

Wildfires and Homeowners Insurance Costs in Montana

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Background on Homeowners Insurance

- Homeowners insurance is vital for the protection of consumers' property and belongings
- Consumers are required to have coverage to get a mortgage, so rising costs and inability to get coverage hinders homeownership
- Homeowners without insurance are completely on the hook for repairing or rebuilding their home
- Homeowners with a loan will also pay for force-placed insurance that protects their lender but usually not themselves
- Federal, state, and local aid is not enough to fill the gap

Wildfires and Homeowners Insurance

- Changing climate is resulting in increased risk of wildfires, driving up insurance costs for Montana homeowners
- Hotter and drier summers = more fuel for wildfires & more severe wildfires
- Wildfires can be more destructive and frequent, happen in new places, spread over wider areas
- New climate likely means a longer wildfire season
- Unusual and extreme weather can result in fires outside the season too—spring, fall, or even winter

Wildfire Risk Scores

- Insurers use wildfire risk scores to charge homeowners insurance higher premiums
- Scores are assigned to properties based on risk & likely exposure to wildfires
- Wildfire risk scores are not standardized, but the higher the score, the riskier the property—and the higher your premium
- Many factors can go into them: aerial/satellite images, historic fire data, climate projections, computer simulations, vegetation, slope, access, fuel in the area, boundaries, building type, mitigation efforts
- Scores also determine if people can get coverage at all!

Wildfire Risk Scores Are Frustratingly Opaque for Consumers

- Consumers often find these scores frustratingly opaque and are often denied basic information, such as:
 - What are the scores?
 - How and to what extent do they impact my premium?
 - What factors and weights go into the wildfire risk scores?
 - How are they calculated?
 - What actions can I take to improve my score, and how much money will they save me?
- Policyholders need plain language information about how to reduce risk and stay insured—and insurers aren't providing it!

Uninsured Montana Homeowners in 2021

- First CFA Report: [EXPOSED: A Report on 1.6 Trillion Dollars of Uninsured American Homes](#)
- **Nationally, in 2021 7.4% (or 6.1 million homeowners) lacked coverage, resulting in \$1.6 trillion in uninsured homes**
- **In Montana, 9% of homeowners were uninsured**
- Low-income homeowners, owners of manufactured homes, homeowners with inherited homes, and homeowners in rural areas were most at risk of being uninsured
- Because of premium hikes and non-renewals, number of uninsured homeowners is likely higher now

Rising Homeowners Insurance Premiums in Montana

- Second Report: [Overburdened: The Dramatic Increase in Homeowners Insurance Premiums and its Impacts on American Homeowners](#)
- In Montana...
 - Average homeowners insurance premiums for a typical homeowner **increased by 10%** from 2021-2024
 - In 2021, the annual premium for a typical homeowner with a \$350,000 replacement value policy was **\$2,408**. In 2024, it rose to **\$2,638**
 - In 2021, the annual premium for a typical homeowner with a \$250,000 replacement value policy was **\$1,950**. In 2024, it rose to **\$2,150**
 - Premiums increased by **11% in rural areas** and **5% in urban and suburban areas**

Recommendation #1: Mitigation Efforts to Reduce Risk and Lower Insurance Premiums

- Insurance regulators and companies should encourage mitigation efforts to reduce wildfire risk
 - Class A fire resistant roof covering
 - Clearing vegetation around the home
 - Steps to reduce or block embers
- Measures are often unaffordable for consumers living paycheck to paycheck
- One possible solution: a state funded grant mitigation program for eligible homeowners. Could be funded via fees on insurers

Recommendation #2: Transparency & Discounts for Consumers Undertaking Mitigation Measures

- Transparency regarding wildfire risk scores used to set insurance premiums
 - How they are calculated and concrete actions consumers can take to reduce risk and lower premiums
- Require insurers to give premium discounts/rate reductions to consumers who undertake mitigation measures
- Require these discounts to be reflected in wildfire risk scores as well
- Discounts should also be given to consumers in communities that have done community level mitigation, such as forest management and other wildfire abatement

Recommendation #3: Transparency Regarding the Use of Catastrophe Models

- Catastrophe models are computerized processes that simulate natural disasters
- Used by insurance companies to estimate losses and damages, and so price premiums
- Models are often opaque, with little transparency and accountability as to how they function
- Require transparency and input on the data that is used in these models and how they function
- Build a public wildfire model to provide regulators and consumers a baseline to assess fairness of private models



Questions? Email us at
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