



Homeowners Insurance Crisis

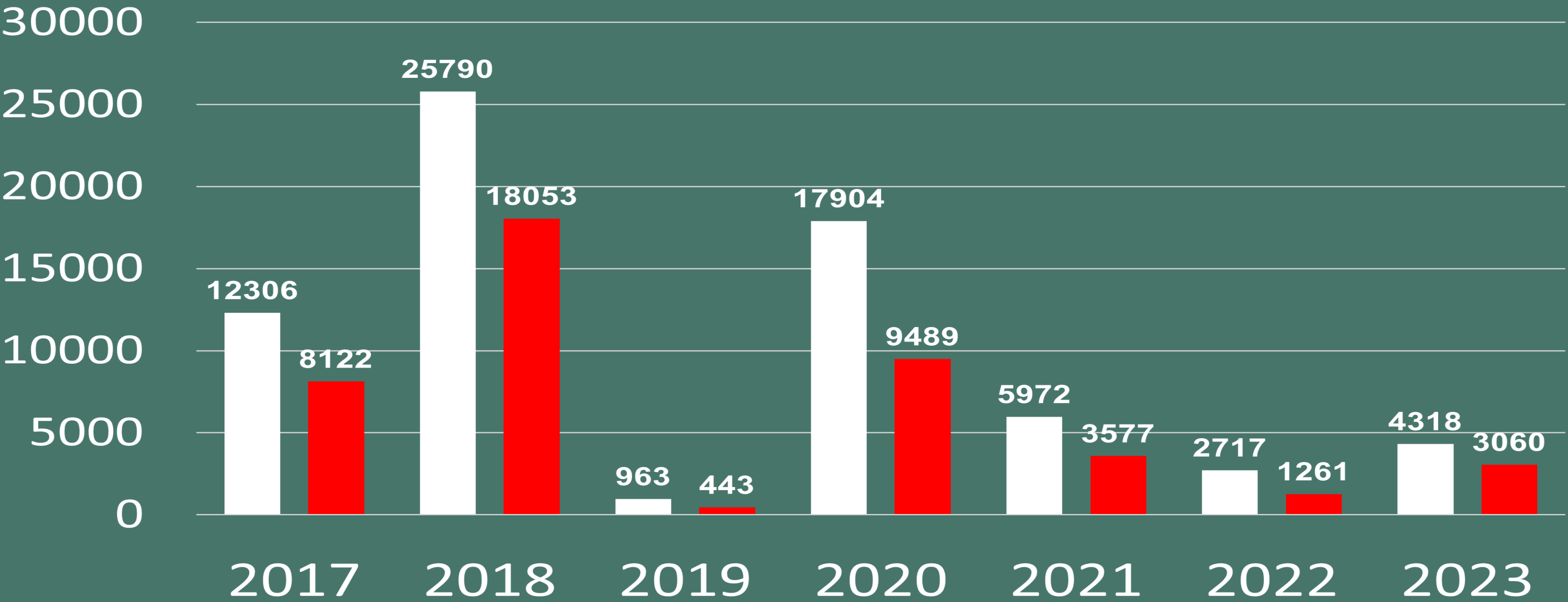


Arizona leads the Nation with 62% Surge in Home Insurance Rates over 5 Years

Source: : LendingTree analysis of RateWatch from S&P Global data. Note: This covers 2019 through March 2024.

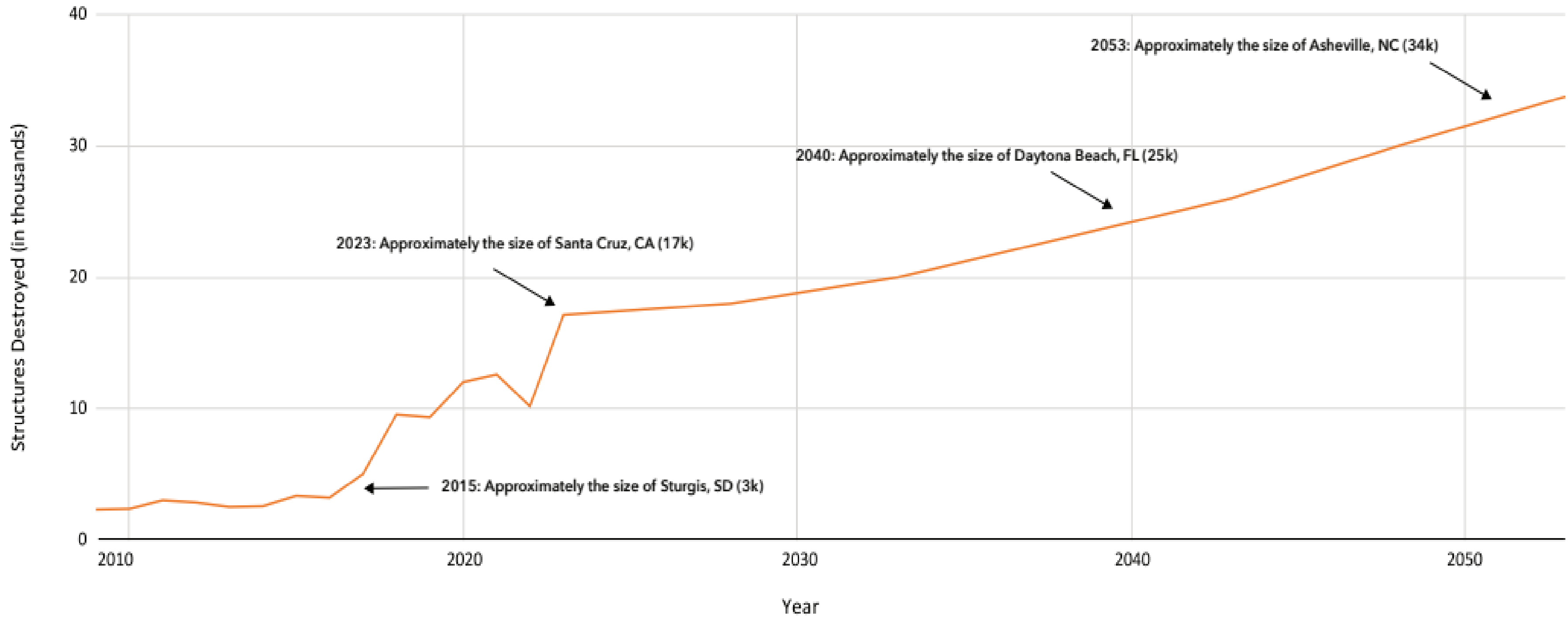
Rank	State	Cumulative increase in home insurance rates, 2019-2024
1	Arizona	62.1%
2	Nebraska	59.9%
3	Illinois	56.9%
4	Utah	54.6%
5	Texas	54.5%
6	Colorado	50.7%
7	South Dakota	49.7%
8	California	48.4%
9	Minnesota	45.2%
10	Montana	44.3%

Nationwide Wildfire Structure Loss Statistics



Source: Congressional
Research Service,
Wildfire Statistics
Updated 9-19-24

■ Structures Burned ■ Homes Destroyed



Average Annual Structures Destroyed Nationally Based on First Street Foundation Wildfire Model (FSF-WFM) projections.

Integrating Wildfire Risk with Building Specific Property Characteristics

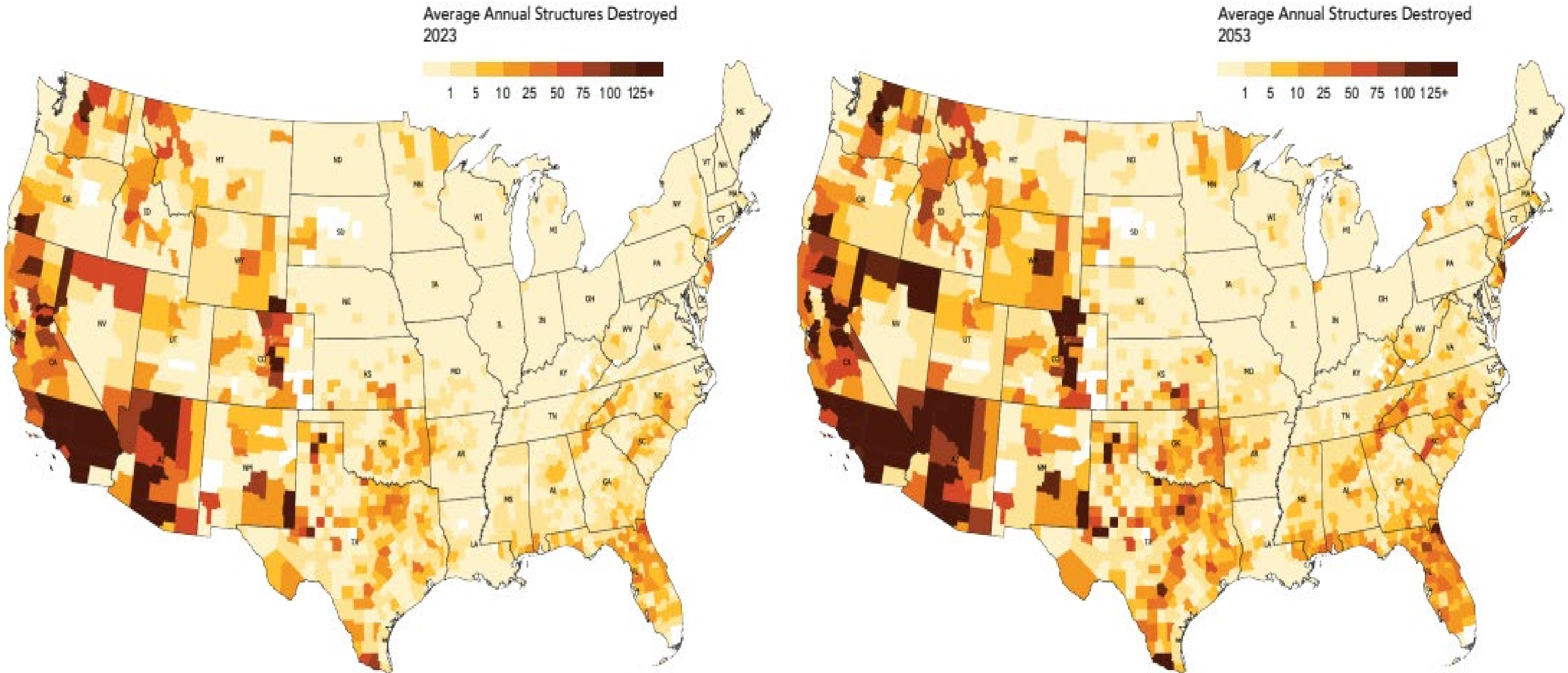


Figure 6. AASD, 2023 and 2053

Integrating Wildfire Risk with Building Specific Property Characteristics

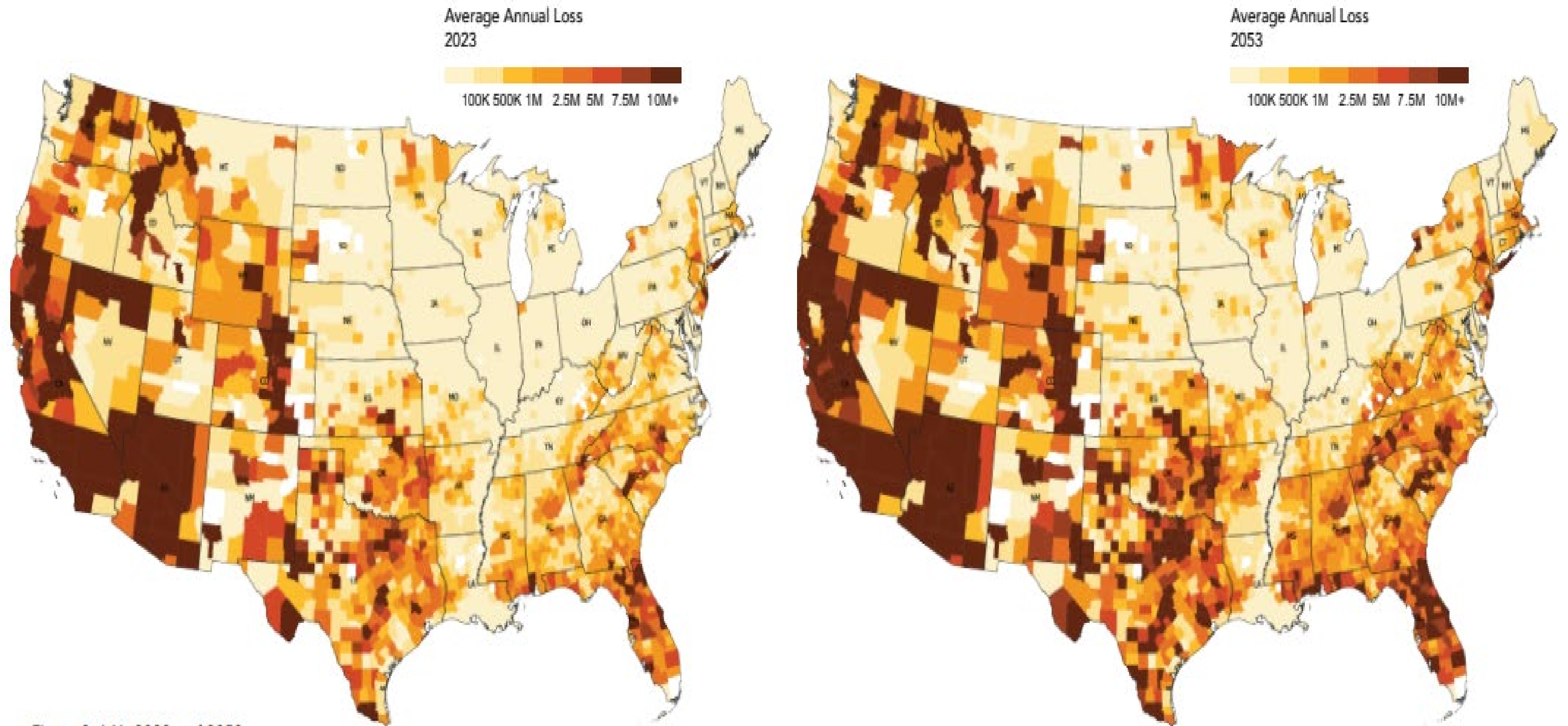


Figure 8. AAL, 2023 and 2053

Average Annual Structures Destroyed (AASD)

Rank	County	State	AASD 2023	AASD 2053	Increase in AASD 2023 - 2053	Percent Increase in AASD 2023 - 2053
1	Riverside	CA	1,612	2,336	724	44.9%
2	Los Angeles	CA	1,450	2,272	822	56.7%
3	San Bernardino	CA	801	1,290	489	61.0%
4	El Paso	CO	528	1,010	482	91.3%
5	Pima	AZ	514	768	254	49.4%
6	Maricopa	AZ	442	834	392	88.7%
7	Contra Costa	CA	302	659	357	118.5%
8	San Diego	CA	294	574	280	95.5%
9	El Dorado	CA	264	487	223	84.6%
10	Hutchinson	TX	224	448	223	99.7%
11	Coconino	AZ	183	218	35	19.0%
12	Nevada	CA	151	309	158	104.7%
13	Lea	NM	147	268	121	82.6%
14	Laramie	WY	143	338	195	136.5%
15	Kern	CA	142	257	115	81.4%
16	Douglas	CO	139	405	266	191.0%
17	Ventura	CA	138	218	80	57.9%
18	Josephine	OR	126	259	132	104.9%
19	Jackson	OR	120	236	116	96.7%
20	Potter	TX	120	271	152	126.6%

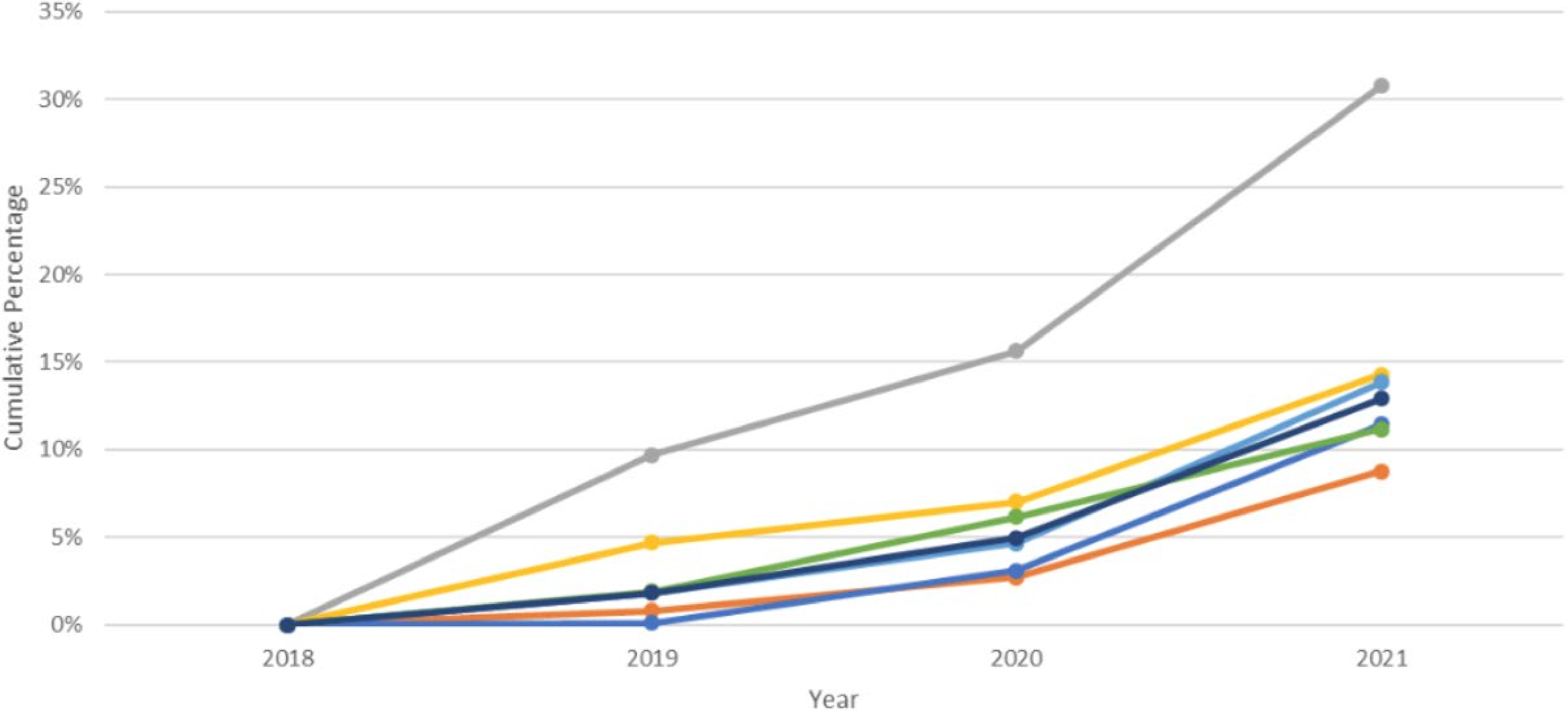
Table 2. Top 20 counties by AASD in 2023

\$1,000,000 = \$1 Billion

Average Annual Loss

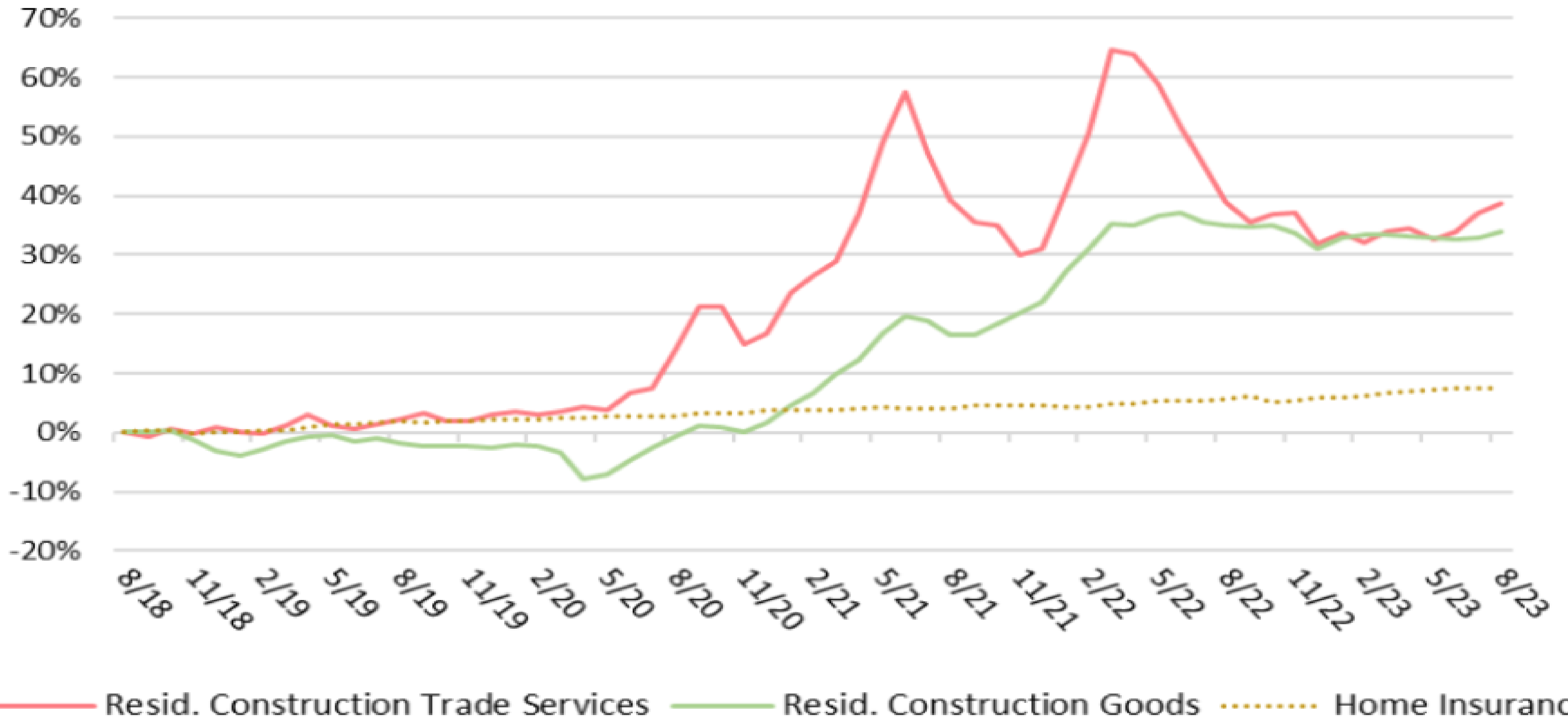
Rank	County	State	AAL 2023	AAL 2053	Increase in AAL 2023 - 2053
1	Los Angeles	CA	\$1,022,497	\$1,622,887	\$600,390
2	Riverside	CA	\$1,001,558	\$1,450,646	\$449,088
3	San Bernardino	CA	\$484,376	\$768,413	\$284,037
4	El Paso	CO	\$280,262	\$559,492	\$279,230
5	Maricopa	AZ	\$276,565	\$521,866	\$245,301
6	Contra Costa	CA	\$255,695	\$553,906	\$298,211
7	Pima	AZ	\$250,274	\$376,435	\$126,161
8	San Diego	CA	\$230,375	\$447,556	\$217,181
9	El Dorado	CA	\$158,459	\$298,940	\$140,481
10	Hutchinson	TX	\$155,063	\$306,915	\$151,852
11	Douglas	CO	\$108,936	\$315,883	\$206,947
12	Coconino	AZ	\$100,559	\$119,626	\$19,067
13	Nevada	CA	\$91,284	\$187,260	\$96,056
14	Ventura	CA	\$90,022	\$141,410	\$51,388
15	Jackson	OR	\$77,136	\$151,382	\$74,246
16	Alameda	CA	\$76,698	\$155,425	\$78,727
17	Josephine	OR	\$74,225	\$151,581	\$77,356
18	Midland	TX	\$70,525	\$155,863	\$85,338
19	Kern	CA	\$67,369	\$122,172	\$54,803
20	Laramie	WY	\$67,001	\$157,162	\$90,161

Cumulative Percentage Change in Average HO-3 Premiums from 2018-2021



Cost Indicators: Home Insurance

Producer Price Index, Cumulative Percent Change over Five Years



Coconino County Engagement

- Engaged DIFI Director Richardson and DIFI Legislative Liaison Burrue, Briefed Governor's Office of Resiliency
 - Requested creation of a task force
- Discussed with Arizona insurance industry representative Marc Osborn
- Continuing to follow-up with Governor's Office and DIFI
 - Awaiting decision of Governor and DIFI on task force
- Raising insurance premiums, refusal to cover, and limited market solutions are not unique to Northern Arizona
- Nationwide Problem: communities across the nation are seeing crises in climate change context:
 - Convective thunderstorms, hail, flooding, sea level rise, wildfires
- Insurance companies are unable to receive reinsurance on policies in high-risk wildfire areas
- Loss of insurance has the potential for a cascading impact on mortgages, home purchases, property tax revenue, bond ratings, etc.



2022 Tunnel Fire

DIFI Conversation Recap

- DIFI Federal Data Call – studying Arizona appropriate data models
- Industry resistance to regulation:
 - DIFI can regulate when there is discrimination, not when insurance non-renews due to risk
- Working to improve communication between Insurance Industry and Fire Professionals
- Mitigation protects the home but also impacts insurance. Mitigation must work in harmony
 - Need for consensus building between industry and fire professionals
- Building up to have a Fair Access to Insurance Requirements (FAIR) Plan
 - Legislative issue:
 - DIFI does not pursue policy change
 - Unintended consequences
- Mortgage Industry not yet engaged
 - Impact to Economies and potential bond ratings
- Continued work with the National Association of Insurance Commissioners (NAIC)

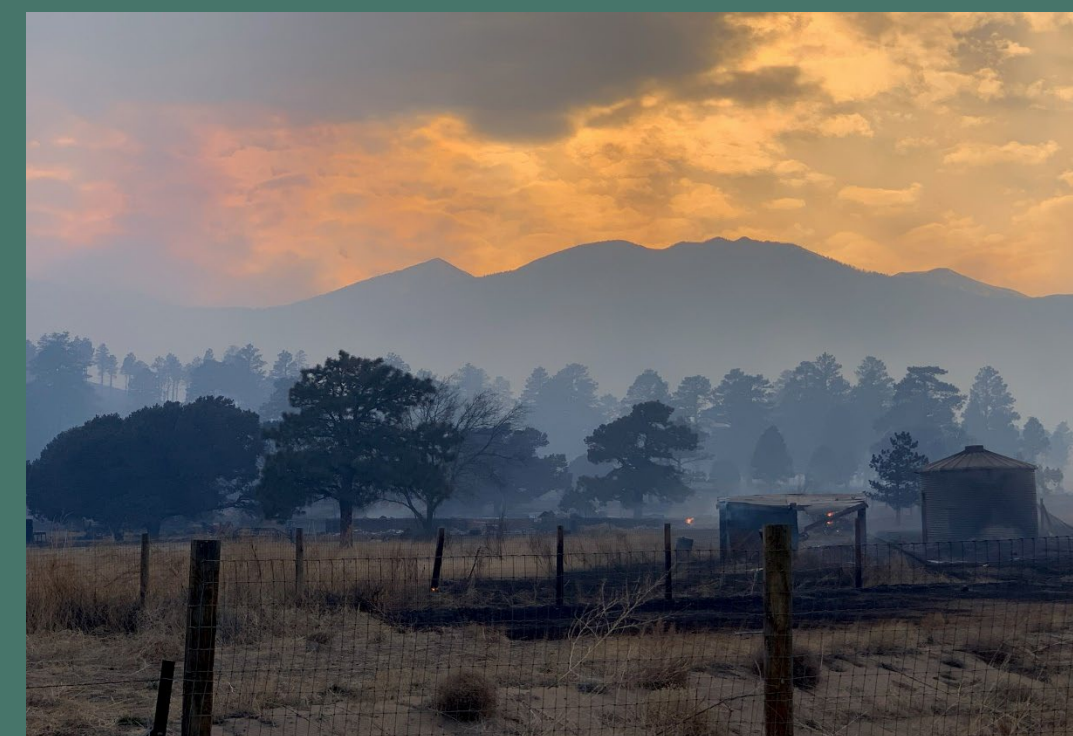


Homeowners Insurance Crisis

- Issue in Coconino County, as experienced in the Tunnel Fire, is that most homeowners are underinsured
- Many insurance companies only offer what their formula's tell them for home value and do not offer additional insurance coverage, or the cost is too high for homeowners to fully insure their homes
- Cost to rebuild far exceeds insured loss coverage, Contractors in Coconino County are building between \$500 and \$550 a square foot

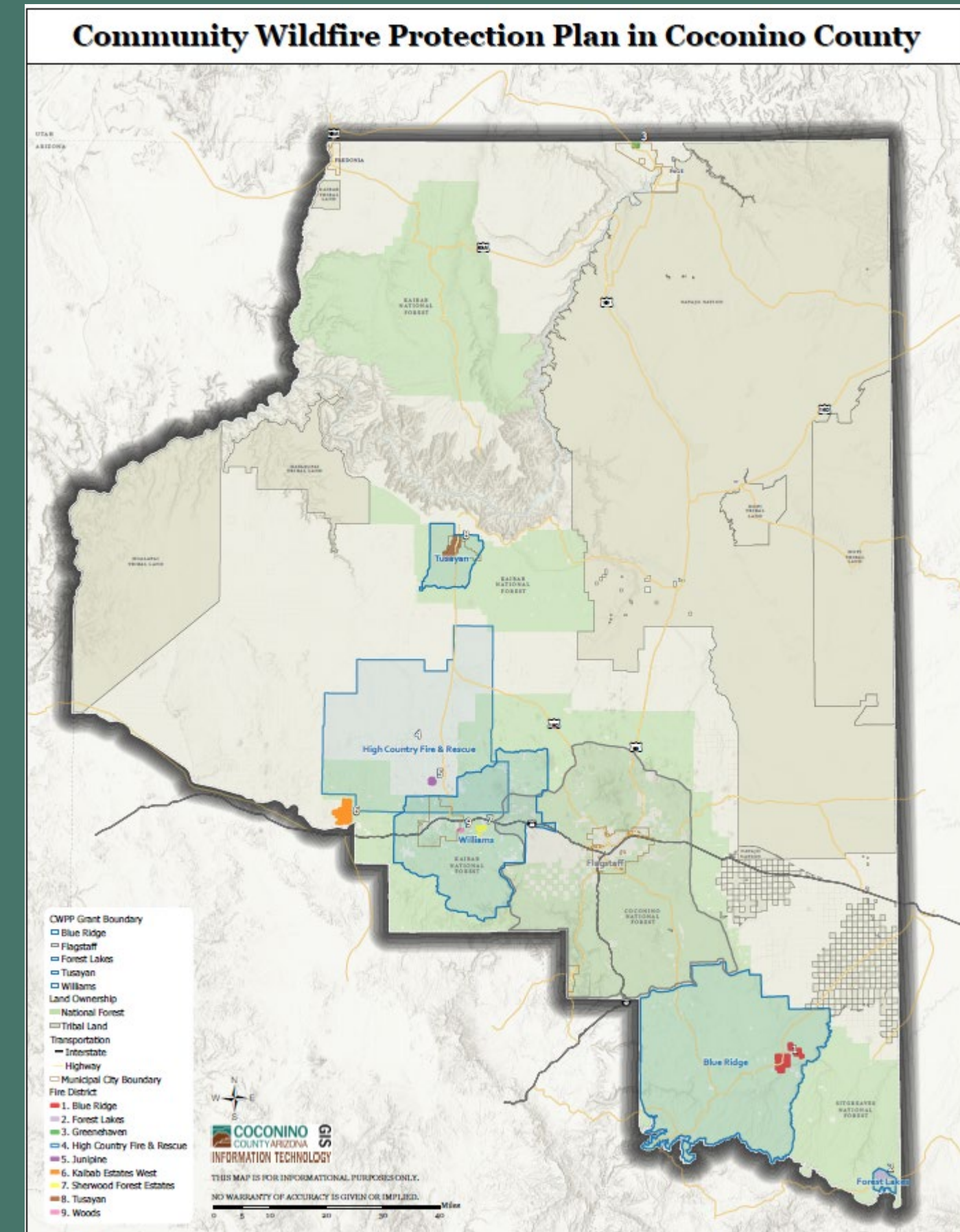


2022 Tunnel Fire



Community Wildfire Protection Plan

- Coconino County has lost 64 homes to wildfire since 2010
- County supported Greater Flagstaff Forests Partnership to apply for CWDG grant for a novel Countywide Rural and Tribal Communities CWPP
- GFFP awarded \$250,000 – still waiting for funding to arrive
- Countywide CWPP will focus on 10 rural fire districts and 6 tribal communities
- CWPP's, while not directly related to the insurance issue, are the groundwork needed to identify community wildfire risks and potential projects to reduce that risk
- Identify funding sources for project implementation



Federal Advocacy on Wildfire Commission Recommendations

#4 - Provide dedicated funding to evaluate, build and maintain existing federal, state, and local wildfire hazard data sets and identify a use case to refine and, if necessary, expand national datasets.

#6 - Encourage and reward innovation in the fields of affordable building material design, subdivision design, landscape architecture, and safe and building practices to create more ignition-resistant structures and communities.

#10 - Congress should advance legislation to support a compensation or claims fund for burn damages to third parties that can quickly provide financial relief in instances when burn practitioners adhere to identified best practices.

#60 - Create the organizational and financial structures necessary to better integrate the national response to wildland fires and post-wildfire impacts across agencies and scales.



Strategy to Stop the Bleeding

- Continue to leverage Federal Dollars for Forest Restoration and Community Wildfire Defense
- Strategies for Implementing Policy Changes:
 - Build State repository to catalog and communicate mitigation treatments to industry
 - Collaborate with the City of Flagstaff and their MOU with Western Fire Chiefs Association to develop and pursue policy reforms and encourage reducing the barriers to coverage through mitigation
 - Balance affordability and equity in the use of Local building codes to harden structures



2018 Tinder Fire

Moving Forward

- Engage County Supervisors Association (CSA) on Pima County request for County Coalition Resolution for AZ Counties to engage in policy solutions
- Continued education & advocacy with Legislators, Governor's Office, and DIFI
- Continued advocacy for the creation of a statewide homeowners insurance task force
- Working with the insurance industry and mortgage industry to develop solutions through WFCB Task Force findings
- Collection and dissemination of data for greater resolution of the problem
- Study of Colorado FAIR Plan – Created in 2023 and potential lessons for Arizona
- Collaboration with the fire & building community to move forward with policies to improve building codes, including hardening structures and implementing fire-wise practices
- Countywide CWPP development: Understanding insurance needs to guide project development and implementation
- Continued partnership with City of Flagstaff to find solutions