

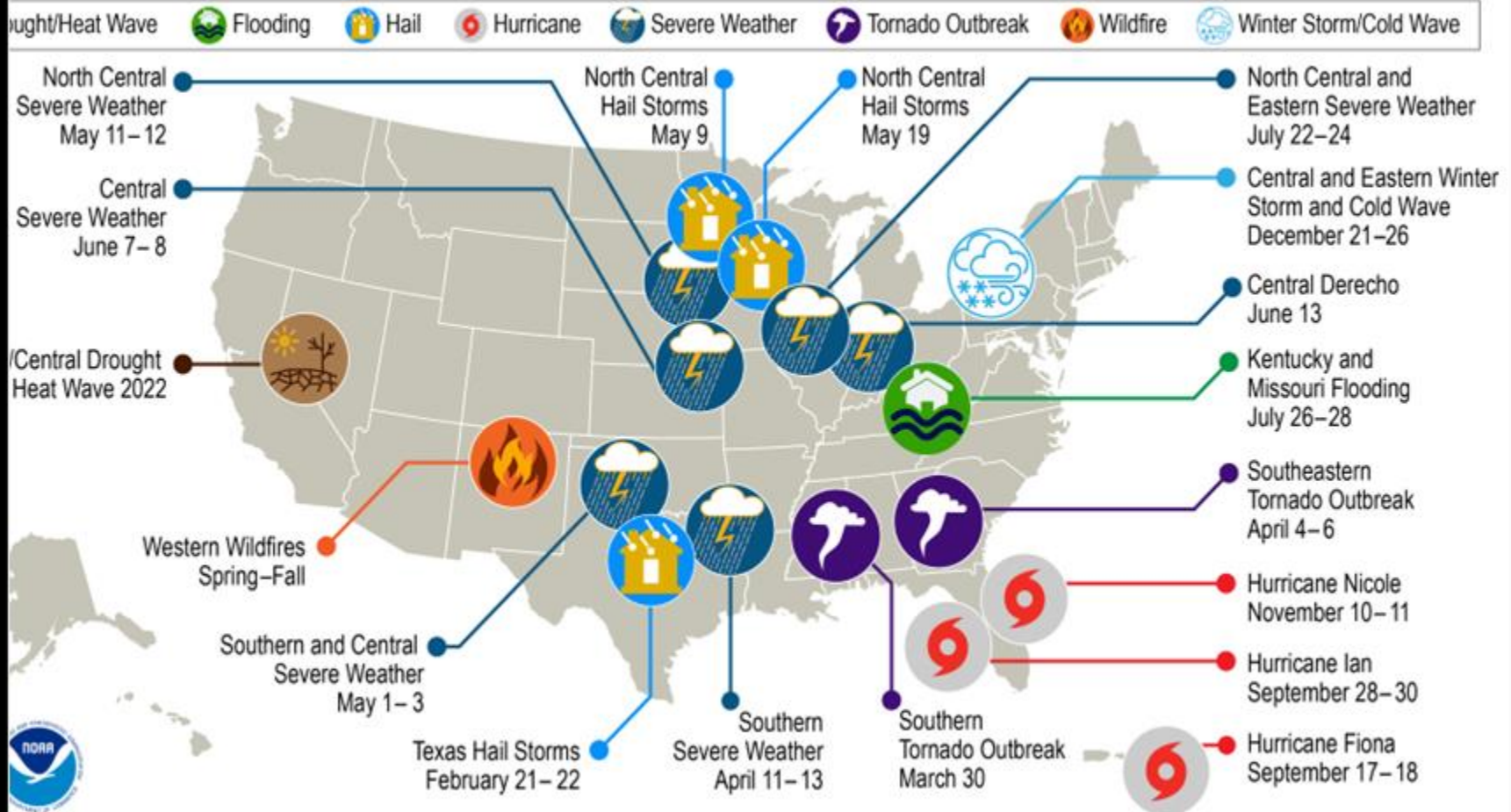


## Insurance & Wildfire Preparedness

*“Working Together to Live WITH Wildfire”*

**Carole Walker, Executive Director RMIA**

# U.S. 2022 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 18 separate billion-dollar weather and climate disasters that impacted the United States in 2022.

**2022 8<sup>th</sup> year in a row US suffered at least 10 catastrophes causing over a billion dollars in losses. Natural disaster losses from 2020-2022 exceeded \$275 billion—the highest ever three-year total for US insurers.**

**2023: Already 23 billion dollar disasters: A NEW RECORD.**



**The number of new homes built in Colorado's WUI more than doubled between 1990 and 2020.**

Source: University of Wisconsin-Madison SILVIS Lab

# Property Insurance Challenges

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- Escalating Wildfire & Catastrophe Risk
  - Over past two decades, Colorado occurrences of natural disasters increased by 275%, 2<sup>nd</sup> highest after Kansas
    - **By the numbers: #2 U.S. hail insurance claims...#3 U.S. wildfire risk.**
    - **Most Costly CO Hailstorm 5/17 \$2.4 Billion/Marshall Fire \$2 Billion**
- Volatile Market Conditions: Increased Claims & Claims Costs
  - **Record inflation: 41-year high of 8%, Reinsurance increase: historic 37%**
  - **Skyrocketing repair/rebuilding costs: COVID supply chain, material costs/construction labor shortages. Price of single-family residential home construction materials rose by 33% (January 2020-December 2022).**
- **2022 U.S. combined loss ratio for homeowners insurance is expected to reach 108%. This means for every premium dollar brought in nearly \$1.08 is being paid out. Colorado is even higher at 120%.**
- **Colorado insurers lost average of 13% over last decade making Colorado 3<sup>rd</sup> most expensive state in the country with losses in 10 of 12 years between 2011-2020.**

# Insurance Consumer Impacts

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## Increased Insurance Non-Renewals

It's scary to be non-renewed

If one company must non-renew,  
other companies are still selling policies

Shop with local broker

FAIR Plans



## Underinsurance Concerns

Now more than ever it is critical to  
update insurance

Cost to rebuild has increased

Building code upgrades

Extended Replacement Cost Coverage

# CO FAIR Plan Bill: HB23-1288

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- **High Stakes for Insurance, Housing & State's Economy  
Creating 1<sup>st</sup> FAIR Plan in 50 Years.**
- **“Fair Access to Insurance Requirements” creates an insurer of last resort for homeowners and business owners who cannot find insurance elsewhere.**
- **HB-1174 CO DOI Study & Affordability/Availability Stakeholder Meetings: Need to understand insurance gaps=types of policies, number of policies, explore variety of market solutions for residential vs. multi-housing/HOAs.**
- **History of FAIR Plans & Lessons Learned**
  - **Market of Last Resort vs. Insurance Market of Choice**
  - **Florida, Louisiana FAIR Plans**
  - **Protect Private Insurance Market NOT Drive it away!**

# United States of America



# Role of Residual Property Insurance Plans

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- **Market of last resort**
- **Safety net**
- **Temporary solution, pressure valve release while insurance market stabilizes, caution potential insurer assessment impact**
- **Not in competition with the voluntary market**
- **Basic coverage: Single Family Dwelling, ACV, Limit Caps, Premium/Declination, Property Mitigation Requirements**
- **LONG-TERM GOAL: Reduce Risk, Keep Private Market Insurers**
  - **Wildfire, Hail/Wind Mitigation**