Insurance Under Fire: What Drives Wildfire Risk & Rates

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Insurance Department

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

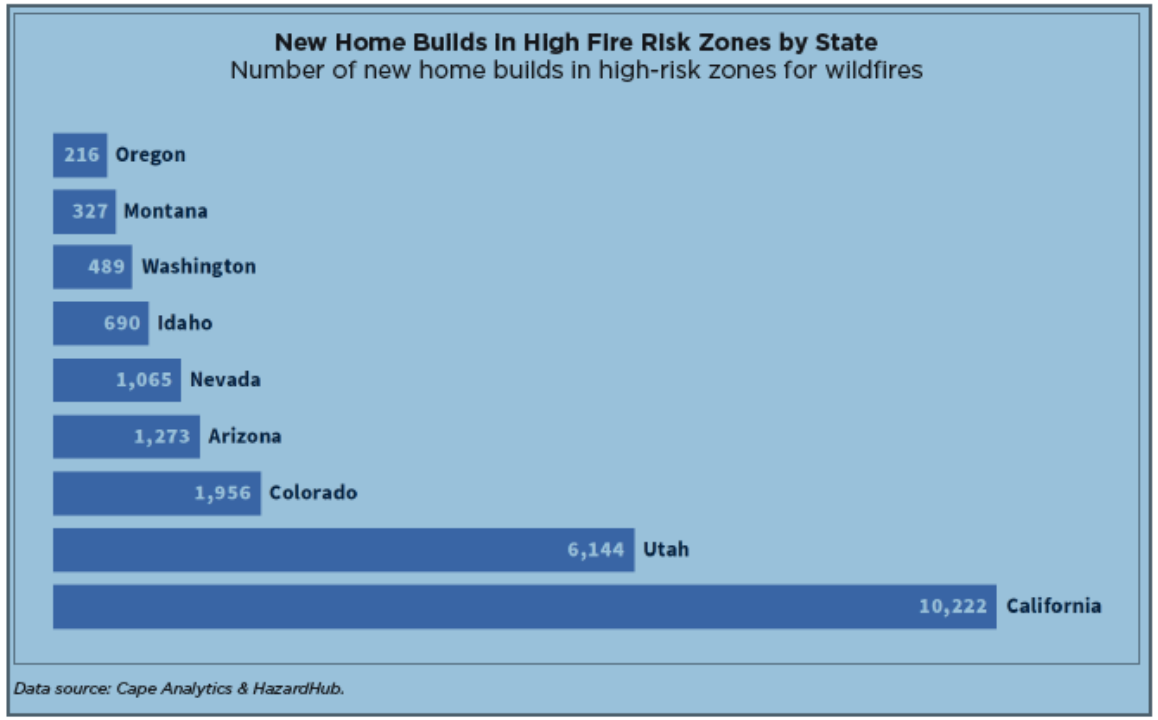
- Surplus Lines Market prices: (provides coverage for risks not insurable in the traditional market)
  - For "unprotected dwellings" in high-risk classes, the average price per policy per year were/are:
    - 2020: $2,820
    - 2021: $2,427
    - 2022: $3,043
    - 2023: $6,456

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).



16 https://content.capeanalytics.com/the-wildfire-west-lp.

Data source: Cape Analytics & HazardHub.

House Bill 48 (2025)

- Requires counties to take certain actions related to wildland urban interface property, including assessing a fee;
- Directs the fee to be retained by a county and deposited into the Wildland-urban Interface Prevention, Preparedness, and Mitigation Fund;
- Requires counties and municipalities to adopt the wildland urban interface building code standards;
- Permits the Division of Forestry, Fire, and State Lands (division) to choose not to cover costs of local governments under certain circumstances;
- Directs the division to establish a program for wildland urban interface coordinators to evaluate, using a triage scale, high risk wildland urban interface property (more about education than enforcement);
- Charges the Division of Forestry, Fire, and State Lands to develop wildfire maps that define the borders of wildland-urban interface;
- Authorized rulemaking by the Insurance Department to specify requirements of insurers.
  - Insurers must disclose reasoning for 20%+ premium increase
  - Department will investigate complaints of alleged excessive premiums
  - Insurers must be able to justify rates when questioned by the Department

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 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
    - Began 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

Useful Resources

- **Utah Insurance Department**
  - https://insurance.utah.gov/
- **National Association of Insurance Commissioners**
  - NAIC Fair Access to Insurance Requirements (FAIR) Plans overview - https://content.naic.org/cipr-topics/fair-access-insurance-requirements-fair-plans
- **Insurance Institute for Building and Home Safety**
  - https://ibhs.org/risk-research/wildfire/
- **Firewise USA (National Fire Protection Association)**
  - https://www.nfpa.org/education-and-research/wildfire/firewise-usa
- **American Property Casualty Insurance Association**
  - https://www.apci.org/research-papers/?page=2

Questions?