

[As rates rise and coverage vanishes, Colorado Springs home insurance market reaches ‘tipping point’](#)

The Gazette

If experience is the best teacher, then Leigh Candelas is an expert in protecting her own home from a catastrophic fire. A 2013 Black Forest fire survivor whose ranch-style house was damaged but not destroyed, she has in the intervening years made it a priority to protect her house with proactive safety measures, going so far as to have the property inspected by the Falcon Fire Protection District.

None of that helped her a year ago, however, when her house insurance renewal quote more than doubled to over \$8,000 in a single year. She said that the rising costs, along with rising property taxes, might do what the fire 10 years ago could not.

“I think we’re going to be one of those people who might have to move,” she said.

Candelas is not alone among homeowners feeling the strain of rapidly increasing insurance rates.

A 2023 report by the Colorado Division of Insurance found that statewide premiums have increased 51% between 2019 and 2022, outpacing the national average. Meanwhile, insurance carriers are consolidating coverage by not renewing policies in the most catastrophe-prone parts of the state.

El Paso County ranked 24th in the state for premium increases in 2022 at 15%.

The DOI says the situation “suggests some turmoil for policyholders and instability in the market.”

What does turmoil mean?

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“It’s becoming unaffordable,” said Candelas. “It’s heading in that direction right now.”

‘Perfect storm’

Colorado is indicative of a nationwide crisis facing homeowners and insurers in the face of skyrocketing natural disaster claims and rebuilding costs. According to the DOI, the state ranked fourth in overall underwriter losses in the country over the past five years.

Two recent disasters, the Marshall fire in 2021 and a 2017 hailstorm that hit the Denver metro area, generated over \$2 billion in claims each according to the Rocky Mountain Insurance Information Association.

Nationwide, data from the Insurance Information Institute says insurance companies paid \$79 billion from catastrophes in 2023. Reinsurance companies that underwrite insurance have taken notice, providing additional pressure from above. Colorado, along with several other U.S. states, is riding the edge of profitability for many carriers.

Insurance companies have scrambled to adjust at the cost of policyholders, especially those in areas deemed high risk.

Carole Walker, RMIIA executive director, described Colorado’s market as “the perfect storm.”

“We are at this tipping point in Colorado,” she said.

The result is policies becoming more costly and selective, especially in the “wildland-urban interface” along the Front Range, where urban areas encroach on high-fire-risk forest. One of the most populous such areas runs along the west side of El Paso County. The DOI reported that 76% of carrier groups shrank their “exposures” through October 2022, meaning less insurance company competition among a handful of large carriers.

While Candelas was forced to find another insurer after her spiking renewal quote, fellow Black Forest resident Michael Gutierrez lost his insurance altogether.

Branch Insurance, Gutierrez’s previous insurer, pulled out of the area early this year. He switched plans

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to Allstate, a much larger, national insurance company, with a rate increase from about \$3,000 to \$8,000 for his ranch-style home. Gutierrez takes measures to protect his home from wildfire by conducting yearly mitigation.

“We absolutely love this house and this property,” he said. “So we’re just going to have to bite down and make it happen.”

A safety net

The state of Colorado has taken notice, and what is hoped to be a relief measure is in the works to start next year.

In May 2023, the Colorado Legislature passed the Fair Access to Insurance Requirements Act, which provides for the state to create an “insurer of last resort” for property owners who cannot find a policy on the open market. When the FAIR Plan becomes operational in 2025, it will join more than 30 states that have stepped into the private insurance market.

“It will be a safety net for people that truly need it,” said Walker, who also serves on the FAIR Plan board.

That is the goal, but some comparable programs have seen issues staying within intentions. In California, critics have raised concerns that the state’s FAIR Plan could cost policyholders billions in assessments in the event of a natural disaster like a wildfire. According to Politico, the insurer of last resort has seen a sixfold increase since 2018 in property insured after several major companies limited exposure or pulled out of the state entirely.

In Florida, the Citizens Property Insurance Corp. has grown since its inception in 2002 into the largest insurer in the state, raising financial concerns in the event of a natural disaster.

The FAIR Act calls for a similar plan as other states’ insurers of last resort: all licensed insurance companies in the state agree to share financial responsibility for the FAIR Plan, both in income and losses. The bill calls for FAIR rates to remain “actuarially sound,” meaning that premiums generate enough revenue to pay for expenses and claims.

Kerri Waite, a Colorado Springs homeowner and volunteer advocate with California-based consumer

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advocate group United Policyholders, said that the state had a “responsibility” to provide insurance access. She also acknowledged some inherent pitfalls with taking on policies that private companies would deny.

“The government programs have big problems because they take on big risks,” she said.

“But they beat the heck out of nothing,” she added.

She also said that the FAIR Plan does not help the large and growing portion of underinsured properties in Colorado. The plan will insure homeowners up to \$750,000 and commercial properties up to \$5 million. With home and construction costs on the rise, those limits could be easily reached and exceeded by the values of homes and properties.

“Sadly, there isn’t a perfect answer,” she said.

Future landscape

Both Waite and Walker see the best solution to stabilizing the insurance market is doing more to reduce the risk of claims on policies.

Walker said that evolving strategies on how to deal with wildfire and hail, including fire mitigation and the adoption of hail-resistant roofs, will help keep insurance viable.

“My hope is is that with any crisis situation that it ends in thoughtful dialogue and solutions,” she said.

Waite took a dimmer view on the possibility of avoiding natural disasters, particularly when it comes to wildfire. She said that while mitigation can help homes survive fire, the El Paso County area has and will see wildfires on a magnitude that cannot be protected against.

“A wind-driven fire in a wildland urban interface is a completely different story,” she said.

Waite said that the area would need to adopt development rules that would stymy growth into high-risk areas, calling wildfire risk a “natural limiter.”

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“At some level, we have to listen, or we have to alter the landscape to such a degree that it no longer is the thing people came here to live in,” she said.

In the meantime, Candelas worries about the future makeup of her upper middle-class Black Forest neighborhood, where she described her neighbors as “hard-working.”

“I think if we can’t get some kind of handle on the rates, it might only be the rich, the super-rich who live here,” she said.

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