



Meeting the Moment: Wildfire Resilience and Insurance

Oregon Senate Natural Resources & Wildfire Committee
January 28, 2025



NW Insurance Council

About the Northwest Insurance Council



- We are a non-profit, insurer-supported association. Our mission:
 - We inform media, consumers & policymakers about home, auto & business insurance, and...
 - We advocate for a healthy, competitive Property & Casualty insurance marketplace serving consumers in Washington, Oregon & Idaho.
 - NWIC members write more than half of all property and auto insurance policies in force in Oregon today.

Property insurance premiums were stable for many years, thanks to market growth and competition.

- From 2012-2021, premiums for Homeowners and Renters insurance mostly kept pace with the US inflation rate.

Average Premiums for Homeowners and Renters Insurance, 2012-2021

Year	Homeowners (2)	Percent change	Renters (3)	Percent change
2012	1,034	5.6%	187	(4)
2013	1,096	6.0	188	0.5%
2014	1,132	3.3	190	1.1
2015	1,173	3.6	188	-1.1
2016	1,192	1.6	185	-1.6
2017	1,211	1.6	180	-2.7
2018	1,249	3.1	179	-0.6
2019	1,272	1.8	174	-2.8
2020	1,311	3.1	173	-0.6
2021	1,411	7.6	170	-1.7

Challenges for **insurance companies**: inflation, claims and repair costs, natural disasters, reinsurance.

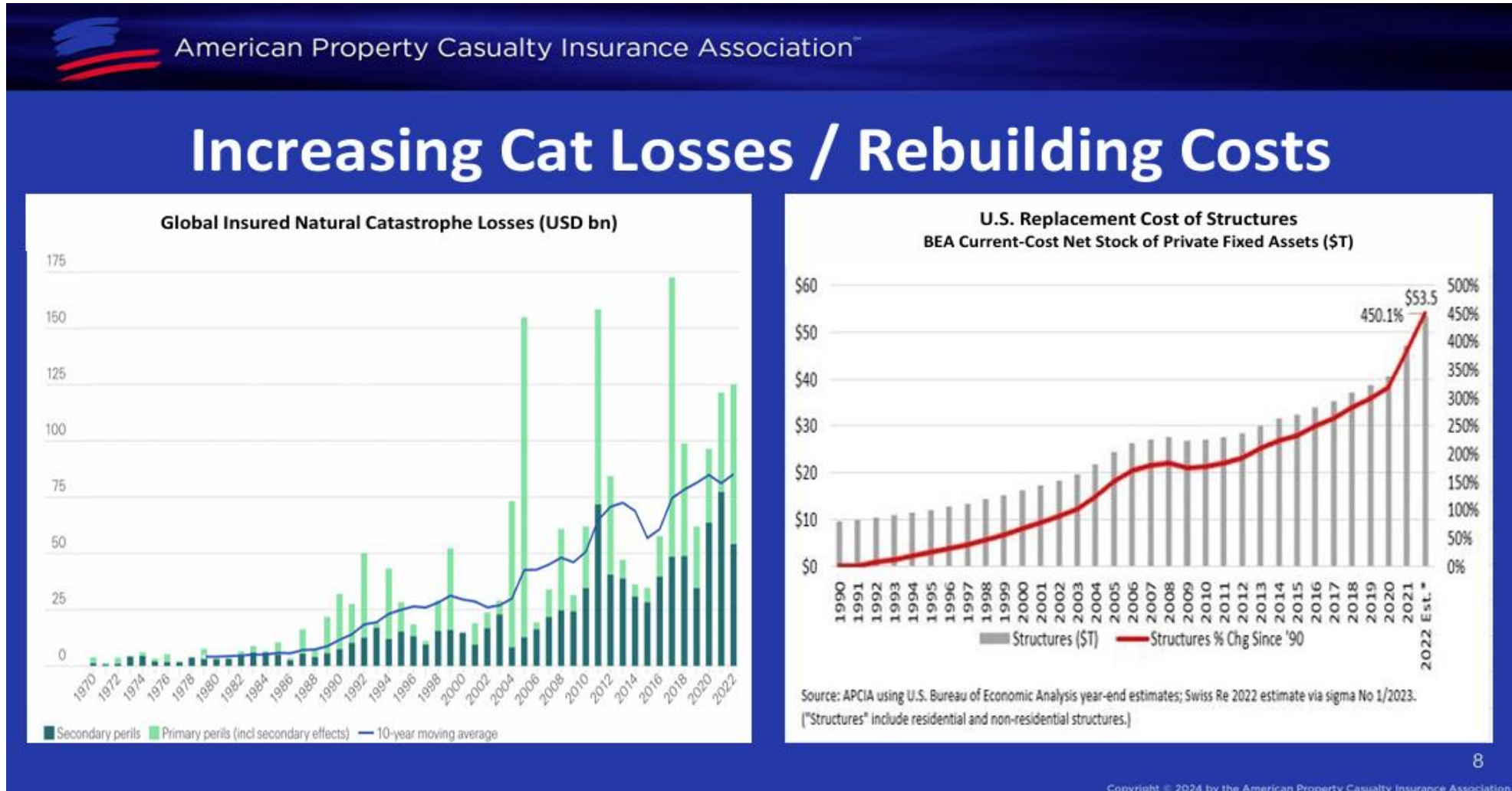
Claims costs: construction costs/rebuilding, climate-related disasters

- **Natural disasters** – wildfires, hurricanes, “convective storms” increasingly associated with climate change (hurricanes, wind, rain, hail, tornadoes or wildfires): \$168 billion in 2023, 140 billion in 2024.
- **Costs for residential construction materials** rose nearly 27 percent in 2021 – roofing materials alone rose 15 percent. Those costs continue to rise, but slower: 14 percent was the average in 2024.

Reinsurance: “Insurance for Insurance Companies”

- **Reinsurance is “insurance for insurers.”** Once an insurer has paid out a certain amount to policyholders for a single catastrophic event, the reinsurer steps in to cover the insurer’s claims costs.
- **U.S. property catastrophe reinsurance rate** increases ranged from *20 – 50 percent* in 2023 – the highest average increases in 17 years. The reinsurance market is now stabilizing, with more reinsurers entering/reentering markets, increasing access to coverage and more competitive pricing.

At the same time catastrophe losses started increasing, so did rebuilding/replacement costs.

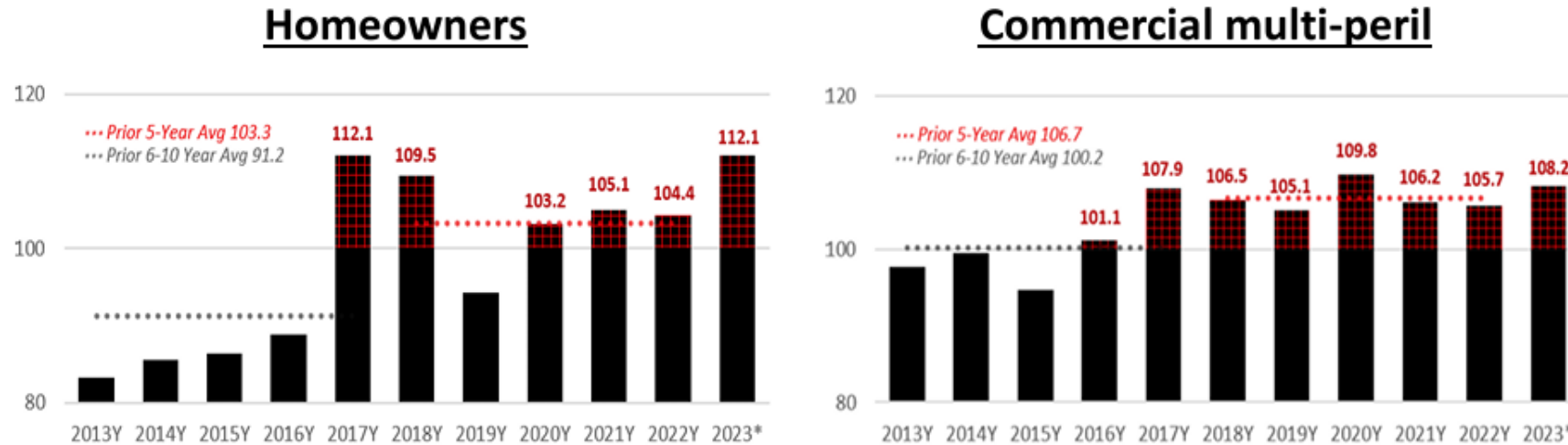


Unsustainable: Insurers paid out \$1.12 in property claims for every \$1 earned in premium in 2023.



Elevated combined ratios in U.S. property lines

i.e. - for every dollar in premium collected, more than a dollar paid



Source: APCA using S&P Global (*S&P Year-End Projection, data compiled October 20, 2023)
 Commercial multi-peril results include liability and non-liability lines of coverage.

Changes are being made to save lives, homes & property, protect consumers and stabilize the insurance market.

Recent Oregon legislation to protect consumers, improve resilience:

SB 762, 2021: Better coordinated Oregon wildfire prevention, hazard prediction plus investments in forest health and wildfire mitigation and suppression.

HB 3272, 2021: Requires insurers to allow at least 2 years for rebuilding and additional living expenses (and up to 3 years in special cases) for losses from wildfires.

HB 2982, 2023: Requires insurers to pay 70% of contents coverage on a total loss claim stemming from a wildfire that is declared a state emergency.

SB 82, 2023: Requires insurers to disclose additional information to policyholders about non-renewals or premium increases that are related to wildfire risk. Bans the use of state-created risk/hazard maps by insurers.

Advancements in wildfire and homebuilding science:

IBHS Wildfire Prepared Home: The Insurance Institute for Business & Home Safety (IBHS) has developed the **Wildfire Prepared Home** certification, based on years of research in fire combustion science. Requiring the use of fire-resistant materials and building methods in new construction will make homes more resistant to fire. These standards are being adopted in state-level building codes across the West.

Sustainable funding for wildfire prevention, suppression. Thirty-five individuals representing resource industries, firefighting agencies, tribal communities, local governments, utilities and insurance are developing recommendations to ensure long-term, stable funding to provide statewide mitigation and wildfire response, and improve parcel-level and community-level resilience.

Meeting the Moment: Public Policy Considerations

Structure resilience; access to information build insurer confidence and improve market stability.

- ✓ Allowing (DFR-approved) catastrophe models and insurer-developed risk models in underwriting and rating for property insurance (with transparency required in SB 82).
- ✓ Improve parcel-level mitigation through education and, when available, grant funding.
- ✓ Encourage the adoption and use of Wildfire Prepared Home standards in new construction and consider ways to spread WPH standards in Oregon's built communities over time.
- ✓ Continue to allow and encourage insurers to offer discounts for insured properties that can demonstrate full compliance with WPH.

Mandates not based on science; artificial rate suppression work to destabilize insurance markets.

- ✓ Until recently, California did not allow insurers to use catastrophe modeling for insurance rating, and insurers were prevented from raising rates to meet exploding claims costs. The result: companies non-renewed policies and stopped writing insurance for CA homeowners. The destabilized insurance market sent 400,000+ insureds to the state's "market of last resort," the CA Fair Plan. And then came the fires.
- ✓ Oregon is not California. A thoughtful approach – such as that taken by OR SB 82, which requires transparency, but does not mandate underwriting or rating actions by insurers, makes a difference.
- ✓ Looking to the future, the immediate need is to help Oregon consumers obtain and retain property insurance, and let a stabilized market improve the rating and discount environment.