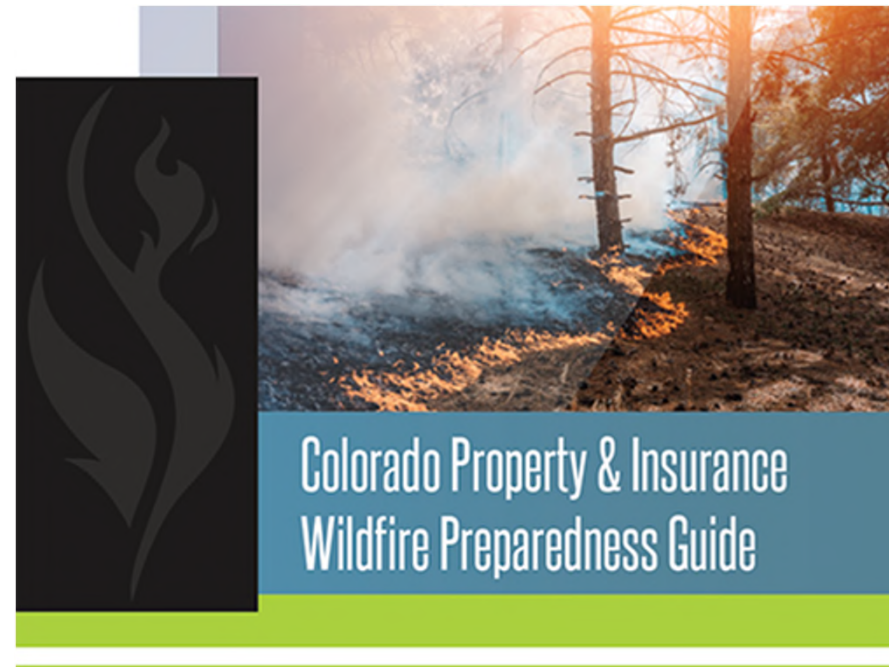
- **Insurance Institute for Business & Home Safety**
  - **New Wildfire “Fortified” Mitigation Standards** [Wildfire Prepared Home – Insurance Institute for Business & Home Safety \(ibhs.org\)](#) / [Suburban Wildfire Adaptation Roadmaps – Insurance Institute for Business & Home Safety \(ibhs.org\)](#)
  - **Wildfire Recovery Roadmap** [Wildfire Ready – DISASTERSAFETY.ORG](#)
  - **Virtual Homeowner App** [Home](#) | [Wildfire Ready App \(wildfire-ready-virtual.com\)](#)



# Key Resources & New Initiatives

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- **Colorado Wildfire Property & Insurance Preparedness Guides**
  - Ongoing Public Private Partner Campaign with CAR, CSFS, RMIA [2018 Wildfire and Insurance brochure 22x8.5 2018 FINAL.pdf \(rmiia.org\)](#)
  - RMIA Wildfire Resources [Wildfire and Insurance \(rmiia.org\)](#) /CO Outthink Wildfire Webinar: <https://youtu.be/s7ER7dbjNeU>



# Insurance Preparedness Messages

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## Do annual insurance policy check-ups

- Keep up with local building costs & adjust coverage to include home remodeling & additions
- Review auto policy limits & coverage.
- Ask about coverage for building code upgrades, debris removal & landscaping

**Know what is & is NOT covered: consider separate flood insurance, risk increased in burn areas**

**Create or update a home inventory that includes lists, photos or videotape of your home or apartment's contents. Consider extra insurance for expensive items.**

# Committee Questions

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**Rocky Mountain Insurance Association**

[www.rmia.org](http://www.rmia.org)

**Institute for Business & Home Safety**

[www.disastersafety.org](http://www.disastersafety.org)