

Homeowners Insurance: Challenges and Opportunities

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Agenda

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Identifying the Challenges

- Affordability
- Availability

02

Identifying the Causes

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- Reinsurance

03

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- Market Study
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Looking Forward

- Transparency: Wildfire Risk Models & Mitigation Efforts
- Enterprises: Home Hardening and Reinsurance

Identifying the Causes



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Identifying the Causes

Colorado Natural
Catastrophes

Hail

Wildfire

Catastrophe
Models

Reinsurance

Worldwide
Natural Disasters

US Natural
Disasters

Worldwide Natural Disasters

NatCatSERVICE

Major nat cat loss events January – June 2024

Natural disasters caused overall losses of US\$ 120bn

Munich RE



Table 1: Total economic and insured losses in 2023 and 2022

USD billion in 2023 prices	2023	2022	Previous 10-y average
Economic losses (total)	291	295	235
Natural catastrophes	280	286	223
Man-made catastrophes	11	9	12
Insured losses (total)	117	141	99
Natural catastrophes	108	133	89
Man-made catastrophes	9	8	10

Source: Munich RE NatCatSERVICE 2024

1H Global Insured Losses



Note: Due to rounding, some totals may not correspond with the sum of the separate figures.

Source: Swiss Re Institute

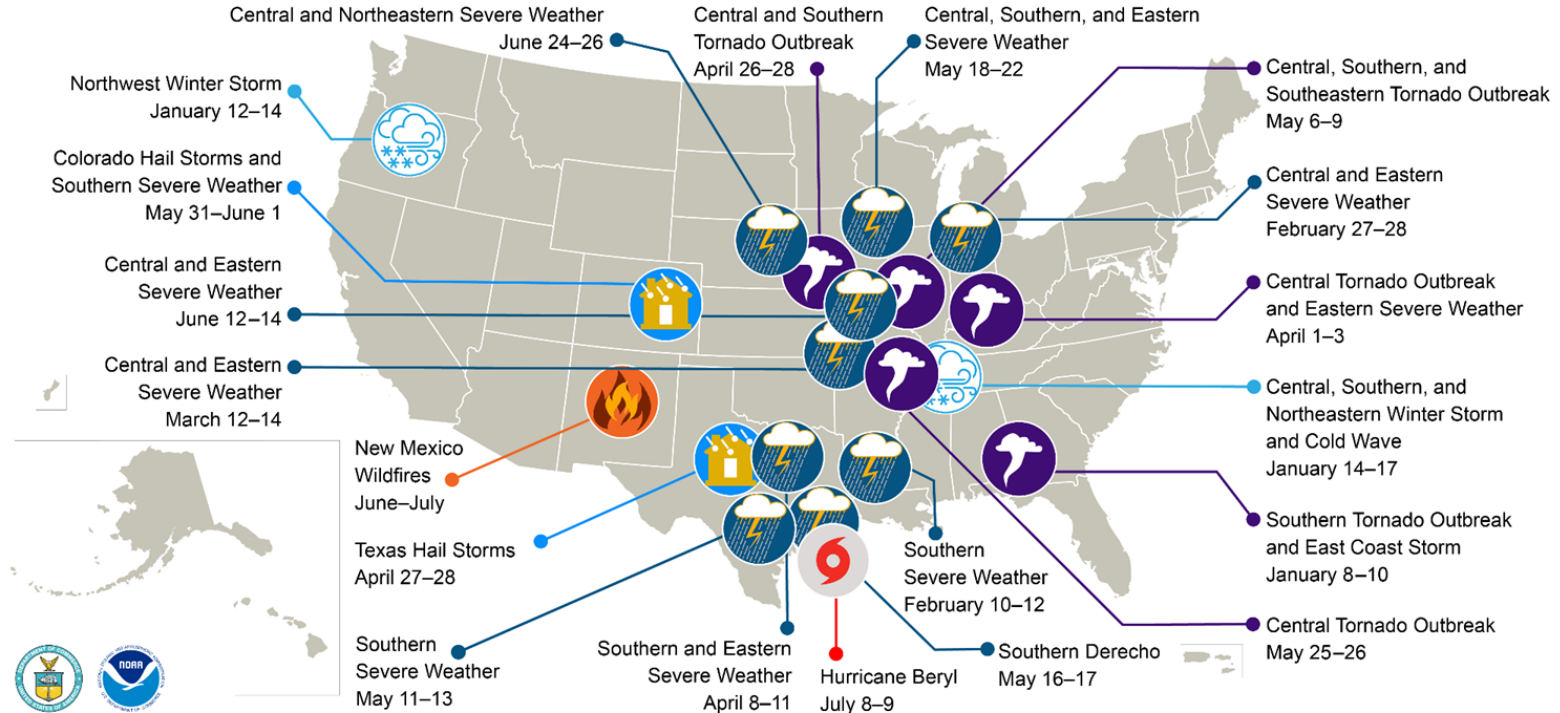
<https://www.aon.com/getmedia/a3bb33ae-0424-421c-a4fb-ccc805171c7f/20241107-q2-2024-catastrophe-recap.pdf>



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US Natural Disasters

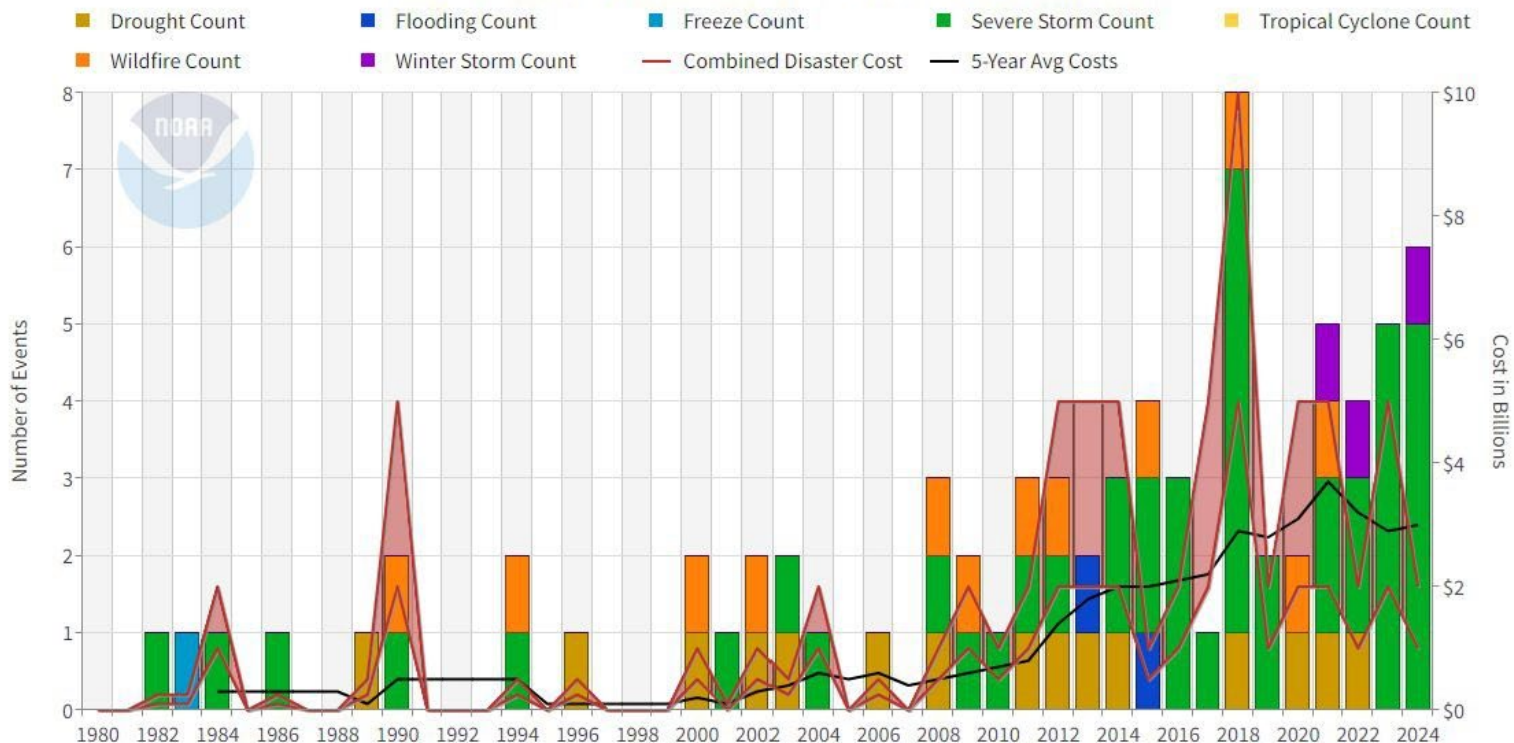
U.S. 2024 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 20 separate billion-dollar weather and climate disasters that impacted the United States through August 2024.

Colorado Natural Disasters

Colorado Billion-Dollar Disaster Events 1980-2024 (CPI-Adjusted)



Updated: July 9, 2024

<https://www.ncei.noaa.gov/access/billions/state-summary/CO>

Powered by ZingChart

Colorado Hail

Colorado's Most Costly Hail Storms

With the exception of the May 22, 2008, Windsor tornado and the hail storm that hit Pueblo on July 29, 2009, Colorado's ten most costly hail storms were centered in the Denver Metro area (which makes sense, because that's where the largest concentration of property in the state is located).

Date	Location	Cost When Occurred (Millions)	2023 Dollars (Millions)*
May 8, 2017	Denver Metro	\$2.3 Billion	2.8 Billion
July 20, 2009	Denver Metro	\$767.6	\$1.0 Billion
July 11, 1990	Denver Metro	\$625.0	\$1.45 Billion
June 6-15, 2009	Denver Metro	\$353.3	\$499
July 28, 2016	Colorado Springs	\$352.8	\$445
June 6-7, 2012	CO Front Range	\$321.1	\$424
June 13-14, 1984	Denver Metro	\$276.7	\$807
June 18-19, 2018	North Denver and Denver Metro	\$276.4	\$333
July 29, 2009	Pueblo	\$232.8	\$329
October 1, 1994	Denver Metro	\$225.0	\$460
September 29, 2014	Denver Metro	\$213.3	\$273
May 22, 2008	Windsor	\$193.5	\$272

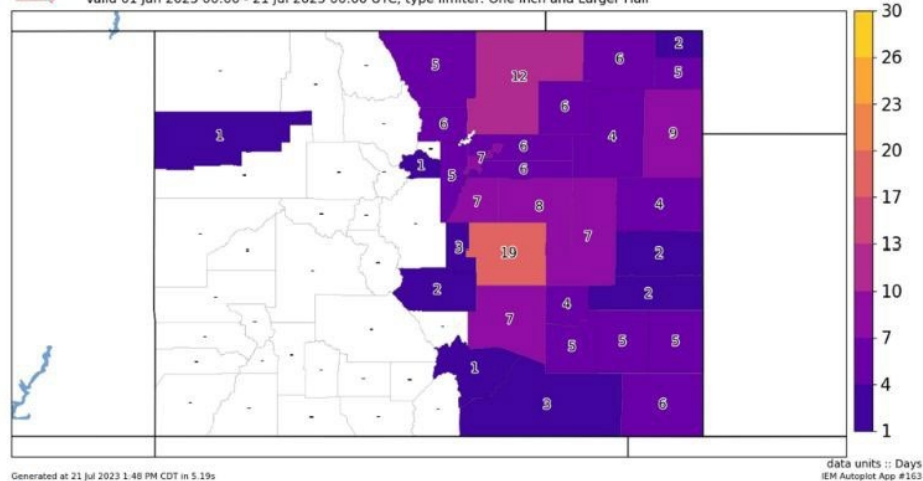
http://www.mriia.org/catastrophes_and_statistics/Hail.asp

Hail size	Number of reports in 2023 in Colorado	Previous most
1" or greater	796	561 (2018)
2" or greater	176	91 (2018)
3" or greater	37	12 (2019)
4" or greater	15	5 (2005)



Preliminary/Unfiltered Local Storm Report Days with 1+ Events By County

Valid 01 Jan 2023 00:00 - 21 Jul 2023 00:00 UTC, type limiter: One Inch and Larger Hail



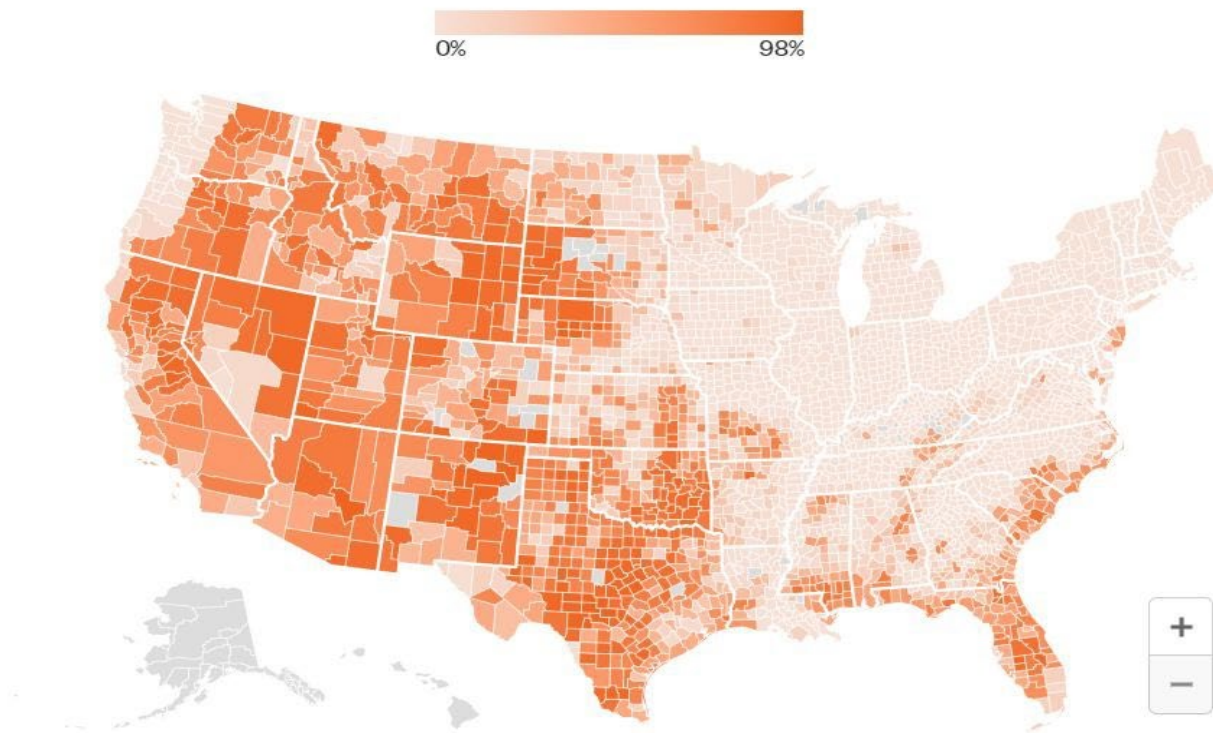
Credit: Iowa State University Environment Mesonet Database

Number of days with large hail reports in 2023 by county.

https://climate.colostate.edu/reports/wy2023_climate_summary_long.pdf

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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What is Reinsurance?

Purpose

Benefit

- **Insurance for insurance companies**
- **Risk Management:** Insurers transfer portions of their risk to reinsurers.
- **Financial Stability:** Helps insurers maintain steady financial performance.
- **Protection:** Shields insurance companies from large or catastrophic losses.
- **Market Stability:** Ensures the insurance market remains stable and reliable.



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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.”

Source: AM Best • Ratio of costs to revenue for homeowners insurance statewide.

Source: <https://www.nytimes.com/interactive/2024/05/13/climate/insurance-home-climate-change-weather.html>



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Actions Taken to Date



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Recent Legislation

- Underinsurance (HB23-1174): Increases certain coverage offerings
- FAIR Plan (HB23-1288): Insurer of last resort
- HOA Study (HB24-1108): Market analysis for HOAs and lodging facilities and potential recommendations



HB23-1174 Underinsurance

- Extended notice from 30 to 60 days on cancellations or nonrenewals
- Increased Coverage Options
 - At least 20% on law and ordinance coverage
 - At least 50% for extended replacement coverage
- Expanded options for homeowners to provide replacement cost estimates of their own
- Required Disclosures



HB23-1288 FAIR Plan

- Insurer of Last Resort
 - Availability, not affordability
- Limited Coverage Options
 - \$750,000 residential
 - \$5 million commercial
 - Actual Cash Value
 - Limited Covered Perils
- Subject to eligibility and property inspection
- Launch 2nd quarter 2025



HB24-1108 HOA Market Study

- Market Conditions
 - Coverage availability by market
 - Coverage affordability by property value
 - Areas of the state with availability concerns
- Recommendations of potential measures and programs to ensure the long term sustainability and availability of coverage
- Final contracting stages with an independent 3rd party

Website Resources

New: Homeowners & HOA Insurance Toolkit

- Common Terminology
- Resources
- What's causing premium increases
- Information and FAQs for homeowners and homeowners associations (HOAs)

doi.colorado.gov/homeowners-hoainsurancetoolkit

Homeowners Insurance FAQs

- ✓ What questions should a homeowner be asking their insurance agent?

Information for HOAs - Understanding Your Coverage / FAQs

- ✓ Key Takeaways for HOAs

- ✓ Common Terminology

- ✓ Understanding Your HOA

- ✓ Financial Responsibilities



NEWS RELEASE

For Immediate Release: July 31 2024

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Consumer Advisory: Insurance Tips for Coloradans Evacuated due to Wildfire Threats

Consider insurance matters as a result of evacuation orders.

DENVER - In recent days, Colorado wildfires have erupted in multiple locations, prompting evacuation orders for threatened communities. Mandatory evacuations have been issued due to the Alexander Mountain Fire in Larimer County, the Stone Mountain Fire in Boulder County, and the Quarry Fire in Jefferson County. Over the weekend, some residents in Jefferson County and Delta County were placed under pre-evacuation orders because of the Twin Forks Fire and Currant Creek Fire. In light of these wildfires and the ongoing hot and dry conditions across the state, the Colorado Division of Insurance (DOI) is providing advice on insurance matters related to evacuations.

Immediate Actions

- **Ensure Safety** - Make sure you and your family are safe, and secure temporary housing if necessary.
- **Contact Your Insurance Agent or Company**

Looking Forward



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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 and may blend models
- Focus is on the immediate property and surrounding areas; don't factor in community/state mitigation efforts
- Consumers have little insight into these models

HB25-1182

Risk Model Transparency

- Include mitigation measures in wildfire scores
 - Parcel level mitigation
 - Community level mitigation
 - Show how state level mitigation is taken into account
- Allow homeowners to meaningfully appeal their wildfire score
 - If you've mitigated, you should get credit
- Tell the public what discounts they provide for mitigation



Home Hardening Programs

- Multiple 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).

Strengthening Roofs In Colorado

What is Roof Hardening?

Making roofs stronger to withstand severe weather

Why is it Important in Colorado?

- High winds and strong windstorms
- Frequent hailstorms

Stronger Roof Attachments

Using better nails or screws to keep the roof attached during high winds

Impact Resistant Materials

Using shingles or tiles that can withstand hail without breaking

Water Barriers/Reinforcements

- Adding extra layers to prevent leaks
- Making sure roof is firmly attached to walls

Benefits

- Keeps the roof secure and prevents water damage during storms
- Longer time between replacement



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HB25-1302

Homeowner's Insurance Enterprises

Strengthen Colorado Homes Enterprise

- Provides grants to homeowners to make homes more resilient
 - Wind/hail
 - Wildfire
 - Other extreme weather events
- Reduced claim frequency
 - Improves insurance market stability by reducing insurer losses
 - Addresses challenges in availability and affordability of insurance
- Encourages additional investment in home hardening

HB25-1302

Homeowner's Insurance Enterprises

Wildfire Catastrophe Reinsurance Enterprise

- Impact on Homeowners
 - Enhanced competition and availability of homeowner insurance in high risk areas
- Impact to Insurers
 - Mitigates losses from wildfire related disasters
- Costliest Colorado Fires in the last 15 years





For Further Information

- Future Stakeholder Meetings (will be shared via listserv and posted online)
 - To sign up: <https://doi.colorado.gov/sign-up-for-division-of-insurance-email-lists>
- Online Resources:
 - If you 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>
- Contact Us:
 - 303-894-7499
 - DORA_Insurance@state.co.us
- FAIR Plan Updates: www.ColoradoFAIRPlan.com

Questions?



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