



Utah League of Cities & Towns

Discussion on Homeowner's Insurance / Wildfire

Jon Pike, Utah Insurance Commissioner
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Current Information about the Utah Homeowner's Insurance Market

- Traditional Market prices
 - Utah average annual price/policy in 2022 was \$805 (lowest in the western states)
 - Average increase in Utah:
 - 2021: 7%
 - 2022: 12%
 - 2023: 17%
 - 2024: 19%
 - Cost Drivers
 - Weather risk: \$21 (7 western states are lower in this category)
 - Other Natural Hazard risk: \$387 (Highest in western states. Idaho is \$326, CA is \$209.)
 - Expense Index/Claims Litigation risk: Utah is considered average

Note: This information is based upon insurer filings, not actual premiums collected.



Current Information about the Utah Homeowner's Insurance Market

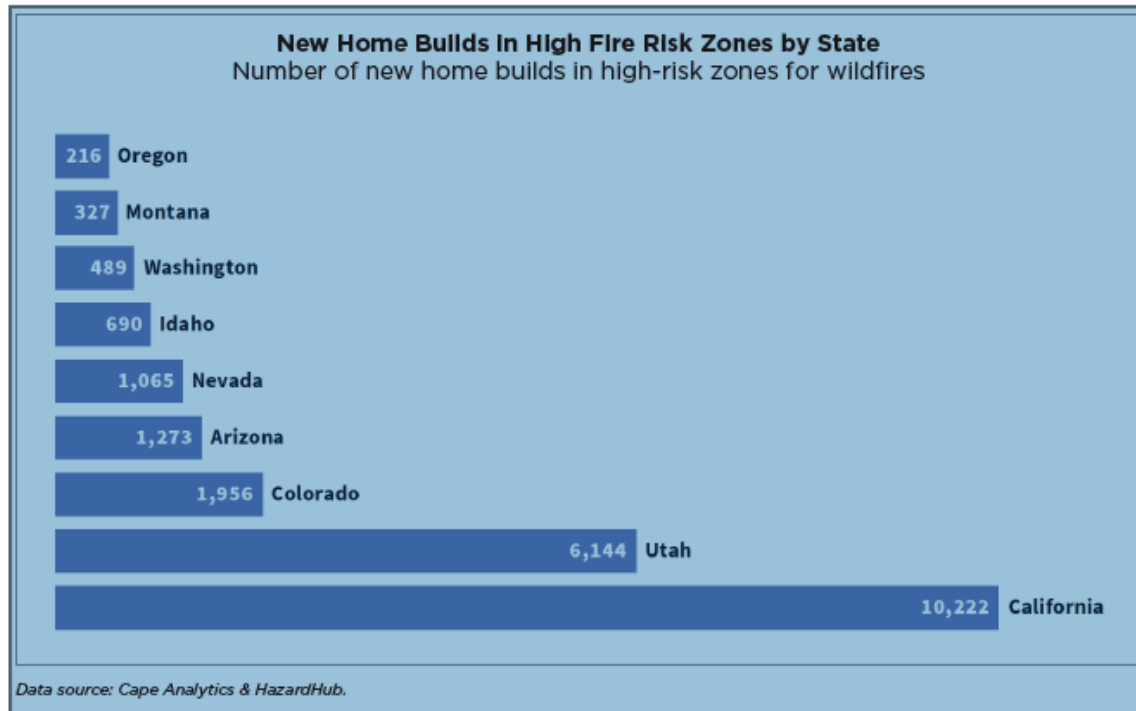
- Surplus Lines Market prices: (provides coverage for risks not insurable in the traditional market)
 - For “unprotected dwellings” in high-risk classes, the average price per policy per year were/are:
 - 2020: \$2,820
 - 2021: \$2,427
 - 2022: \$3,043
 - 2023: \$6,456

Causes of Premium Increases in Homeowner's Insurance

- Inflation
 - Building materials
 - Labor
 - General
- “Underpriced” market playing catch up
- Concerns about higher exposure to risks
 - Climate (drought, cycles, trends?)
 - Landscape
 - Combustible materials
 - Power lines
- More homes built in high-risk areas

Wildfire Risk

- American Property & Casualty Insurance Association study
New Homes Built in High Fires Risk Zones (2011-2020).



Data source: Cape Analytics & HazardHub.

Potential Mitigation Opportunities

- Consider changes to land development at the local level.
- Encourage use of fire-safe landscaping and buffer zones in Wildland Urban Interface areas (WUI).
- Consider requiring fire-safe construction.
- Promote programs such as Firewise for communities in high-risk areas (32 Firewise communities currently in Utah).
- Utilize Insurance Institute for Building and Home Safety (IBHS) guidelines for “prepared homes.”
- H.O.A.s should allow for mitigation efforts.
- Consumers need to understand their responsibilities.

Government Programs

- FAIR Plans (insurer of last resort)
 - Funded by tax payers OR by insurers (consumers)
 - 33 states currently have FAIR plans
 - California
 - Colorado
 - Begins 1/1/25
 - Maximum coverage: \$750K
 - Perils covered: Fire, lightning, hail
 - Typically requires a separate “wrap-around policy” to cover other things.
- Mitigation Grant Programs
 - Available to consumers to reduce risk to their homes for various perils. Typically results in ability to be insured and/or lower rates.
 - Alabama
 - Oklahoma



Questions?

