



Economic Affairs Interim Committee

HJ 61 Panel

Lyn Elliott

Vice President

State Government Relations

American Property Casualty Insurance Association (APCIA)

January 20, 2025



Housing Affordability Near Record Lows

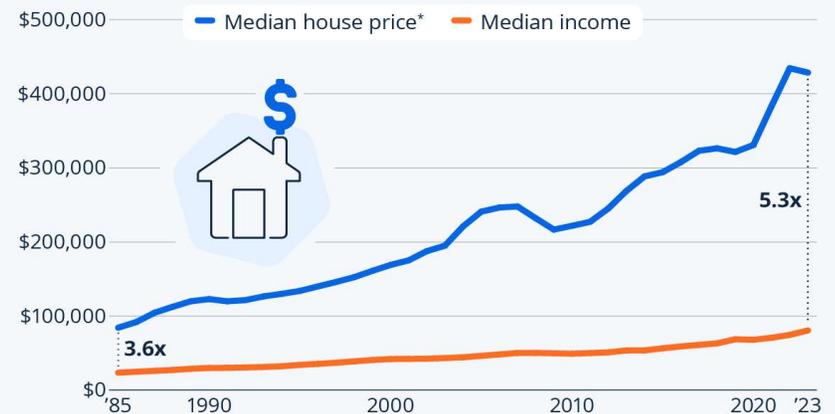
The housing affordability index shows whether the typical family...



Note: Assuming a 20% down payment and 30-year fixed-rate mortgage. Data for June 2024 is preliminary.
Source: National Association of Realtors

House Prices Outpaced Income Growth Over the Past 40 Years

Median household income and median house price in the United States (in current U.S. dollars)



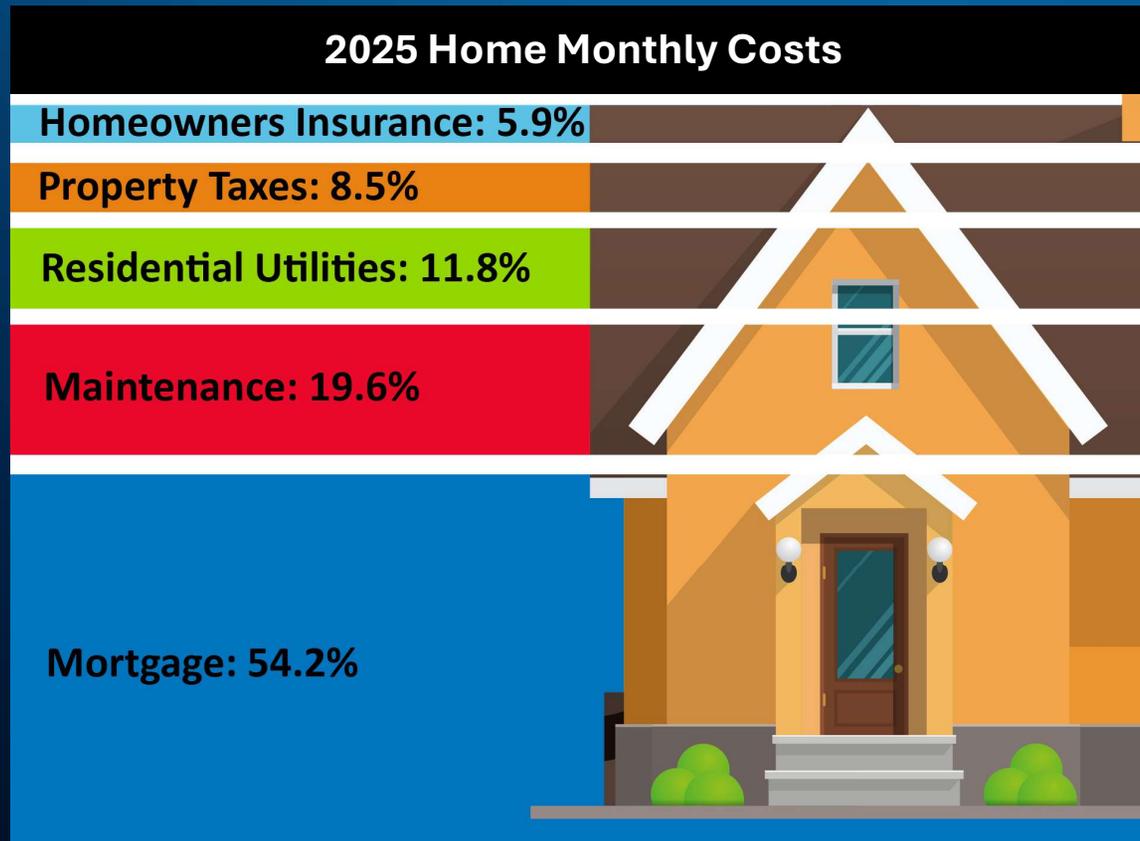
* Median sales price of new privately-owned houses

Sources: U.S. Census Bureau, U.S. Department of Housing and Urban Development





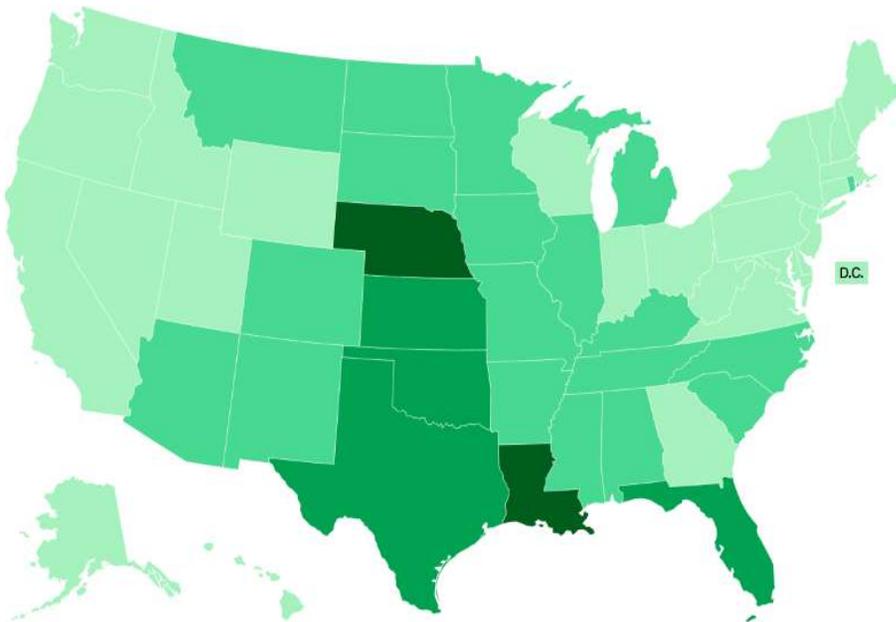
Monthly Cost of Homeownership Breakdown





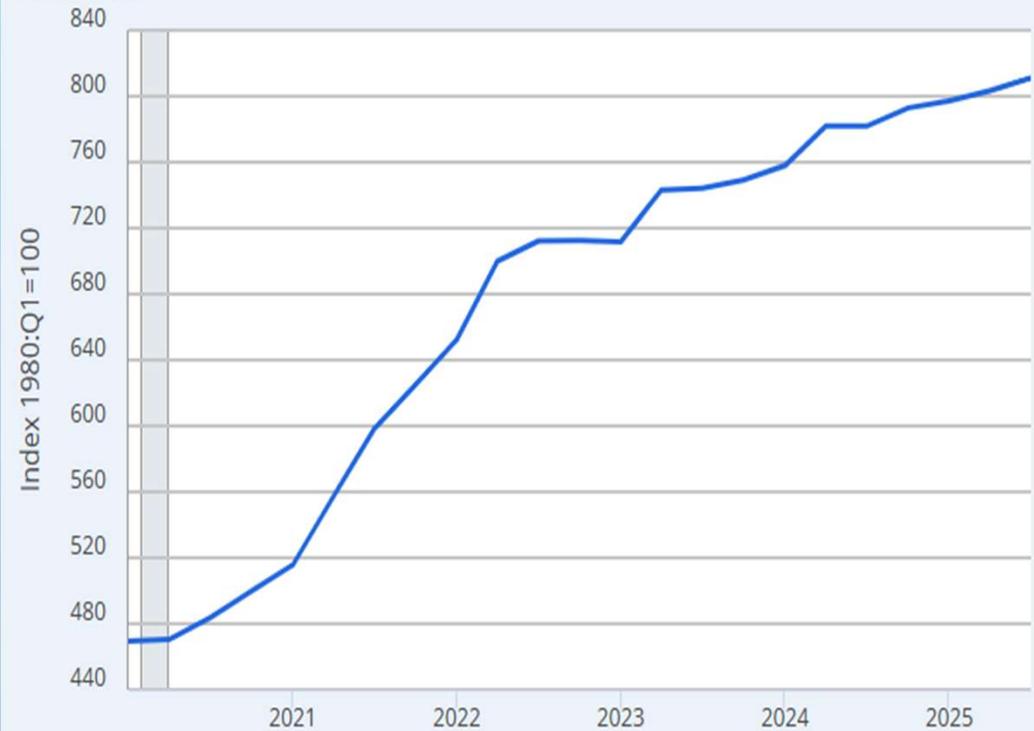
Annual Insurance Premiums vs House Price Index

Average annual home insurance premiums, July 2025



Data: [Bankrate](#); Map: Alex Fitzpatrick/Axios

FRED All-Transactions House Price Index for Montana



Source: U.S. Federal Housing Finance Agency via FRED®



Underwriting Profit/Loss Montana vs Countrywide (2014 to 2023)

Underwriting Profit/Loss Montana (MT) vs. Countrywide (CW)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Yr Avg
MT Homeowners	(91.2)	(3.0)	(52.3)	22.5	13.7	(87.0)	(1.1)	12.4	(19.5)	11.6	(19.4)
CW Homeowners	14.4	13.7	11.2	(12.2)	(9.5)	5.7	(3.3)	(5.4)	(6.2)	(3.7)	0.5
MT Commercial Multi-Peril	(27.6)	11.3	18.2	8.4	(8.9)	(53.5)	2.7	14.4	(5.2)	10.6	(6.6)
CW Commercial Multi-Peril	6.6	10.0	3.5	(12.4)	(5.9)	(1.3)	(6.2)	(3.8)	(1.4)	(6.1)	(1.7)
MT Farmowners	(10.8)	(13.4)	(19.4)	19.9	5.9	(53.7)	(14.4)	(17.1)	(1.6)	21.3	(8.3)
CW Farmowners	2.0	13.8	11.7	(9.2)	4.0	5.5	(5.0)	(0.1)	(11.2)	(12.1)	(0.1)

Source: NAIC Report on Profitability by Line by State in 2023, April 2025 edition. APCA estimates the 2024 CO Homeowners underwriting income of 0.1%



What is Causing Increased Losses?

It's not just the weather



MACROECONOMIC PRESSURES

- Economic growth
- 40-year record inflation
- More severe inflation for building materials/labor



CLIMATE

- Demographic shifts to disaster-prone regions
- Increasing weather severity

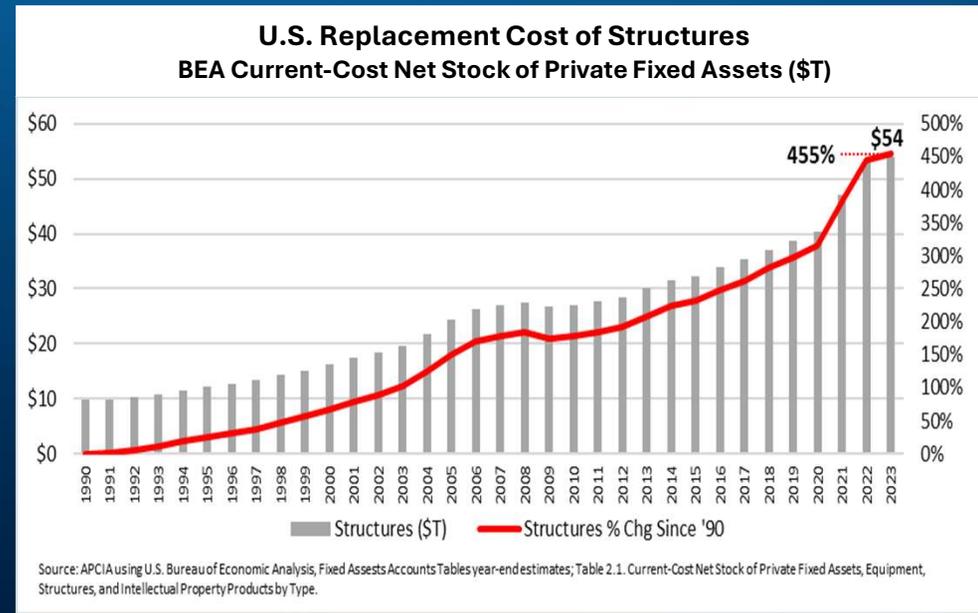
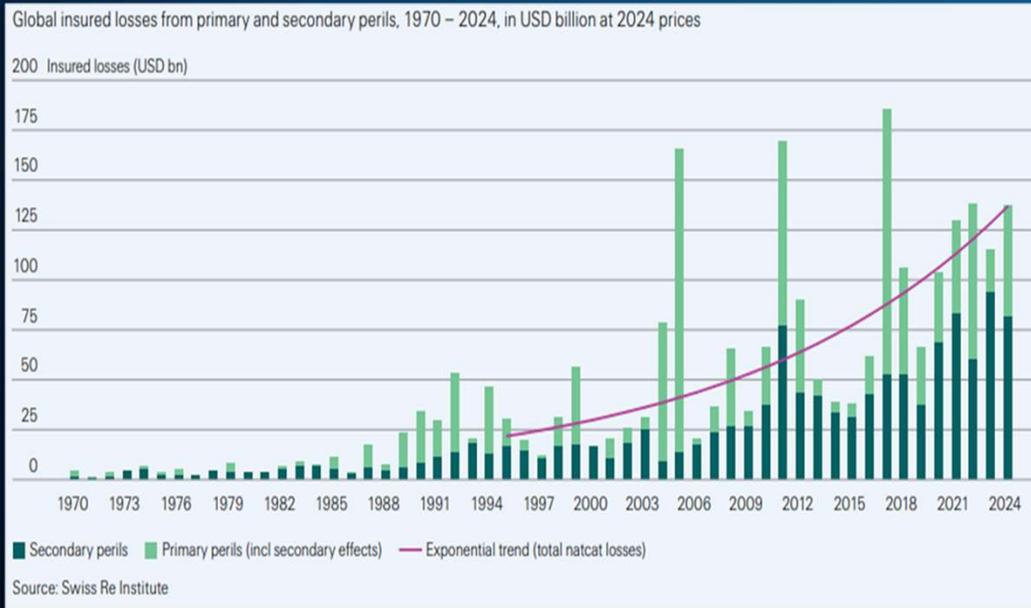


GOVERNMENT RISK

- State coverage mandates, rate suppression, legal system abuse



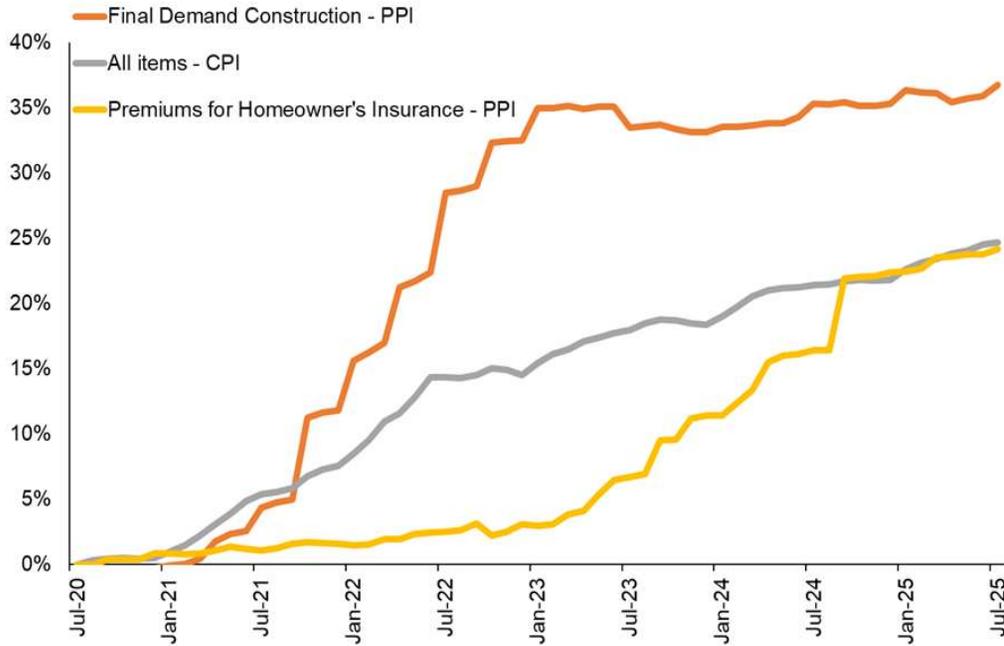
Increasing Cat Losses / Rebuilding Costs





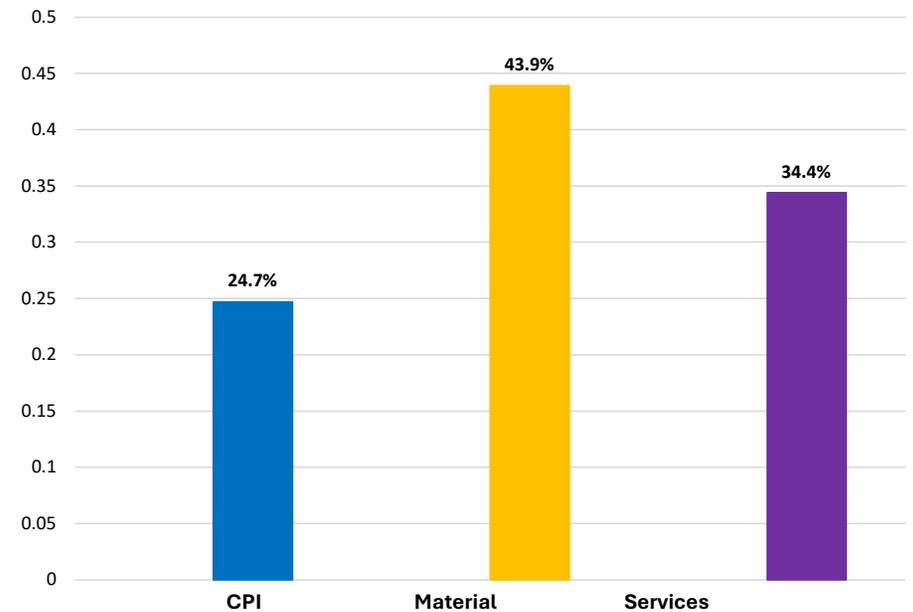
Increasing Cost Inflation

Cumulative Price Changes



Source: Bureau of Labor Statistics.

CPI vs Cost of Construction Labor/Materials 2020-2025



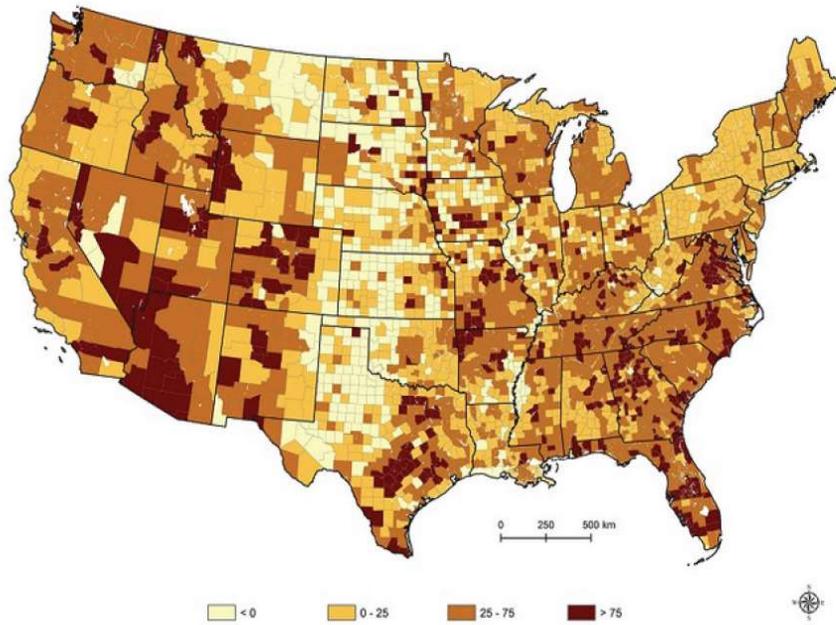


Community Growth Exploding in the WUI

The 'WUI' was the fastest growing land use type

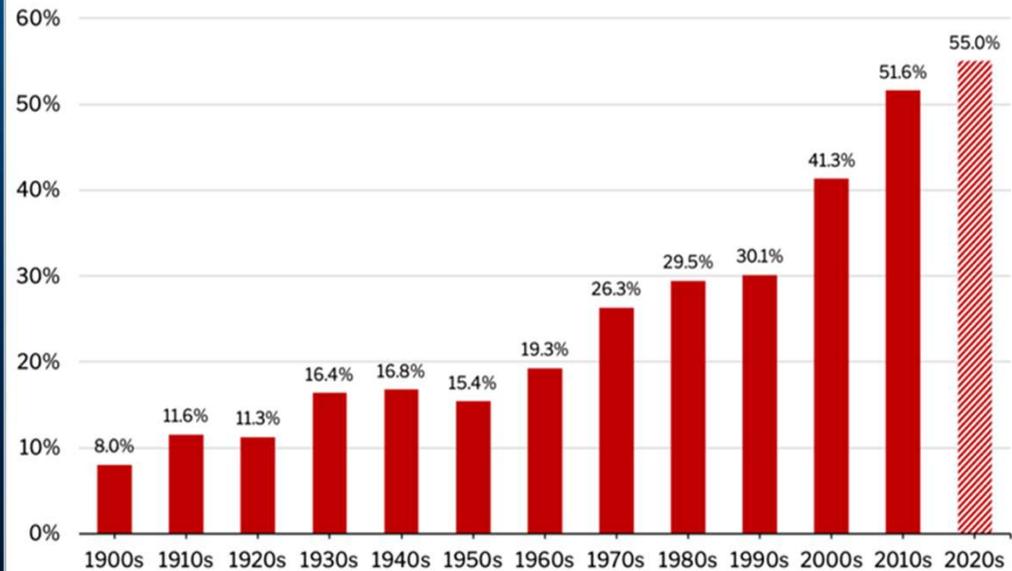
...and growth is continuing to accelerate

Areas where homes, forests mix increased rapidly over two decades
Growth Rate of Homes in the WUI 1990-2010 by County (in percent)



Source: U.S. Forest Service.

Fire Risk Plagues More Than Half of Recently Built Homes
Share of existing U.S. single-family homes that face fire risk, by decade built

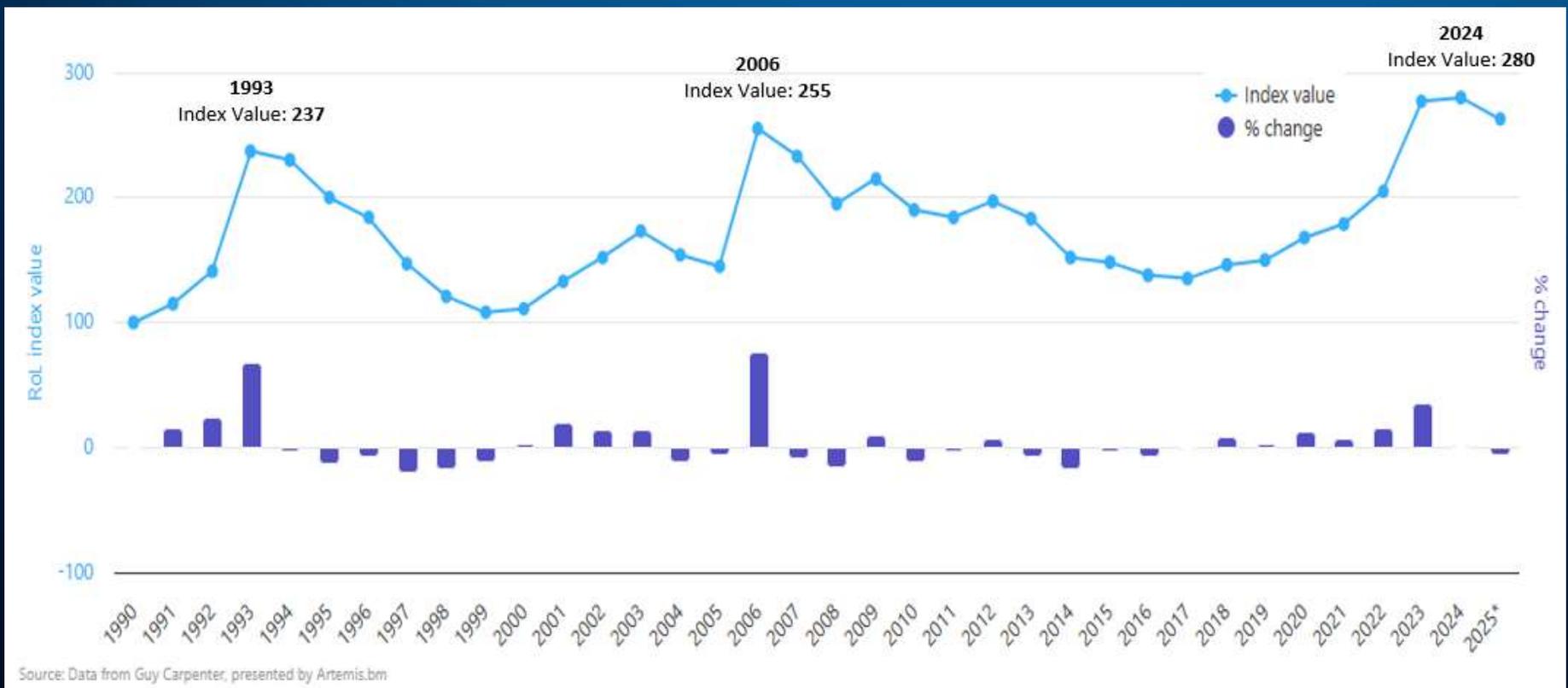


Source: Redfin analysis of data from ClimateCheck, county records

REDFIN



U.S. Property Catastrophe Rate-on-Line Index





Insurance Availability Pressures

Property insurance demand and costs are increasing; capital is decreasing

DEMAND = INCREASING

- Higher Rebuilding Values
- Demographic growth/shifts
- Inflation
- Worsening weather
- Legal System Abuse



SUPPLY = DECREASING

- Rate suppression/delays
(1 to 2-year lag time for rate filings, approvals, and rolling into new policies)
- Premiums falling behind losses
- Less surplus
- Lack of profitability + volatility = Deters new investment capital





Property Insurability Solutions – Mitigation and Resiliency

Insurers are leading efforts to make communities more resilient and to mitigate risks

- Working with federal & state policymakers
- Supporting resiliency & mitigation programs, such as infrastructure improvements and wildfire solutions
- Advocating for stronger building codes & land use policies
- Funding science-based research into risk mitigation
- Advocating for financial support to increase resilience for vulnerable populations
- Investing/underwriting in climate and renewable technology



Insurance Institute for Business & Home Safety (IBHS)

WILDFIRE PREPARED

— A PROGRAM OF IBHS —

ADDITIONAL MITIGATIONS AGAINST FLAMES

- ✓ Cover gutters.
- ✓ Enclose eaves.
- ✓ Install noncombustible siding.
- ✓ Upgrade windows & doors.
- ✓ Upgrade to a noncombustible deck.
- ✓ Move accessory structures at least 30 feet away.
- ✓ Remove back-to-back fencing.

MITIGATIONS AGAINST EMBERS

ROOF

- ✓ Ensure the roof covering is Class A fire-rated & maintained clear of debris.
- ✓ Choose noncombustible gutters & downspouts.

BUILDING FEATURES

- ✓ Install ember-resistant vents or 1/8-inch metal mesh over vents.
- ✓ Ensure 6-inch vertical noncombustible clearance at base of exterior walls.
- ✓ Clear & maintain the underdeck area; enclose low-elevation decks.

0-5 FOOT NONCOMBUSTIBLE ZONE

- ✓ Establish a **0-5 foot noncombustible zone** around the home and decks; remove overhanging branches; replace combustible fences within 5 feet.

5-30 FOOT DEFENSIBLE SPACE ZONE

- ✓ Maintain yard with spaced vegetation, structures, & other connective fuels; clear debris; remove firewood.
- ✓ Move structures at least 10 feet away & maintain a 0-5 foot noncombustible zone around them.

Gardner, Jennifer (External)



First Designated “Wildfire Prepared Neighborhood”



“Dixon Trails” by KB Homes
Escondido, CA (Mar 2025)



Financial Incentives for Resilience

- **Grants** – States or local communities can establish resilience grant programs to help property owners. Programs could include a cost-share match from the property owner or through a public-private partnership.
- **Low interest loans** – States or local communities can establish a revolving fund that helps provide loan interest loans for resilience projects. Alternatively, incorporate funding for mitigation into mortgage costs, to spread over 20-30 years (i.e., points or better rates) or through home equity lines of credit (HELOC).
- **Waive/reduce fees** – Communities can provide a rebate, waive, or reduce building permit fees or the cost of designation program inspections, for properties that achieve a qualified resilience designation, such as IBHS FORTIFIED or IBHS Wildfire Prepared Home.
- **Tax credits** – States or local communities can provide a variety of tax credits, such as income tax credits for costs to retrofit homes or businesses, sales tax credits for materials purchased to retrofit, or property tax credits for properties that achieve and/or maintain a resilience designation, such as IBHS FORTIFIED or Wildfire Prepared Home.
- **Insurance Incentives** – Insurers often offer discounts for mitigation and resiliency improvements with a proven history of cost savings





American Property Casualty Insurance AssociationSM

Questions?

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