Heard in the Business and Labor Interim Committee on 6/17/2026

Homeowners Insurance Trends & Issues

Business and Labor Interim Committee

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Utah Insurance Commissioner

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Insurance Department

Home protection through consumer education

- The commissioner may educate consumers about insurance and provide consumer assistance
- Consumer education may include:
  - Outreach activities
  - The production or collection and dissemination of educational materials. (31A-2-215)(1) and (2)
- Website (Insurance.Utah.gov)
  - Importance of renters, homeowners and title insurance
  - Insurance shopping advice

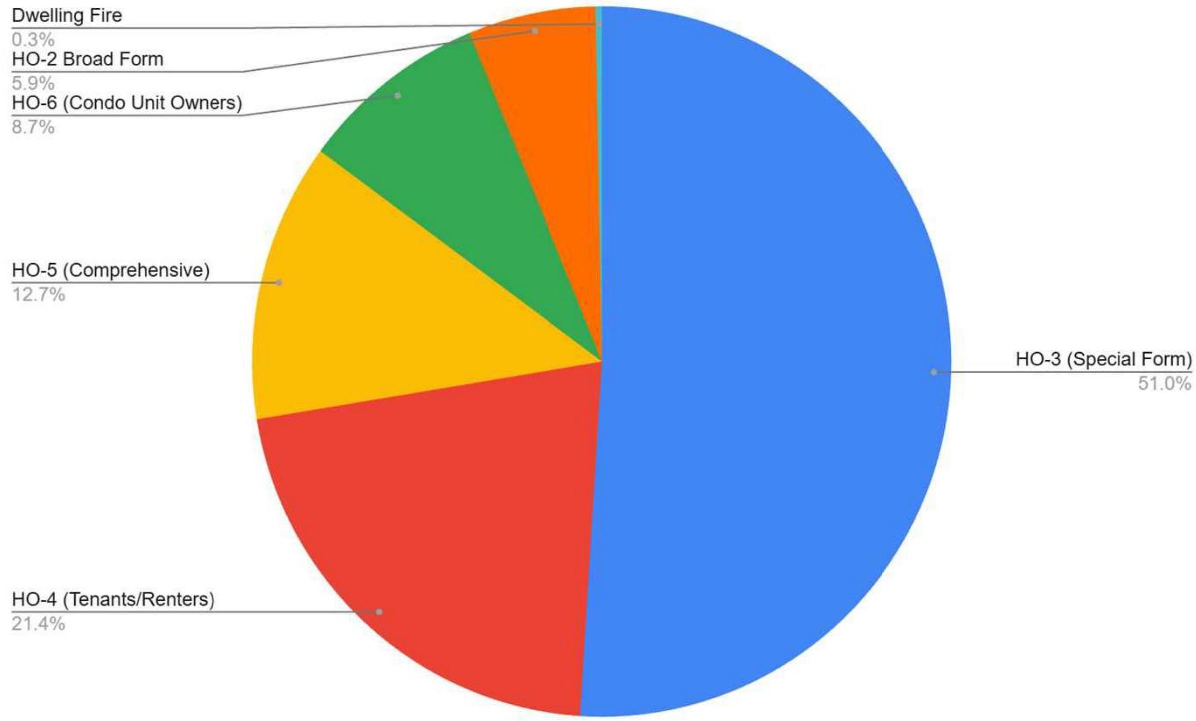
Consumer Education Regarding Insurance

- Media interviews
- Social media posts
- Women in the Money Conference
- Local community events
- Presentations at community meetings on wildfire prevention and preparation/mitigation.

Renters Insurance
vs.
Apartment Owners Insurance

Renters & Condo Unit Owner Policies

- Renters insurance accounts for 21.4% of written exposures in Utah. While these policies provide coverage for a tenant's personal property, liability, and loss of use, they do not extend to the building's physical structure, either internally or externally.
- Condominium Owners Insurance is designed for individuals who own their specific units rather than leasing them. While this coverage is similar to renters insurance in many respects, it provides broader protection by including the interior structural components of the home, such as ceilings, flooring, and drywall.



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Renters & Condo Policies (continued)

- Condo unit owner policies represent only 8.7% of the Utah market, making it one of the less prevalent forms of homeowners insurance. For those owning a condo or apartment, a master policy maintained by the Condo Association, which is required to adhere to particular Real Estate Code regulations, covers the building's exterior and all communal areas.
- The Department hasn't received complaints or inquiries concerning the availability of condo/apartment coverage or renters insurance. We <u>have</u> had concerns expressed about the availability of commercial builders' risk policies and condo master policies.

Homeowners Insurance Data Call

- Utah is currently engaged in a multi-state data call to achieve a better understanding of the local homeowners insurance environment. We will look back five years and will continue annually going forward, to provide significantly more detailed data than what is currently accessible to the Department.
- The data will allow for analysis at the zip code and policy-type levels, enabling the identification of specific regions or insurance policy types facing availability or affordability challenges.
- It will also track annual shifts in insurer behavior, such as adjustments to coverage options or increases in deductibles.

Market Stability

Utah Homeowners Market Stability

A regional analysis of structural market viability and capacity over a 10-year horizon

Utah Profitability 10-Year Mean Return on Net Worth

4.99%

National Average 10-Year Countrywide Baseline

5.20%

Functional & Balanced Landscape

The profitability of homeowners insurers in Utah is largely consistent with the national average.

Stable & Predictable Ecosystem

Utah effectively attracts leading national carriers to remain in the state, securing stable long-term insurance capacity for consumers while maintaining competitive market returns for insurers.

Source: 2024 Competition Database Report.pdf

National Association of Insurance Commissioners (NAIC)

Market Stability (continued)

- This consistent profitability, combined with a steady number of active carriers, fosters a predictable marketplace that attracts insurers by offering competitive yet moderate returns.

Incentivizing Wildfire Protection

- Mitigation Program
  - In a wildfire, most homes ignite from wind-blown embers, not large walls of flame.
  - Home mitigation measures are designed to limit ember accumulation.
  - California's Paradise fire: 19K structures destroyed; $12.5B insured loss; $16B economic loss. One study estimated that home mitigation would have reduced the losses by over 50%.

Incentivizing Home Protection

- Mitigation Program (continued)
  - Mitigation gold standard: Insurance Institute for Business & Home Safety (IBHS) offers a wildfire preparedness certification that results in homes being more resistant to wildfires. The program focuses on defensible space, covered roof vents, fire-resistant roofs and more.
  - States with mitigation programs often use low/no cost loans and grants from insurance premium tax revenues.
  - In his role at the National Conference of Insurance Legislators (NCOIL), Rep. Jim Dunnigan authored model mitigation legislation that Utah could consider. Currently, the National Association of Insurance Commissioners (NAIC) is working on model mitigation legislation that would enhance and update the NCOIL model. The two organizations will coordinate on this issue.

Incentivizing Home Protection

- The Utah Insurance Department has no authority to require discounts.
- For the last five years, the Department has encouraged discounts for wildfire-ready homes.
- IBHS certification program is now available in Utah
  - Example: State Farm plans to offer discounts to Utah homeowners with IBHS-certified homes and communities.

FAIR Plans (Fair Access to Insurance Requirements)

- A FAIR Plan is an insurance program that acts as an insurer of last resort. Its purpose is to ensure that property owners have access to basic insurance.
- State governments typically invest considerable time and resource to develop a FAIR Plan. (Colorado spent two years of study before it implemented its plan.)

FAIR Plans

- Typical terms of FAIR Plan coverage:
  - Coverage only for specific perils, such as wildfire losses
  - Wrap-around policy needed for other perils/losses
  - Coverage is capped – Colorado capped their plan at $750K for residential and $5M for commercial
  - Coverage for actual cash value of the home only. This will not necessarily pay the entire cost to rebuild the home.

FAIR Plans

- Cost (based on fiscal note to HB 562 (2026)
  - Insurer of last resort for residential and commercial property
  - Cost to state: $120K first year; $80K ongoing
  - Cost to state or insurers: $3M first year; $25.6M ongoing (this cost will be passed on to customers
  - Customers pay premiums for their FAIR Plan in addition to their wrap-around plan.

Questions?