

Insurance denied: More Coloradans can't get homeowner's insurance because of wildfire risk

Denver 7 ABC

More and more Colorado homeowners across the state are being denied homeowners insurance because of wildfire risk.

Now, the state insurance commissioner, state lawmakers, and homeowners are working together on a solution, as the insurance industry issues a warning.

Colorado homeowners being denied insurance

On her front porch, Kitty Stevenson likes to point out that the foundation of her Boulder County home sits on a burn scar.

"This is the 1989 Black Tiger Fire," she said, pointing to the bare ground around her property. "You could, like, look around and there's barely any trees here."

The fire burned almost 2,100 acres and destroyed 44 homes and other structures.

From the stucco and steel exterior to the sprinkler system and fire alarms, Stevenson, a Sugarloaf volunteer firefighter, said she invested in a safe place for her family to call home.

"We specifically wanted to put as much fire-resistant, fire-proofing as we could in this house," Stevenson said.

But when she tried to renew her homeowner's insurance last year, the premium had more than doubled,

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and she said one insurer after the next denied coverage.

“Because the Marshall Fire happened, and suddenly, nobody would do insurance up here,” Stevenson said. “Every single one of my neighbors is having an issue. Your house is worthless. You can’t sell it. The stress is just unbelievable.”

State insurance commissioner studying issue

Similar stories have sounded an alarm at the Colorado Division of Insurance, which has received dozens of calls and emails since last summer about insurance availability issues.

And it’s not just in the foothills.

“There really are issues kind of throughout the state. It’s not in one singular pocket. It’s all over the place,” said Michael Conway, Colorado’s insurance commissioner, who said this has not been an issue until recent years. “I think the Marshall Fire was definitely part of it. But that was just part of it. It was also the disasters that were hitting really throughout the country at the same time over the last year, to two to three years.”

Conway said Colorado is in the process of studying solutions, including how other states have navigated similar problems.

History of FAIR plans

In the 1960s, mostly coastal areas at high risk of hurricane and storm damage created a new kind of insurance stop gap, called FAIR plans (Fair Access to Insurance Requirements).

All of these plans cover losses due to fire, vandalism, riots and windstorm.

According to the Insurance Information Institute, these so-called “last-resorts” are run by the states or funded by private insurers in the states, and now 32 states and Washington D.C. have some sort of last-resort coverage.

But Colorado didn’t need it until now.

Colorado lawmakers considering state insurer of last resort

Rep. Judy Amabile (D) of Boulder is leading the effort to create an insurer of last resort for Coloradans who can't get insurance.

"We can see the handwriting on the wall, and we don't want to wait until we have a huge problem and then be in a rush to act," said Amabile, who added that the main insurer for an entire neighborhood in Boulder County is no longer renewing policies. "If people can't get insurance, that's bad for communities. It's bad for the state. It's bad for our school districts. I mean, it has rippling effects for the whole economy."

Insurance industry concerned about implementation

Carole Walker with the Rocky Mountain Insurance Association said some insurers are pulling back in areas with high wildfire risk.

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However, she said this would be the first state-run plan created in 40 years. And the stakes are high.

She pointed to Florida as an example of what not to do. The FAIR plan there has become the largest insurer in the state, Walker said, forcing out private insurers.

“This really has been a situation where the market ended up in worse shape than it was before,” said Walker, adding that the insurance industry wants to solve problems, not create new ones. “The bigger question here in Colorado is how do we reduce the risk of wildfire? Science tells us there are steps we can take to do that as a state and as property owners that need to be done on a parallel track with any insurance steps to reduce the risk of wildfire in Colorado.”

The insurance industry also wants caps on coverage, so that states would not be on the hook for multi-million-dollar homes.

Amabile said that Colorado’s plan will not push out private insurers because it will be designed for people who can’t get insurance, be expensive for homeowners (so that the premiums pay for the plan) and it will have bare-bones coverage that can be stacked with other insurance plans.

Homeowners facing reduced coverage

Meanwhile, Stevenson eventually found insurance for her home but said the coverage offered would not be enough to rebuild if it were destroyed.

She is worried her new insurance could also be canceled, and she would have to go through the entire process again.

“Fingers crossed, we’ll see how long it lasts,” she said. “We need something if the insurance companies are going to be failing at this — then we do need somebody to help protect us.”