



MONTANA ECONOMIC AFFAIRS INTERIM COMMITTEE

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SEEKING SOLUTIONS IN A NEW ERA OF RISK

A NEW ERA OF RISK



Extreme
Weather



Legal System
Abuse



Economic
Pressure



Regulatory
Overreach



SEEKING SOLUTIONS IN A NEW ERA OF RISK

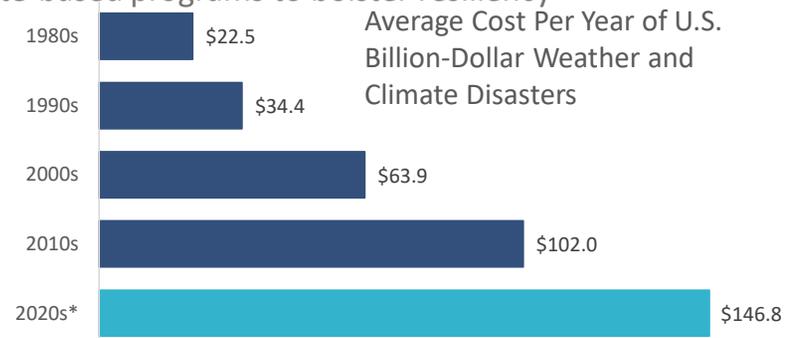
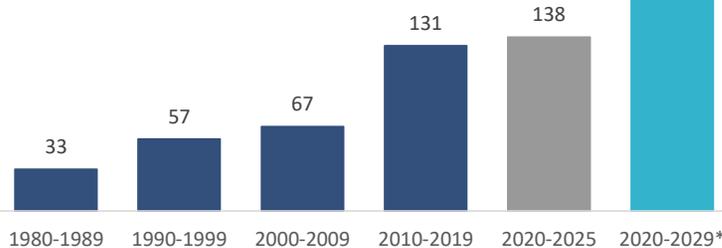


Large-scale weather events like floods, wildfires, severe storms, and hurricanes are happening more often and costing more when they do as more people flock to areas prone to these types of extreme events.

While we can't control the weather or where people choose to live, some solutions include:

- Taking scientifically based mitigation actions
- Advancing modern building codes
- Encouraging federal resilience support
- ²³⁰ Implementing state-based programs to bolster resiliency

Number of U.S. Billion-Dollar Weather and Climate Disasters



U.S. Billion-Dollar Weather and Climate data obtained from Climate Central.

*Projections are based on actual number and cost of events occurring from 2000 to 2025 and are current through year-end 2025.



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Legal System Abuse

The “Tort Tax”
\$1,666 per person

Legal system abuse isn't an issue exclusive to insurance. The excessive costs of litigation are passed onto consumers as increased costs for everyday goods and services.

A confluence of issues including third-party litigation funding, uncontrolled non-economic damage judgments, one-way attorney fees, and pre- and post-judgment interest continues to drive up attorney fees and result in outsized verdicts, making insurance more expensive for everyone.

A transparent judicial system that emphasizes just and balanced outcomes is vital to a healthy insurance marketplace. The reforms needed include:

- Requiring upfront disclosure of third-party funding agreements
- Reasonable legal expense rate caps
- Capping non-economic damages at a reasonable amount that compensates a victim for a loss but not provide untenable windfalls
- Limiting attorney-fee shifting to only the most egregious intentional conduct of a defendant

Legal system abuse is estimated to result in **\$367.8 billion** in direct costs to the U.S. economy each year.



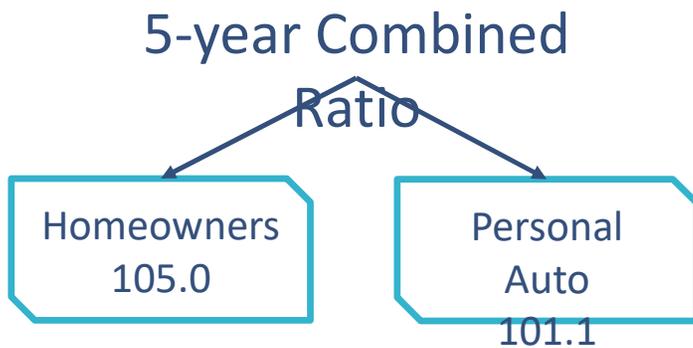
SEEKING SOLUTIONS IN A NEW ERA OF RISK



The same way everything consumers buy is more expensive, everything that is damaged is now more expensive to repair or replace, making it more expensive to insure.

Insurers cannot control costs of the materials and labor needed to fix what's been damaged. To promote healthy insurance markets and provide consumers with choices – considering rising costs, catastrophes, and crashes – it is imperative insurers can charge premiums that reflect the risk they are taking on by:

- Promoting sound underwriting practices
- Removing restrictions on discounts
- Protecting trusted actuarial standards
- Preserving statistically relevant rating systems such as territory rating
- Increasing financial literacy education for everyone



With combined ratios over 100 insurers paid out \$1.05 for Homeowners and \$1.01 for Personal Auto for every \$1 of premium they collect.



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Regulatory Overreach

Insurance is one of the most heavily regulated products on the market. Over-regulation can quickly lead to duplicative work and increased costs, hindering insurers from keeping their promises to policyholders.

Right-size regulation is critical to fostering a healthy insurance marketplace that gives consumers options for both price and coverage. It includes:

- Protecting state-based regulation
- Maintaining a focus on solvency

Each of the 50 states, 5 territories, and the District of Columbia has its' own insurance department. They ensure the insurance market under their jurisdiction is responsive to and reflective of the unique aspects found there.

Under this system of regulation, insurance companies are required by law to submit their rates and forms to each insurance department, most often prior to releasing them in the marketplace.

Insurance departments already have the authority they need to review rates and forms. This helps ensure compliance with state-specific laws, including those that dictate rates cannot be excessive, inadequate, or unfairly discriminatory.



COMBINED RATIO

Combined Ratio - Homeowners
MT v Countrywide, 2015 to 2024



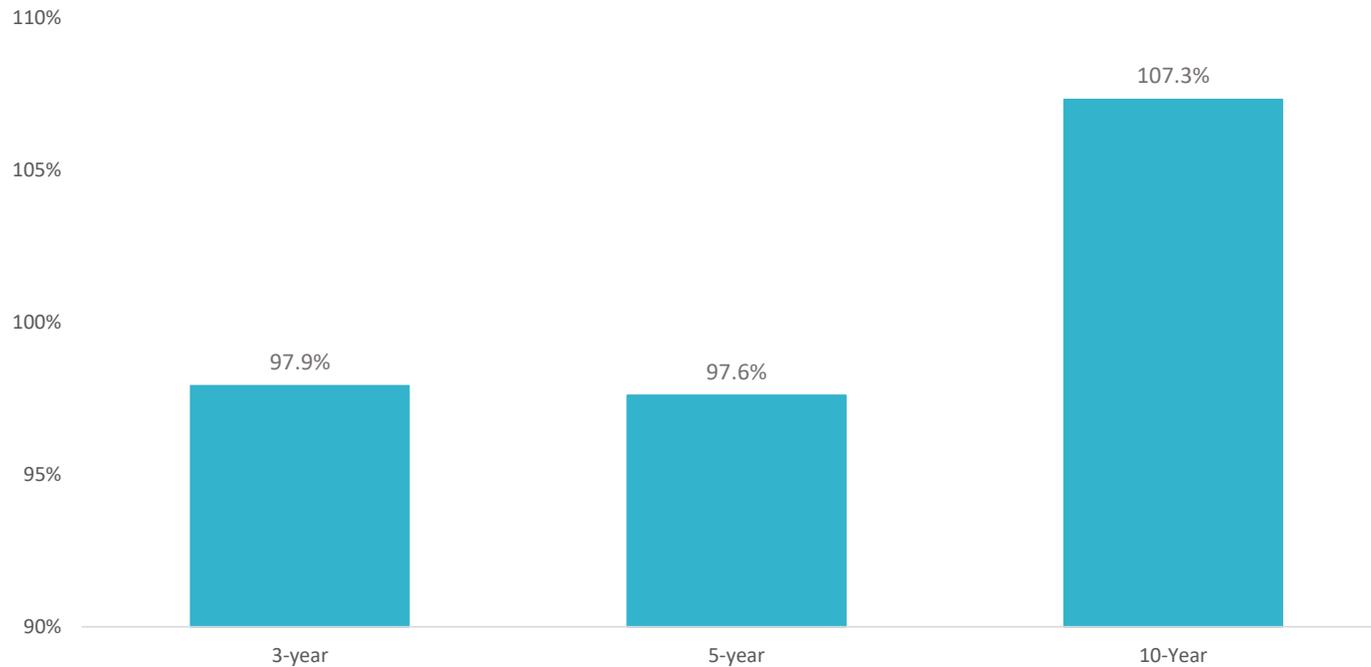
Throughout the last decade MT Homeowners has generally been unprofitable for insurers.

In 5 of the last 10 years the combined ratio has been over 100, meaning that for every \$1 of premium collected insurers spent more than \$1 to pay losses and operating costs.



COMBINED RATIO

Combined Ratio - Homeowners
Montana, 3-, 5-, and 10-year



Due to when significant highs and lows have occurred, the 3-year and 5-year combined ratios are below 100.

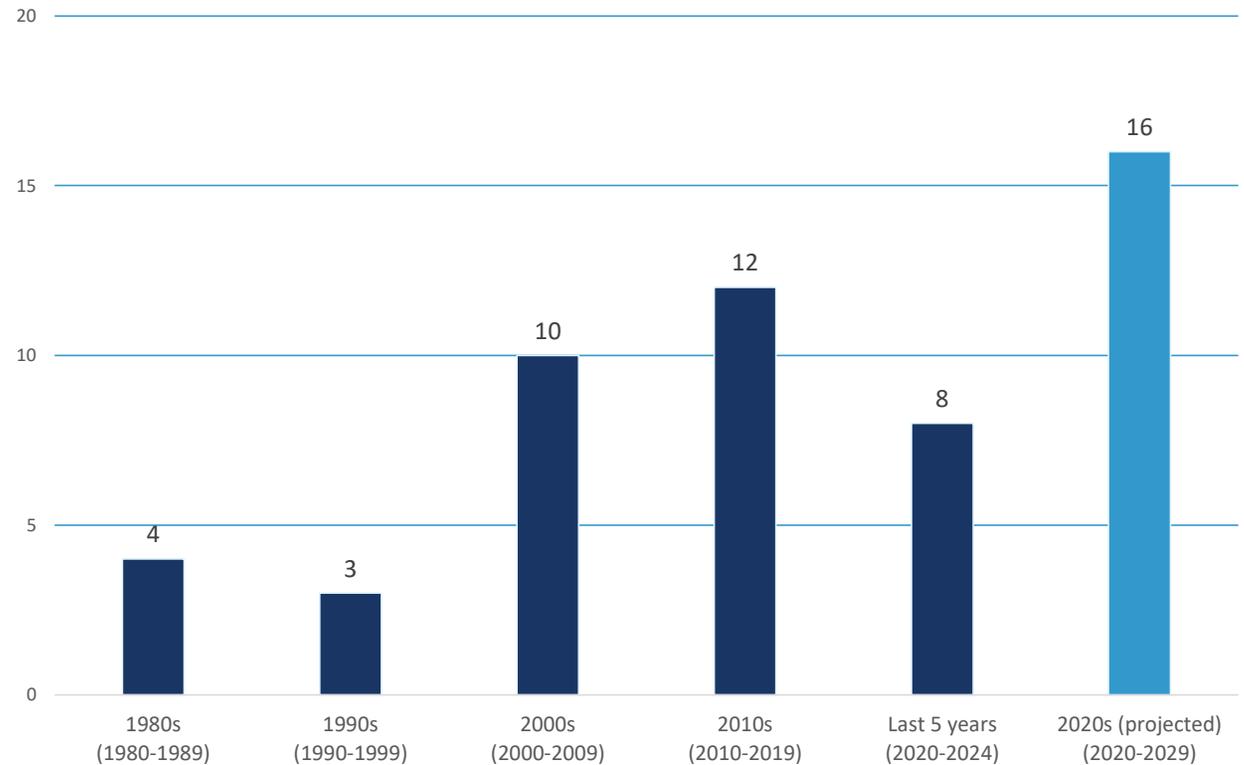
However, the 10-year combined ratio is over 100. This is due to several years of notably high losses in 2016 and 2019.



BILLION-DOLLAR DISASTERS

While not the only cause of losses in the state, billion-dollar disasters affecting Montana were relatively infrequent prior to the 2000s. Since then, the state has been affected by at least one billion-dollar disaster annually.

At only midway through the 2020s, the number of billion-dollar disasters is on track to increase by nearly 50%. By the end of this decade, it is likely Montana will have experienced 16 or more billion-dollar disasters in just 10 years.



NOAA National Centers for Environmental Information (NCEI), U.S. Billion-Dollar Weather and Climate

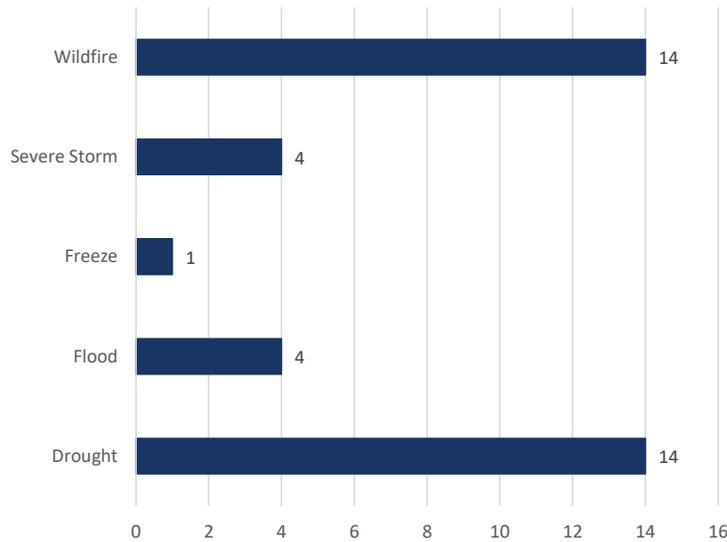
Disasters (2025)

NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES



BILLION-DOLLAR DISASTERS

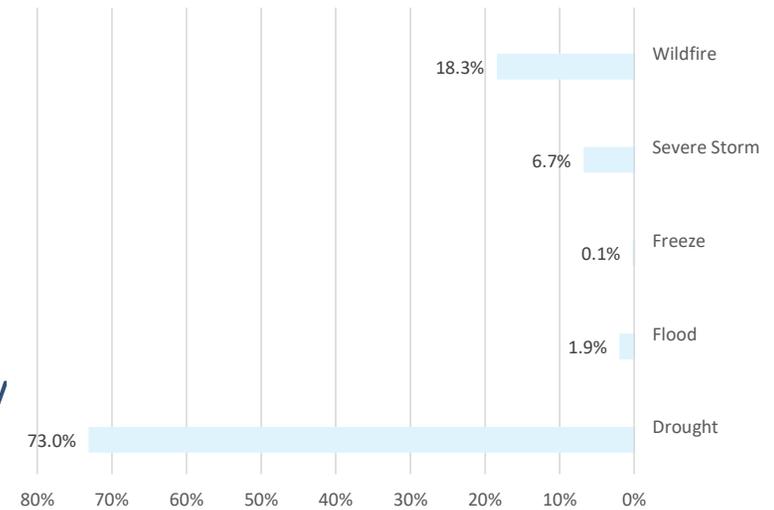
Types of Billion-dollar Disasters



Breaking down these disasters by type and cost, Drought and Wildfire are the highest frequency, as well as the costliest.

Drought, while not typically contributing to residential property damage, causes significant damage to crops and livestock, as well as loss of life.

Costs of Billion-dollar Disasters

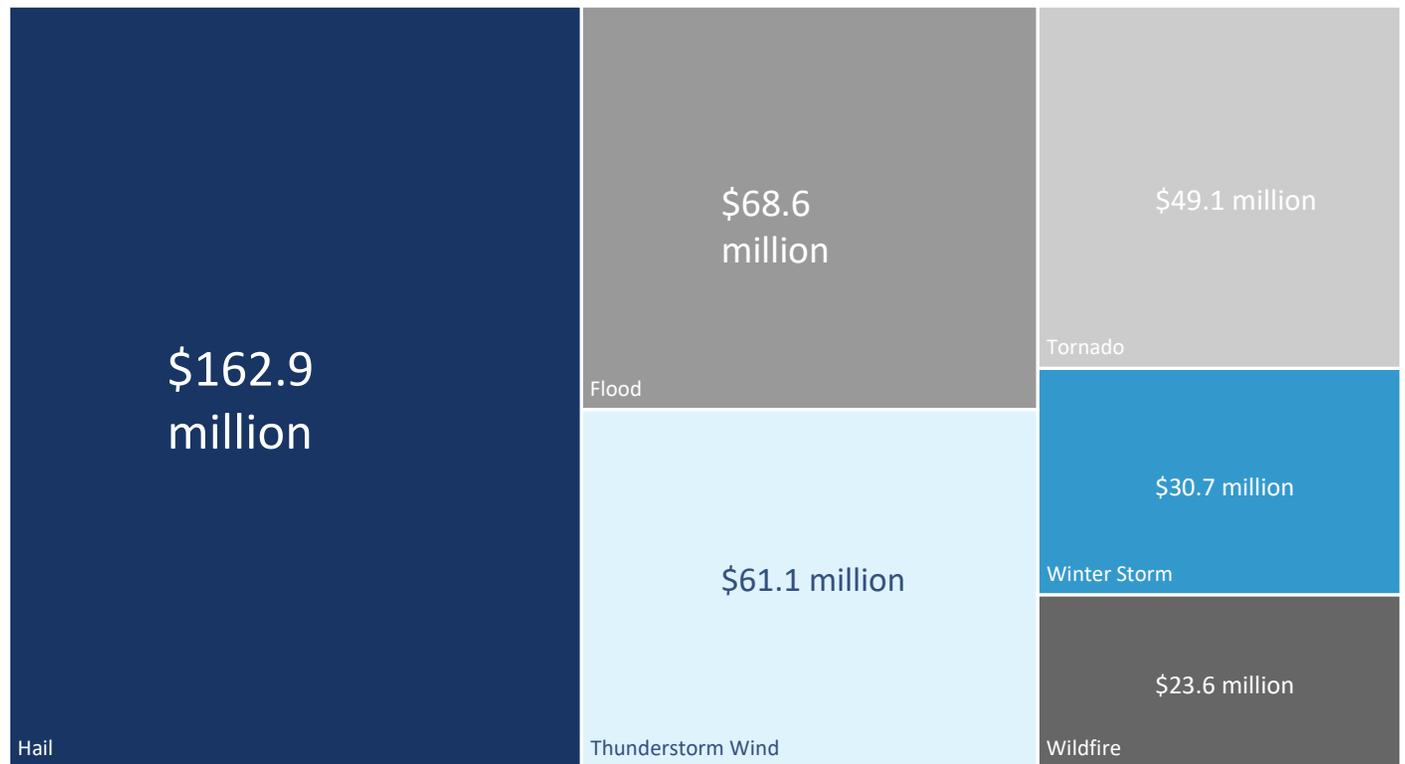




WEATHER

Weather events, not rising to the billion-dollar disaster level, account for nearly \$421 million dollars in damage in Montana over the last 25 years.

Hail, flood and thunderstorm wind cause the most damage. Although several other perils cause significant damage each year.



NOAA National Centers for Environmental Information, Storm Events Database