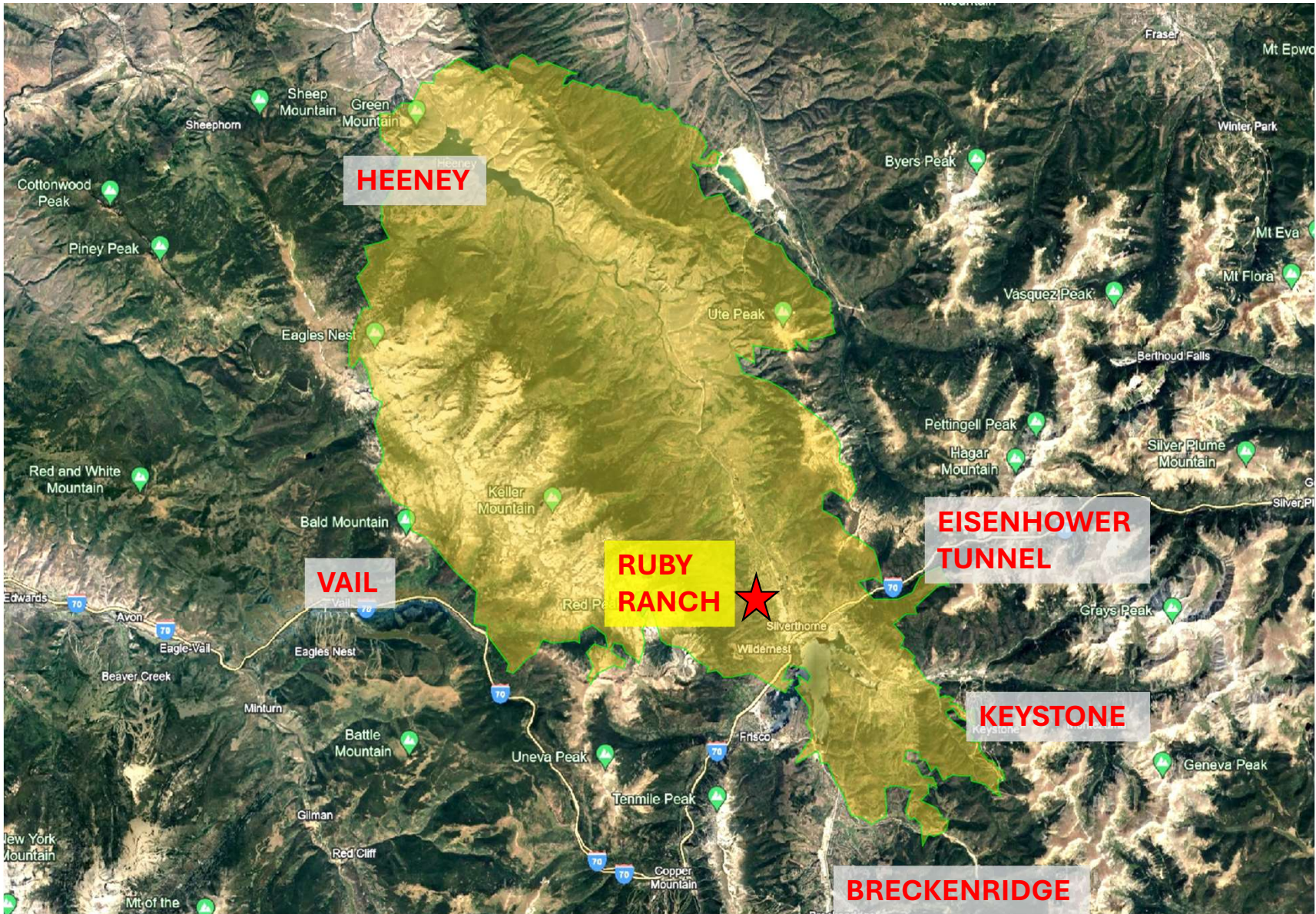


East Troublesome Fire
October 21, 2020



East Troublesome time line









Lessons Learned From the East Troublesome Fire (ETF)



The East Troublesome Fire destroyed 378 homes

- This was Grand County's worst disaster.
- However, it destroyed only 2% of the County's housing stock.
- The rest of us need to think about preparing ourselves for future disasters.

Almost 70% of ETF Fire Families were uninsured or underinsured for hundreds of thousands \$.

Purchase price or resale market value are not indicators of replacement cost.

An estimated price range for turnkey, ground-up construction based on total building area under roof for:

- **Smaller, municipal lots with provided utility services = \$450/sf to \$500/sf**
- **Larger, rural lots = \$475/sf to \$525/sf**
- **Costs of \$600/sf to \$1,000/sf are being surpassed with the construction of numerous, luxury homes throughout the County.**

Turnkey costs would not include demolition and debris removal

Many Fire Families did not have plans of their homes or accurate lists of contents.

- Lack of records makes it difficult to collect insurance proceeds.
- Remembering what was there is very difficult and valuation impossible.

Many Insurance adjusters are unfamiliar with the territory and local construction costs.

- When a major disaster occurs, many companies must bring in adjusters from outside the region.
- Their estimates can be below realistic replacement costs as there are challenges with availability and timing; what some would call surge pricing occurs.

There are many different versions of homeowners insurance policies, and the coverages can have substantial differences

- Good policies include Replacement Cost coverage of dwelling and contents.
- Policies should also include adequate coverage for other structures, addl. living expenses, building code coverages, debris removal, and landscape/trees.

DO I HAVE ENOUGH HOMEOWNER INSURANCE?

That is a personal decision but here are some numbers to help you. This example is based on a hypothetical 2500 sf ranch home in Grand County including three bedrooms, 2 ½ baths, metal roof, stucco siding, two car detached garage built in 2022. Premium quotes are online from a large national carrier. Your insurance company will likely have different rates, but relative costs should be similar.

| Annual Premium Cost | “GOOD” POLICY | “COMMON” POLICY |
|---|------------------------|------------------------|
| | \$2400 | \$2000 |
| COVERAGE TYPE | POLICY LIMITS | POLICY LIMITS |
| | Based on \$400/sq. ft. | Based on \$300/sq. ft. |
| Coverage A Dwelling | \$1,000,000 | \$750,000 |
| Coverage B Personal Property | \$700,000 | \$350,000 |
| Coverage C Add'l Living Expense | \$180,000 | \$60,000 |
| Increased Dwelling | \$200,000 | \$80,000 |
| Other Structures | \$100,000 | \$50,000 |
| Code Upgrades | \$100,000 | \$50,000 |
| Trees, Landscape | \$50,000 | \$20,000 |
| Debris Removal | \$50,000 | \$20,000 |
| POTENTIAL TOTAL INSURANCE PAYOUT | \$2,380,000 | \$1,380,000 |



CONCLUSION: After a total loss, a homeowner with “Common” policy limits could receive **\$1,000,000 LESS** than a homeowner with “Good” policy limits. Is that worth the additional \$400 annual premium?

Key messages:

- ▶ Adequate private insurance is essential
- ▶ Government and charitable aid programs will not cover the cost of rebuilding a destroyed home
- ▶ Oral promises by insurance reps that you're fully covered are useless if you can't prove them later; get it in writing

Considerations in Purchasing a Homeowners Policy

- Find a good Partner; Agent or Broker, who will help you determine values and will advocate for you in the event of a loss.
- Assess what you have. Take Pictures, Get Appraisals, Retain Invoices. Store them off site or in the cloud.
- Ask for an appraisal from the Insurance Company that you ultimately purchase your insurance from.

Room Picture



Room Picture with Chandelier and Hutch



Items in the Hutch



Items in the Hutch



Insurance Concepts

- **Insurance Concepts**

- **Exclusive Agent:** Agent represents one insurance company.
(Ex: American Family, Allstate, Liberty Mutual, State Farm) and many are employed by that Company

- **Independent Agent/Broker:** Agent may represent multiple insurance companies and can broker or represent client to other insurance companies and specialty market.
(Ex: Chubb, Pure, AIG, Lloyds) *versus*

- **Co-Insurance:** Property insurance provision that imposes a penalty on an insured's loss recovery if the limit of insurance purchased is not at least equal to a specified percentage of the value of the insured property. Ex: On a property valued at \$1,000,000 and an 80% co-insurance requirement, must have at least \$800,000 in coverage on the insured property.

- **All Risk Coverage:** Covers all perils except what is specifically excluded.

- *versus*

- **Named Peril:** Covers only perils specifically listed.

- **Replacement Cost:** Cost to replace property with "like kind and quality materials and workmanship" Additional consideration include enhanced replacement cost with updated code requirements. Enhanced Replacement Cost can include replacement with code upgrades.

- *versus*

- **Actual Cash Value:** Cost new minus depreciation.

- **Policy Limits:**

- Dwelling sets the standard as all others are generally percentages of this value.

- Other Non-attached Structure (10%)

- Contents (50%)

- Loss of Use (20%)

- Landscape (Per Tree with a maximum)

- Valuable personal items: Jewelry, Artwork, Musical instruments, Guns, Coins
: and Stamps, Special equipment, Collections

- **Common All Risk Exclusions:**

- Intentional acts, Animals, Flood, Confiscation, Neglect, Wear and Tear, Arising from Criminal Acts, Earthquake and earth movement, Acts of war, Nuclear or radiation exposure. Watch mold and water definitions/exclusions.

Here's how dwelling and personal belongings coverage compare in an HO-3 and HO-5:

| | HO-3: Standard Coverage | HO-5: Better Coverage |
|-------------------|--|--|
| Dwelling | <p>Covers damage to your house from all problems except ones that are specifically listed as exclusions.</p> <p>Typically pays out only actual cash value.</p> | <p>Covers damage to your house from all problems except ones that are specifically listed as exclusions.</p> <p>Pays out replacement cost value.</p> |
| Personal property | <p>Covers damage to your belongings only for problems listed in your policy.</p> <p>Covers jewelry, goldware, silverware, watches and firearms if stolen or damaged.</p> <p>Typically pays out only actual cash value.</p> | <p>Covers damage to your belongings from all problems except ones that are specifically listed as exclusions.</p> <p>Covers jewelry, goldware, silverware, watches and firearms if stolen, damaged, lost or misplaced.</p> <p>Pays out replacement cost value.</p> |

Personal Articles Floater Application

Contact Information

Name of Insured: _____
 Entity Type: Individual LLC LLP Corporation Non-Profit Trust
 Primary Address: _____
 Mailing Address (if different to primary): _____
 Contact Person: _____
 Phone / Fax: _____
 Email: _____

Qualification Questions

Any bankruptcy in the past 3 years? Yes No

Insurance History

Any Insurance Cancelled or Declined in Past 3 years
(not applicable in Missouri) Yes No
 If yes, explain: _____

Prior Insurance

| Carrier Name | Policy Number | Expiration Date |
|--------------|---------------|-----------------|
| | | |

Prior Claims: Date: _____ Amount: _____
 Description: _____

Primary Location Details

Year Built: _____
 Alarm Company Name: _____
Required if schedule is over \$100,000

Brush Clearance? More than 100' Less than 100'
 Has Location been retrofitted for Earthquake?
(applies to CA risks only) Yes No

Personal Articles Floater Application

Coverage Options

Effective Date of Coverage _____

| Category | Limit to Insure |
|---|--------------------------|
| Jewelry (In Bank Vault) | _____ |
| Jewelry (Out of Bank Vault) | _____ |
| Fine Arts | _____ |
| Non-Fragile | _____ |
| Fragile | _____ |
| Blanket Unscheduled (max \$5000 per item) | _____ |
| Furs | _____ |
| Cameras, Projection machines, films, etc. (no commercial use) | _____ |
| Sporting Equipment | _____ |
| Music Instruments (non-professional) | _____ |
| Silverware | _____ |
| Postage Stamps | _____ |
| Rare Coins & Collections | _____ |
| Computers & Media | _____ |
| Wine | _____ |
| Guns/Firearms | _____ |
| Golf Carts | _____ |
| Bicycles | _____ |
| Miscellaneous Collections | _____ |
| Wind | Included |
| Terrorism | Included |
| Earth Movement (only applicable to CA risks) | |
| Include, no deductible | <input type="checkbox"/> |
| Include, deductible 10% of schedule | <input type="checkbox"/> |
| Exclude | <input type="checkbox"/> |

Additional Requirements

- Current appraisal (within the last 3 years) or paid purchase invoices
- If schedule is over \$100,000, at least one of the following is required
 - Alarm
 - Doorman 24/7
 - Gated Community (with guard 24/7 and controlled access)
- If jewelry over \$50,000, when not in use, jewelry must be stored in a permanently installed, non-portable safe.
 - I confirm I have and use a permanently-installed, non-portable safe
- Client confirms that shipments of Fine Arts or other fungible objects like coins, sports memorabilia and jewelry will not be sent via US mail

Signature: _____ Date: _____

Categories of Protection or Buckets

- Assets insured through your Homeowners
- Assets Scheduled via a Personal Article Floater
- Risks Managed (Fire and Burglar Alarms, Water Leakage Controls, Firewise Efforts to reduce exposure)
- Self Insurance
- Assets Uninsurable (Sentimental value with no real monetary value)

High Net Worth Specialty Carriers

- Chubb
 - Cincinnati
 - Berkley One
 - Pure
 - AIG Specialty
 - Lloyd's or London Based Companies
-
- Other Companies will write Coverage such as American Family and Liberty

So what is the Problem?

Why are our Premiums so High?

- Reinsurance is very costly in Catastrophe Prone Areas
- Colorado has many Catastrophic Exposures (as ex: Hail, Wildfire)
- Summit County has a lot of values in very close proximity
- Loss Experience for Risk Bearers has not been good in CO
- Increase in Frequency of Wildfires in CO and everywhere else
- Increase in Costs of Labor and Materials

Twice as Many Personal Lines Insurers Downgraded by AM Best in 2023

View this article online:

<https://www.carriermanagement.com/news/2024/03/12/259860.htm>

March 12, 2024

AM Best delivered 39 downward credit rating actions to U.S. personal lines insurers in 2023, more than twice the number registered for 2022, the rating agency reported in its official tally for the year.

Additional downgrades of 15 commercial insurers and one reinsurer brought the U.S. property/casualty insurance industry total to 55 for all of 2023 compared to 30 in total for 2022, the rating agency said [in a report published yesterday](#).

Colorado's Most Destructive Fires by Homes Lost

| Rank | Fire | Homes Lost | Year |
|------|------------------|------------|------|
| 1 | Marshall | 1,084 | 2021 |
| 2 | Black Forest | 489 | 2013 |
| 3 | East Troublesome | 366 | 2020 |
| 4 | Waldo Canyon | 346 | 2012 |
| 5 | High Park | 259 | 2012 |

Colorado's Largest Fires by Acreage

| Rank | Fire | Acres | Year |
|------|------------------|---------|------|
| 1 | Cameron Peak | 208,913 | 2020 |
| 2 | East Troublesome | 193,812 | 2020 |
| 3 | Pine Gulch | 139,007 | 2020 |
| 4 | Hayman | 137,760 | 2002 |
| 5 | Spring Creek | 108,045 | 2018 |
| 6 | High Park | 87,284 | 2012 |
| 7 | Missionary Ridge | 70,285 | 2002 |
| 8 | West Fork | 58,570 | 2013 |
| 9 | 416 | 54,129 | 2018 |
| 10 | Papoose | 49,628 | 2013 |

Colorado's Fire History Facts

20 of 20 largest wildfires have occurred in the last 20 years (since 2001)

16 of the top 20 largest wildfires have occurred in the last 13 years (since 2008)

15 of top 20 largest wildfires have occurred in the last 9 years (since 2012)

11 of top 20 largest wildfires have occurred in the last 5 years (since 2016)

9 of top 20 largest wildfires have occurred in the last 3 years (2018 and 2020)

4 of top 5 largest wildfires have occurred in the last 3 years (2018 and 2020)

Experience of Top Homeowners' Carriers in CO

Top 10 homeowners' carriers in Colorado in 2022

| Carrier | Colorado HO | DWP (\$mn) | | | Direct incurred loss ratio (%) | | | | |
|-----------------------------------|------------------|----------------|----------------|---------------|--------------------------------|--------------|--------------|--------------|--|
| | market share (%) | 2021 | 2022 | 2018 | 2019 | 2020 | 2021 | 2022 | |
| State Farm | 21.2% | 685 | 809 | 121.8% | 84.9% | 88.2% | 120.9% | 45.3% | |
| Liberty Mutual | 15.1% | 445 | 575 | 113.6% | 71.0% | 58.3% | 56.7% | 79.9% | |
| USAA | 11.5% | 382 | 439 | 156.6% | 84.4% | 67.3% | 69.9% | 71.6% | |
| American Family | 9.5% | 312 | 363 | 126.5% | 58.5% | 55.6% | 86.0% | 41.9% | |
| Allstate | 8.7% | 300 | 332 | 116.9% | 73.7% | 47.8% | 112.9% | 33.8% | |
| Farmers Ins. | 7.7% | 263 | 295 | 93.3% | 53.1% | 58.2% | 88.1% | 27.8% | |
| Travelers | 6.4% | 210 | 242 | 105.2% | 80.4% | 68.8% | 84.5% | 52.1% | |
| Nationwide | 3.9% | 126 | 148 | 148.5% | 60.0% | 62.0% | 126.1% | 58.9% | |
| Chubb | 2.8% | 98 | 107 | 185.7% | 90.3% | 160.4% | 55.9% | 86.4% | |
| Progressive | 1.2% | 44 | 45 | 138.1% | 82.6% | NM | 92.0% | NM | |
| All Homeowners - Colorado | | 3,265 | 3,807 | 127.2% | 74.6% | 69.7% | 91.4% | 54.0% | |
| All Homeowners' - Total US | | 119,644 | 133,642 | 72.4% | 58.2% | 66.5% | 69.0% | 70.9% | |

Source: S&P Capital IQ, Insurance Insider US

U.S. Homeowners' Insurance 2023 GAAP Results

Net Written Premiums

| (\$ in Mills.) | 2022 NWP | 2023 NWP | YoY Change NWP |
|------------------------|---------------|---------------|----------------|
| Allstate | 11,209 | 12,584 | 12% |
| Travelers | 7,149 | 8,180 | 14% |
| Progressive | 2,402 | 2,831 | 18% |
| Cincinnati Financial | 921 | 1,188 | 29% |
| Hanover | 916 | 1,006 | 10% |
| Hartford | 941 | 985 | 5% |
| Horace Mann | 224 | 245 | 10% |
| Aggregate Total | 23,761 | 27,019 | 14% |

Combined Ratios

| Combined Ratios | 2022 | 2023 |
|------------------------|-------------|--------------|
| Allstate | 93.6 | 106.8 |
| Travelers | 102.8 | 104.6 |
| Progressive | 110.5 | 98.8 |
| Cincinnati Financial | 93.3 | 99.6 |
| Hanover | 105.1 | 131.6 |
| Hartford | 92.2 | 96.4 |
| Horace Mann | 108.8 | 116.1 |
| Aggregate Total | 98.6 | 105.7 |

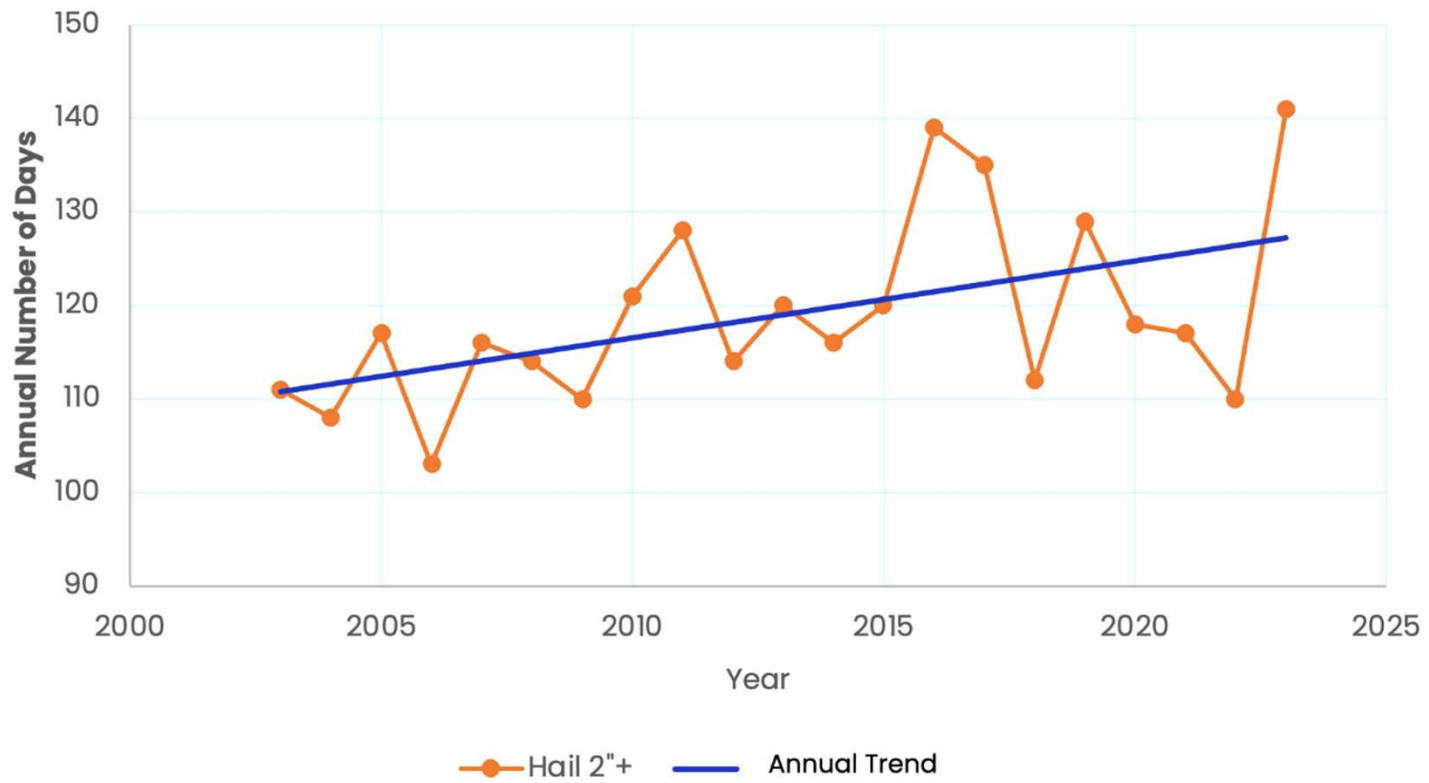
NWP - Net written premium.

Source: Fitch Ratings.

FitchRatings

CoreLogic

Annual Number of Days with ≥ 2 " Hail



Links for additional information

Important Insurance Links

<https://www.travelers.com/jewelry-insurance>

www.AMBESTS.com

www.corelogic.com

www.NAIC.org

So Why is Firewise so Important

- Insurance Companies and Insurance Departments pay attention
- Possible Increase in Availability, and Lower Premiums
- Avoid the Disruption to Your life by reducing wildfire potential
- Bob has a story of a Neighbor who did not lose his house.