



**Metro Denver EDC**



**PROPERTY & CASUALTY  
INSURANCE REPORT**



# INCREASING FREQUENCY, SEVERITY, AND COSTS FROM NATURAL DISASTERS

Colorado Natural Disasters and Cost Range by Decade 1980-2024

Date Range	Major Natural Disasters	Total Disaster Cost \$mm		Inflation Adjusted Cost \$mm	
		Lower Bound	Upper Bound	Lower Bound	Upper Bound
1980-1989	5	\$1,550	\$3,250	\$4,580	\$9,620
1990-1999	5	\$2,500	\$6,000	\$5,830	\$14,060
2000-2009	14	\$4,010	\$8,100	\$6,450	\$13,070
2010-2019	30	\$17,000	\$38,000	\$22,180	\$49,670
2020-2024*	21	\$9,000	\$22,000	\$9,870	\$24,140

\*Decade-to-date. 2024 data is through November 1st.

Source: National Centers for Environmental Information, a division of NOAA.

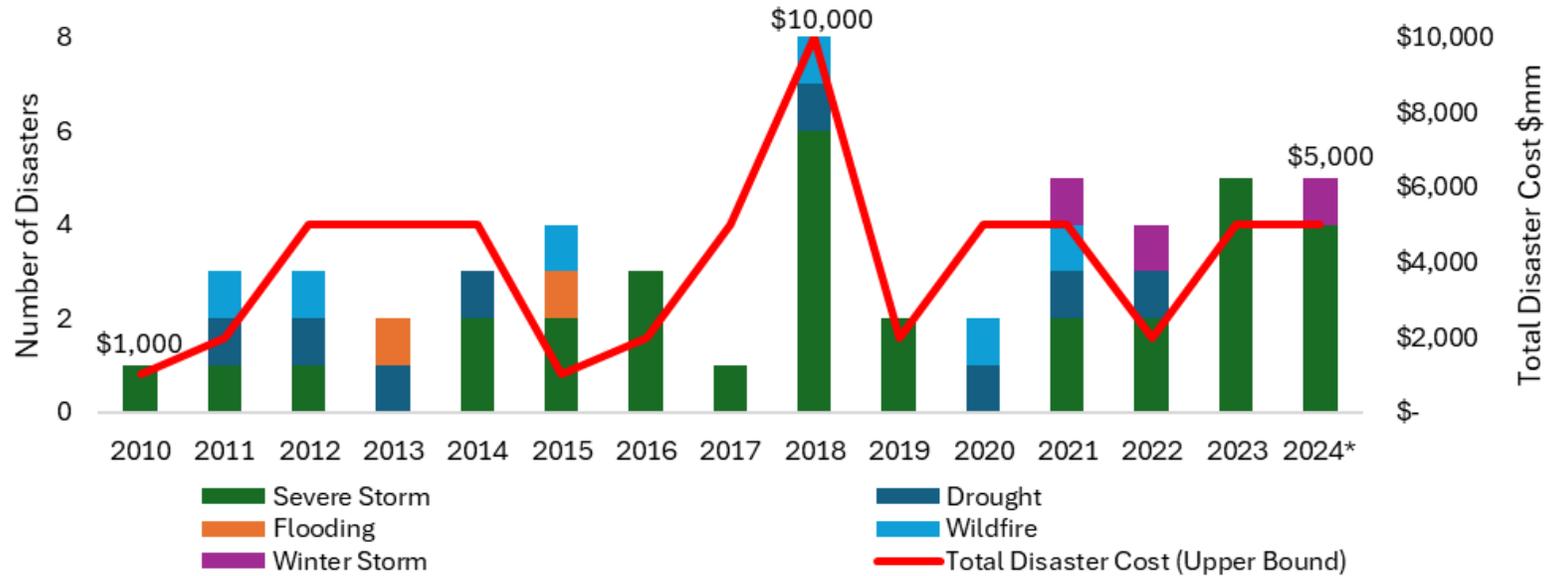
## Major Recent Events

- 2012 Waldo Canyon Fire (\$500M)
- 2017 Denver Hailstorm (\$2.3B)
- 2021 Marshall Fire (\$2.0B)



# INCREASING FREQUENCY, SEVERITY, AND COSTS FROM NATURAL DISASTERS

Major Natural Disasters in Colorado Since 2010  
Total Disaster Cost in Millions of Dollars



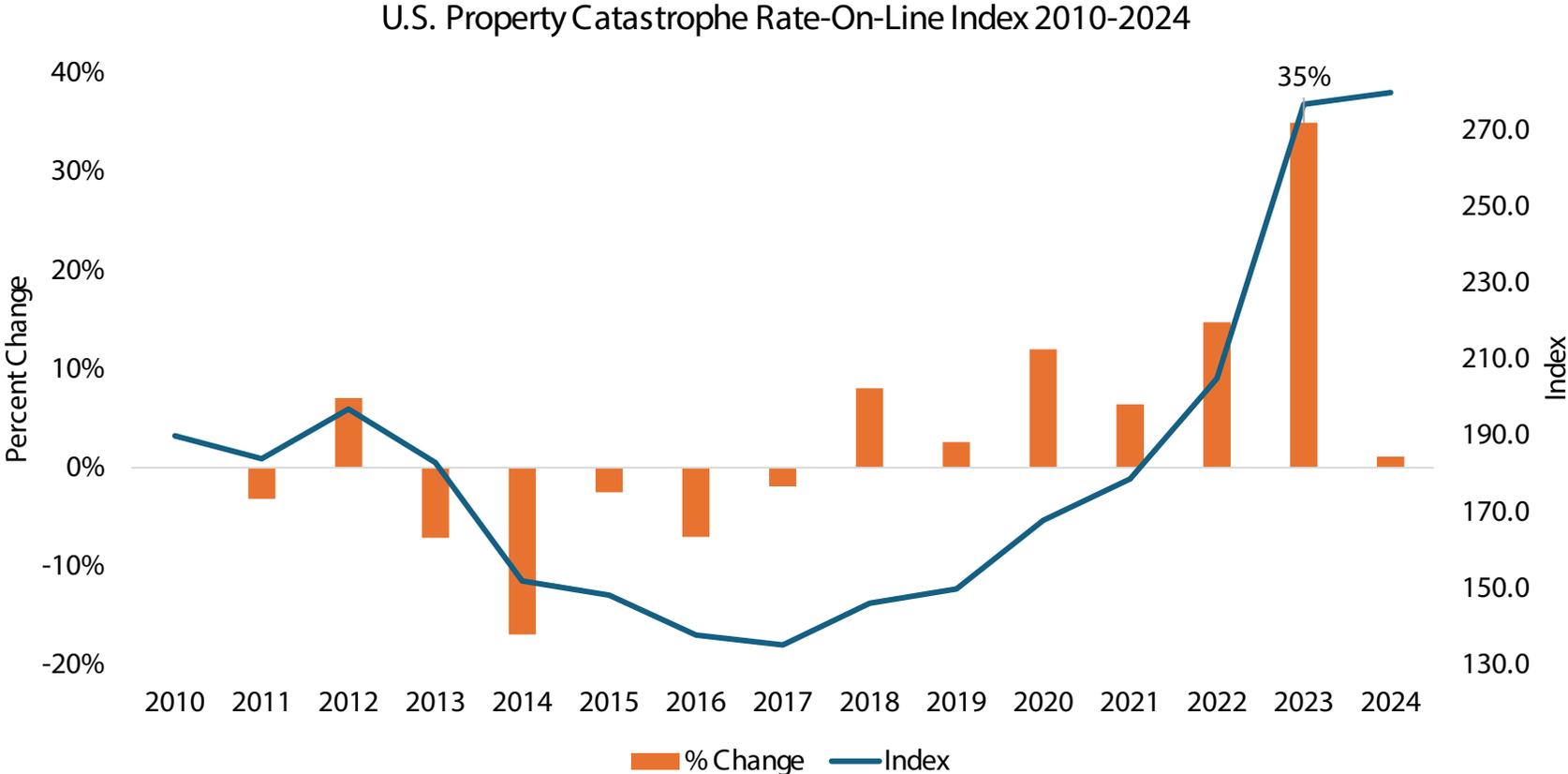
Source: National Centers for Environmental Information, a division of NOAA.

Period	Major Disasters Per Year	Annual Disaster Cost
1980-1999	0.5	\$200-600M
2000-2009	1.4	\$400-810M
2010-2024	3.4	\$1.7-4.0B

# BACKGROUND & OVERVIEW



# RISING REINSURANCE COSTS



Source: Guy Carpenter U.S. Property Catastrophe Rate-On-Line Index. <https://www.artemis.bm/us-property-cat-rate-on-line-index/>.

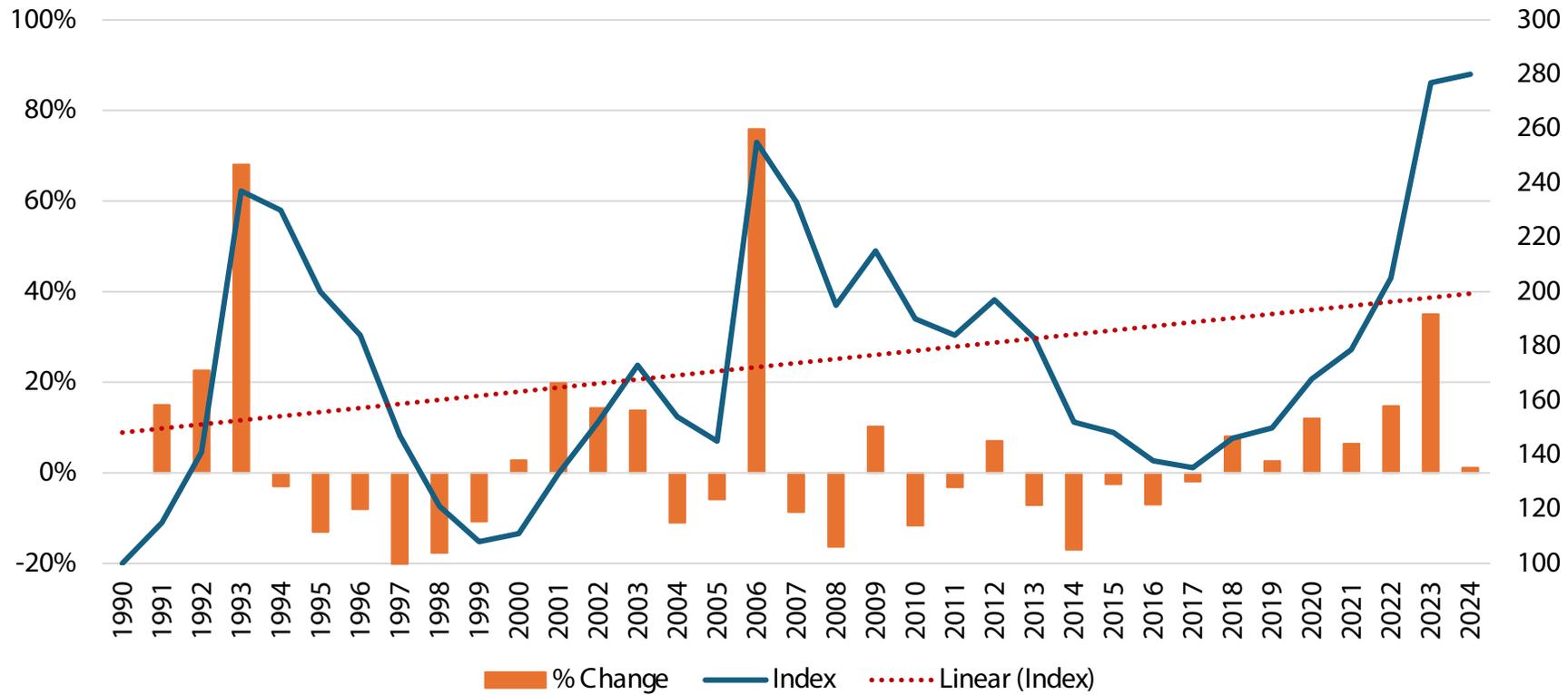
Colorado Insurers Cede ~10% of Premiums to Reinsurers

# BACKGROUND & OVERVIEW



# RISING REINSURANCE COSTS

U.S. Property Catastrophe Rate-On-Line Index 1990-2024



Cyclicality could give some relief, however...

- 1) Persistent upward trend
- 2) Impact of California wildfires unknown

# BACKGROUND & OVERVIEW



# RATE OF PASS-THROUGH OF DISASTER RISK AND REINSURANCE COSTS IS HIGH

Keys and Mulder (2024)

- A one standard deviation increase in disaster risk = +\$448 in annual premiums
- Pass-through is strongest in states with both increasing disaster risk and significant reliance on the reinsurance market
- This model only explains 44-55% of changes in premiums
  - A substantial portion of changes in homeowners' insurance premium may be influenced by other factors:
    - State-specific insurance regulations
    - General policy environment
    - Local market dynamics

# COLORADO RANKS WITH GULF COAST STATES

Colorado Average Premiums  
+77% 2019-2024  
#1 Among U.S. States

Colorado Premiums  
183.6% of U.S. Average

Annual Average P&C Premium Index 2024			
Rank	State	Index	Average Annual Rate*
1	Florida	433.9	\$14,140
2	Louisiana	336.4	\$10,964
3	Oklahoma	238.2	\$7,762
4	Texas	184.3	\$6,005
5	Colorado	183.6	\$5,984
6	Alabama	167.1	\$5,445
46	Delaware	49.3	\$1,607
47	New Hampshire	47.7	\$1,556
48	Hawaii	47.5	\$1,548
49	Alaska	45.1	\$1,470
50	Vermont	37.1	\$1,208
	U.S.	100.0	\$3,259

Source: Quadrant Information Services.

\*Average annual rates are tabulated based on all available insurer quotes and are not directly comparable to averages calculated for individual cities.



# AVERAGE HO-3 PREMIUMS: LARGEST CITIES

Average HO-3 Premiums for Largest Colorado Cities

City	HO-3 Premium*	Median Home Price <sup>1</sup>	Adjusted Premium
Arvada	\$4,141	\$660,000	\$5,467
Aurora	\$4,293	\$529,000	\$4,542
Boulder	\$4,007	\$983,000	\$7,877
Castle Rock	\$4,435	\$731,750	\$6,490
Centennial	\$4,252	\$680,000	\$5,782
Colorado Springs	\$4,547	\$440,000	\$4,001
Denver	\$4,363	\$650,000	\$5,672
Fort Collins	\$3,745	\$560,000	\$4,195
Greeley	\$4,280	\$410,000	\$3,510
Lakewood	\$4,173	\$665,000	\$5,550
Longmont	\$3,737	\$551,500	\$4,122
Pueblo	\$4,730	\$259,900	\$2,458
Thornton	\$4,282	\$570,000	\$4,882
Westminster	\$4,136	\$587,450	\$4,860

\*HO-3 Policies insure up to \$500,000 in dwelling replacement cost, \$350,000 in contents replacement cost, \$100,000 in personal liability, and \$1,000 in medical expenses. The average is calculated from Department of Regulatory Agencies (DORA) Homeowners Insurance Premium Comparison Report. Quoted premiums greater than two standard deviations from the mean premium rate are excluded. Data is current as of July 2024.

<sup>1</sup>Median Home Prices for cities in Metro Denver are sourced from the Denver Metro Association of Realtors (DMAR) October 2024 Market Trends. Median Home Prices for Boulder and cities outside Metro Denver are sourced from RedFin.

Average HO-3  
Premium  
\$4,223

Average Adjusted  
Premium  
\$4,958



# INSURANCE IS A SIGNIFICANT PORTION OF MONTHLY MORTGAGE PAYMENTS

Monthly Insurance Costs as a Percentage of Monthly Mortgage Payments

City	Median Home Price <sup>1</sup>	Monthly Payment*	Monthly Insurance	Total Payment	Insurance Percentage
Arvada	\$660,000	\$3,852.67	\$455.56	\$4,308.23	10.6%
Aurora	\$529,000	\$3,087.98	\$378.46	\$3,466.44	10.9%
Boulder	\$983,000	\$5,738.15	\$656.45	\$6,394.59	10.3%
Castle Rock	\$731,750	\$4,271.50	\$540.87	\$4,812.38	11.2%
Centennial	\$680,000	\$3,969.42	\$481.84	\$4,451.27	10.8%
Colorado Springs	\$440,000	\$2,568.45	\$333.44	\$2,901.88	11.5%
Denver	\$650,000	\$3,794.30	\$472.64	\$4,266.93	11.1%
Fort Collins	\$560,000	\$3,268.93	\$349.57	\$3,618.50	9.7%
Greeley	\$410,000	\$2,393.33	\$292.48	\$2,685.81	10.9%
Lakewood	\$665,000	\$3,881.86	\$462.49	\$4,344.35	10.6%
Longmont	\$551,500	\$3,219.32	\$343.48	\$3,562.80	9.6%
Pueblo	\$259,900	\$1,517.14	\$204.87	\$1,722.01	11.9%
Thornton	\$570,000	\$3,327.31	\$406.82	\$3,734.13	10.9%
Westminster	\$587,450	\$3,429.17	\$404.99	\$3,834.16	10.6%

Average Insurance Burden  
+10.8%

\*Monthly mortgage payment is calculated based on the median home price, a 30-year fixed 6.75% interest rate, and a 10% down payment.

<sup>1</sup>Median Home Prices for cities in Metro Denver are sourced from the Denver Metro Association of Realtors (DMAR) October 2024 Market Trends. Median Home Prices for Boulder and cities outside Metro Denver are sourced from RedFin.



# YEAR-OVER-YEAR CHANGE IN PREMIUMS IS SIGNIFICANT

Change in Adjusted Premiums and Insurance Burdens 2023-2024

City	Adjusted Premium			Insurance Percentage of Mortgage Payment		
	2024	2023	Change (%)	2024	2023	Change (pp)
Arvada	\$5,467	\$4,761	14.8%	10.6%	9.3%	1.2%
Aurora	\$4,542	\$4,230	7.4%	10.9%	10.2%	0.7%
Boulder	\$7,877	\$6,367	23.7%	10.3%	8.5%	1.8%
Castle Rock	\$6,490	\$5,502	18.0%	11.2%	9.7%	1.5%
Centennial	\$5,782	\$5,138	12.5%	10.8%	9.7%	1.1%
Colorado Springs	\$4,001	\$3,494	14.5%	11.5%	10.2%	1.3%
Denver	\$5,672	\$4,872	16.4%	11.1%	9.7%	1.4%
Fort Collins	\$4,195	\$3,563	17.7%	9.7%	8.3%	1.3%
Greeley	\$3,510	\$2,896	21.2%	10.9%	9.2%	1.7%
Lakewood	\$5,550	\$4,803	15.5%	10.6%	9.3%	1.3%
Longmont	\$4,122	\$3,490	18.1%	9.6%	8.3%	1.4%
Pueblo	\$2,458	\$2,173	13.1%	11.9%	10.7%	1.2%
Thornton	\$4,882	\$4,257	14.7%	10.9%	9.6%	1.3%
Westminster	\$4,860	\$4,250	14.4%	10.6%	9.4%	1.2%

Average Premium Increase  
**+16%**

Average Burden Increase  
**+1.3 pp**

Note: See footnotes from preceding tables.



# CONSISTENT UNPROFITABILITY ACROSS MULTIPLE P&C LINES

Colorado - Loss Ratios 2017-2023, Homeowners Insurance Lines\*

Lines	Insurance Line	2017	2018	2019	2020	2021	2022	2023
Line 01	Fire	65.40%	65.38%	41.70%	49.27%	91.94%	19.57%	43.95%
Line 02.1	Allied Lines	262.17%	164.66%	86.26%	51.57%	68.04%	72.72%	87.60%
Line 02.3	Federal Flood	9.61%	4.25%	-4.83%	-1.98%	2.16%	4.89%	10.06%
Line 02.5	Private Flood	224.92%	-63.79%	8.25%	8.44%	9.62%	6.84%	39.36%
Line 04	Homeowners Multiple Peril	83.66%	127.24%	74.60%	69.67%	91.45%	54.04%	115.05%
	Total Homeowners Lines	94.34%	125.13%	72.90%	66.49%	88.99%	52.72%	106.89%
	All Other P&C Lines	74.24%	77.61%	65.28%	62.02%	60.31%	64.43%	69.82%
Line 35	Total Property and Casualty	78.06%	86.65%	66.74%	62.92%	66.19%	61.89%	78.38%

\* Highlighted cells indicate an underwriting loss. All Other P&C Lines includes Private Passenger Auto, Accident and Health, Other Liability, Worker's Compensation, Commercial Multiple Peril, and Commercial Auto among other smaller categories.

Source: Colorado Insurance Industry Statistical Reports 2017-2023, Colorado Department of Regulatory Agencies (DORA) Division of Insurance.

Underwriting costs ~25%

# INSURER PROFITABILITY



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# LOSSES ARE CONCENTRATED AMONG TOP INSURERS

Colorado - Largest Insurers' Market Share and Loss Ratio, Homeowners Multiple Peril 2023

Rank	Company Name	Earned Premium (\$000)	Loss Ratio	Market Share	Cumulative Market Share
1	STATE FARM GRP	882,466	118.01%	20.82 %	20.82 %
2	LIBERTY MUT GRP	644,184	126.30%	15.42 %	36.24 %
3	UNITED SERV AUTOMOBILE ASSN GRP	500,880	123.73%	12.62 %	48.86 %
4	AMERICAN FAMILY INS GRP	397,588	111.28%	9.50 %	58.37 %
5	ALLSTATE INS GRP	353,608	128.82%	8.33 %	66.69 %
6	FARMERS INS GRP	310,192	78.42%	7.24 %	73.94 %
7	TRAVELERS GRP	269,402	87.33%	6.53 %	80.46 %
8	NATIONWIDE CORP GRP	170,583	168.89%	4.02 %	84.48 %
9	CHUBB LTD GRP	118,215	46.06%	2.87 %	87.35 %
10	PROGRESSIVE GRP	47,906	118.29%	1.13 %	88.48 %
	**STATE TOTAL**	4,185,922	115.05%	100.00 %	100.00 %

Source: Colorado Insurance Industry Statistical Report 2023, Colorado Department of Regulatory Agencies (DORA) Division of Insurance.

# INSURER PROFITABILITY



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# LOSSES ARE CONCENTRATED AMONG TOP INSURERS

Colorado – Largest Insurers’ Market Share and Loss Ratio, Total All Lines 2023

Rank	Company Name	Earned Premium (\$000)	Loss Ratio	Market Share	Cumulative Market Share
1	STATE FARM GRP	2,483,635	98.43%	12.94 %	12.94 %
2	LIBERTY MUT GRP	1,711,100	92.59%	8.75 %	21.69 %
3	UNITED SERV AUTOMOBILE ASSN GRP	1,303,248	97.82%	6.88 %	28.57 %
4	PROGRESSIVE GRP	1,113,578	70.71%	5.66 %	34.22 %
5	ALLSTATE INS GRP	1,011,554	88.95%	5.13 %	39.36 %
6	AMERICAN FAMILY INS GRP	972,505	89.00%	4.97 %	44.33 %
7	TRAVELERS GRP	943,090	65.34%	4.89 %	49.22 %
8	BERKSHIRE HATHAWAY GRP	849,190	67.68%	4.38 %	53.60 %
9	FARMERS INS GRP	824,943	63.06%	4.14 %	57.74 %
10	CHUBB LTD GRP	620,294	66.87%	3.08 %	60.82 %
	** STATE TOTAL **	19,639,675	77.59%	100.00 %	100.00%

Source: Colorado Insurance Industry Statistical Report 2023, Colorado Department of Regulatory Agencies (DORA) Division of Insurance.

# INSURER PROFITABILITY



# LEGISLATION INCREASES COSTS, UNCERTAINTY, RISK

Bill	Summary	Impact*
SB07-129	Inflation adjustment to caps on noneconomic damages.	C/R
HB08-1407	Treble damages for unreasonable denial or delay.	C/R
HB10-1395	Construction defects.	C/R
HB11-1106	Killed. Permit jury to see billed and paid amounts for medical damages.	C
HB20-1290	Restrictions on use of failure to cooperate defense.	C/R
SB21-169	Restrictions on insurer use of external customer data.	C/R
HB21-1208	Hazard mitigation fee surcharge.	C
HB21-1312	Additional requirements for Regional Home Office Tax Credit.	C
HB22-1071	Recovery of damages, injunctive relief, and attorney fees - class action.	C/R
HB22-1111	Coverage and timeline requirements for declared fire disaster.	C/R/O
HB22-1272	Repeal of attorney fees on motions to dismiss.	C
HB23-1174	Advance notice of cancellations, extended replacement cost coverage.	O/C/R
HB23-1192	Provision removed. Removal of "knowingly or recklessly" standard.	C/R
HB23-1288	Establishment of Fair Access to Insurance Requirements plan.	C
HB24-1440	Policy forms and advertising in foreign languages.	O/C
HB24-1472	Increased caps on non-economic damages.	C
HB25-1182	Proposed bill. Risk model use in property insurance policies.	O/C
HB25-1302	Proposed bill. Mandatory premium reductions, fees for mitigation, catastrophe bonds.	O/C/R

\*C=Costs; R=Risk; O=Operational.

# LEGISLATIVE HEADWINDS



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# LEGISLATION INCREASES COSTS, UNCERTAINTY, RISK

Colorado has so far avoided extreme restrictions on:

- Ability of insurers to adjust premiums
- Ability of insurers to cancel policies

The general tenor of legislation is working in the wrong direction:

## HB25-1302

- Would force insurers to reduce premiums by 5% if loss ratios are below 75% (underwriting breakeven) for 3 years
- Impose an additional cost of 1.5% of earned premiums for mitigation
- Place insurers on the hook for catastrophe bond redemption (issued to pay for reinsurance)

These changes would make Colorado an even less desirable locale for P&C business

# LEGISLATIVE HEADWINDS



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# NEED TO BALANCE AFFORDABILITY AND AVAILABILITY OF COVERAGE

Colorado needs to avoid mistakes made in other states:

- California Proposition 103: pre-approval of all premium changes
- Florida: attempt to cap rate increases and limit policy cancellations

**These tactics can cause market exits and limit the availability of coverage**

Both availability of coverage and affordability can be aided by:

- Improving the tort environment
- Reducing costs
- Legislative action to reduce uncertainty and risk
- Incentives as opposed to restrictions

Affordability can be improved in the long run by:

- Supporting improvements that reduce insurers' risk
- Making the state a more desirable place to write policies -> increasing competition

# FUTURE CONSIDERATIONS





**Metro Denver EDC**



**THANK YOU!**

**QUESTIONS?**

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