

House Finance

04/07/2025 01:30 PM

HB25-1302 Increase Access Homeowner's Insurance Enterprises

Typed Text of Testimony Submitted

Name, Position, Representing	Typed Text of Testimony
<p>Rebecca Samulski None Fire Adapted Colorado</p>	<p>Dear Mr. Chair and members of the committee,</p> <p>I am Rebecca Samulski, Director of Fire Adapted Colorado, a statewide NGO supporting a network of 280 wildfire resilience leaders. I'm writing to share my perspective on the retrofit fund proposed in HB25-1302.</p> <p>Early in my wildfire mitigation career, after the devastating 2012 fire season, many began asking about the role of insurance in helping residents prepare their homes. The Wildfire Matters Review Committee recommended something like the Strengthen Colorado Homes Enterprise fund, proposed in this bill back in 2013. Over the last decade, my colleagues and I have clarified that the insurance industry is not responsible for addressing wildfire risk, and that while they don't offer meaningful discounts for mitigation, policyholders are more likely to retain coverage after completing mitigation work. I've explained that the insurance industry is facing ongoing losses in our state, driven by hail damage.</p> <p>We are at a critical point where failure to invest in home hardening could collapse our housing market. Home hardening is the most effective way to reduce disaster losses, keeping homes insurable and protecting them from disasters. A FEMA study found that for every \$1 spent on hardening, \$11 is saved in damages. Our legislature recognized this, creating the Board to establish a statewide wildfire resilience code for new homes in 2023. Now, significant funding for retrofitting Colorado's existing million homes in the Wildland Urban Interface, many of which are also in hail alley, is crucial for our state's resilience. This fund must support resilient roof systems, as roofs are highly vulnerable to both hail and wildfire, and more cost-effective retrofits like enclosing decks and eaves, and installing ember-resistant vents.</p> <p>Fire Adapted Colorado is ready to assist wildfire resilience leaders who are already working with residents to help them understand insurance fees and how they can access funds for important home hardening projects.</p> <p>A friend of mine says, "Homes built not to burn, don't burn." I'll add that homes retrofitted not to burn also don't burn.</p>

	<p>Please feel free to reach out with any questions.</p> <p>Thank you for your time,</p> <p>Rebecca Samulski Executive Director, Fire Adapted Colorado rebecca@fireadaptedco.org 970-739-7899 PO Box 2312, Dolores, CO 81323 www.fireadaptedco.org Colorado's Network for Wildfire Resilience</p>
<p>Marsha Porter-Norton For La Plata County</p>	<p>Good afternoon House Finance Committee Chair and Members:</p> <p>My name is Marsha Porter-Norton and I am a La Plata County Commissioner. Our Board strongly supports House Bill 25-1302 and would urge a yes vote in your committee today. The reasons La Plata County support this bill include:</p> <ul style="list-style-type: none">* scores of homeowners in La Plata County cannot obtain insurance or the rates are so high, it cuts into their savings, expendable income, ability to spend money on mitigation (or other house improvements) and thus, is now a major affordability issue for our county* the two proposed enterprises bring creative solutions to the highly complex problem homeowners across Colorado face to due hail and wildfire risks and damage and ensuing home insurance costs; we have to do something* consumer protection measures are in the bill via a loss ratio requirement, which is only fair for people who are paying \$1,000s of dollars a year for insurance* these enterprises will benefit homeowners, lenders, insurers and local economies by addressing rising premiums and shortages in coverage. <p>Thank you for your consideration.</p> <p>Marsha Porter-Norton</p>

	Chair La Plata County Board of County Commissioners
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April 7, 2025

Dear Members of the House Finance Committee:

I'm pleased to submit this written testimony on behalf of Enterprise Community Partners in support of **HB 1302 – Increase Access Homeowner's Insurance Enterprises**.

Enterprise works nationwide and across Colorado to increase the supply of housing affordable to people living on lower and fixed incomes and to advance housing stability. We do so through capital investments, place-based programs, and policy advocacy at all levels of government.

Even as Enterprise's advocacy most often focuses on producing and preserving affordable rental homes, we know that like our partners providing affordable multifamily housing, Colorado homeowners need more affordable insurance coverage—especially those living on low-to-moderate incomes. **We therefore support HB 1302** as a much-needed step toward making property coverage more accessible for all Coloradans.

The bill's Strengthen Colorado Homes Program will provide grants to homeowners installing rooves resilient to extreme weather events, including hail. A similar program in Alabama has proven very effective; property owners taking steps to protect their homes and prevent insurance claims need to know they'll receive a financial benefit for doing so.

- Even though this program is specific to single-family homes, Enterprise looks forward to it getting off the ground and working well. We believe this should also help pave the way for a similar program serving multifamily affordable rental properties.
- Enterprise further hopes that in rulemaking, the Division of Insurance will prioritize eligible low-to-moderate income homeowners for program grants.

HB 1302 also creates a reinsurance enterprise authorized to issue bonds and use the bond proceeds to create a wildfire reinsurance program for catastrophic losses. While we again acknowledge this only applies to single-family homes for now, we see benefits to establishing this reinsurance enterprise and stabilizing the insurance market writ large—and would hope to extend the program to include multifamily affordable housing in the future.

Enterprise appreciates the leadership of Speaker McCluskie, Representative Brown, and the State Division of Insurance on this important bill and we urge your yes vote.

Sincerely,
Kinsey Hasstedt
Director, State & Local Policy

April 7, 2025

The Honorable William Lindstedt and
Members of the Finance Committee
House of Representatives
Colorado General Assembly
200 E. Colfax Avenue
Denver, Colorado 80203

Via Email

RE: Colorado HB25-1302, Increase Access Homeowner's Insurance Enterprises

Dear Chair Lindstedt and Members of the Committee:

The American Property Casualty Insurance Association (APCIA)¹ appreciates the opportunity to provide feedback on proposed legislation, Colorado HB25-1302 *'Increase Access Homeowner's Insurance Enterprises (Concerning increasing the availability of homeowner's insurance in the state)'*.

Insurers understand that homeowners are struggling right now. Insurance affordability and availability have a very real impact on families, individuals, business owners, and communities, and we are committed to working with policymakers to identify solutions that will help improve the Colorado insurance market.

The insurance industry is notoriously cyclical in nature, fluctuating between periods of "hard" and "soft" markets, impacting pricing, coverage, and underwriting standards. It is important to recognize that we are not facing a long-term structural capacity issue, but rather a hard market cycle² where pricing has fallen out of alignment with the cost to transfer risk. Historically, when prices are better aligned with current economic realities, consumers see more competition and capacity in the marketplace. Thus, as insurance prices correct, the recent hard market conditions should ease, but the remaining concern and core long term issues policymakers should focus on will be the affordability of coverage.

APCIA supports the goal of this legislation, which is to reduce risk and loss from hail and wildfires and improve insurance access and costs in high-risk regions of the state. A recent examination of rate filings from five major Homeowners insurance in Colorado suggests that the wind/hail peril accounts for an average of

¹ Representing nearly two thirds of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, protecting families, communities, and businesses in the U.S. and across the globe.

² A "hard market" generally refers to an insurance market cycle characterized by rising premiums, tighter coverage terms, and reduced capacity for insurance.

68% of homeowners losses, underscoring the need to mitigate homes against hail and other natural disaster risk. However, we are concerned that, as introduced, the proposed bill may lead to higher costs and uncertainty that further strains capital. We fear this may further erode rate adequacy and exacerbate the availability and cost of homeowners insurance in Colorado.

We respectfully offer the following comments on the key sections of HB25-1302, as introduced.

Strengthen Colorado Homes Enterprise

We support the state's desire to invest in mitigation to reduce risk and protect communities. As more homes and communities are hardened, this should lead to fewer losses, or reduce the extent of damage from losses, thus improving insurance costs. It is important to recognize that the primary role of insurers is to provide risk mitigation strategies and financial risk transfer solutions; insurance is generally not designed to function as a funding source for property maintenance or other mitigation.

Studies³ have increasingly shown mitigation can also result in increased property resale values, reduced risk of mortgage delinquencies, reduced impacts from the potential loss of a tax base or negative state/municipal bond ratings, and reduced state and federal disaster aid, which collectively provide benefit to the financial industry and local, state and federal government. Thus, as introduced, we are concerned that the bill unfairly singles out insurance companies to serve as the sole funding mechanism, when many other stakeholders financially benefit from loss avoidance. The bill may further create other potential retaliatory tax impacts from other states. Thus, we are concerned that, as introduced, the bill will exacerbate the cost of insurance and lacks language identifying how insurers might pass these costs through to consumers.

We are also concerned that as introduced the bill includes several technical issues regarding the eligibility for grants for achieving the Insurance Institute for Business & Home Safety (IBHS) FORTIFIED standard. The IBHS offers several FORTIFIED programs, which are primarily focused on reducing risk due to wind, not hail. IBHS does offer a FORTIFIED Home- High Wind & Hail program, which provides a comprehensive solution for the middle of the country where homeowners regularly face severe storms that produce powerful high winds, large hail, and dangerous tornadoes. Additionally, mitigation programs that include grant funding are most effective when building codes have been adopted and are being enforced in the state or regions most at risk. Generally, newly constructed homes should not be eligible for mitigation grant funding as the often limited funding available is typically intended to help financially support retrofitting existing homes to increase resilience.

Wildfire Catastrophe Reinsurance Enterprise

Insurers generally oppose any legislation that would establish a state-based reinsurance risk pool.

3 Example studies:

[Article](#) - hurricane-proof Florida community (Babcock Ranch) sustained no damage from Hurricane Ian in 2022. [Article](#) - home survived the Lahaina fire unscathed due to mitigation that reduced the ignition risk of the home.

[Article](#) - indicates The Institute for Advanced Analytics at North Carolina State University analyzed insurance claims from several hurricanes – including Dorian, Florence, Matthew and Isaias – and found that claims fell by 34.5% and the loss per storm declined by 22.7% for homes with fortified roofs.

[Article](#) - indicates Alabama homes with an IBHS 'FORTIFIED' designation sell for 7% higher on average.

[Study](#) - IBHS and CoreLogic found adopting and enforcing modern codes benefit all by reducing the risk of mortgage delinquencies for banks, investors, insurers and homeowners as people are able to stay in their homes and avoids much of the damage, disruption and long-term displacement.

These programs fail to address the underlying issues resulting in market disruption and concentrate risk within the state, which is counter to the fundamental purpose of reinsurance, which is to spread and diversify risk among global capital markets. Also, these pools add new assessment exposure for insurers, which must be accounted for in how insurers manage their overall exposure and costs. This includes any assessments necessary to capitalize the fund, in addition to assessments that may be necessary to re-capitalize a diminished or depleted fund following a major loss event when companies are also working to recapitalize their own capital reserves. Finally, it creates a variety of potential conflicts with existing reinsurance treaties, particularly national carriers that often purchase multi-state treaties, and companies with complex towers involving numerous layers that are negotiated and placed together. How and where a risk pool's coverage would fit in becomes a significant concern in when and how each layer of coverage are expected to pay, which could actually contribute to delays or other potential disputes in the post-disaster process.

Our members have expressed similar concerns about this proposed legislation, underscoring the potential economic burden it could place on insurers and consumers. In addition, there are concerns regarding the long-term sustainability of the program and the lack of clarity regarding the purpose and scope of the proposed Reinsurance Enterprise. As introduced, it is unclear if the Enterprise is intended to function as "financing" or "risk transfer". There is also significant uncertainty about what the coverage would be, both in terms of the cost (e.g., premiums for risk transfer or coverage) and the benefit (e.g., the amount of coverage or payout expected, for what exact loss type, and where it attaches). Our members note that because of the various bonds that may be involved and that the fund would not actuarially assess risks and collect related premiums, there is no guarantee that the reinsurance program will be cost-effective or sustainable. Also, for insurers that choose not to participate in the risk pool, absent premiums collected by individual insurers, the fund's associated costs would translate to a direct hit on capital for insurers, and any increase in market share may result in a higher exposure to assessments irrespective of whether an insurer participates -- ultimately disincentivizing growth in the Colorado market.

Additionally, our members have expressed concerns with the utility provisions as they may introduce more uncertainty and complexity following disasters, with respect to the process of subrogation against an at-fault entity and related litigation, which could ultimately contribute to higher costs. There are also concerns about the proposed structure of the three-person Enterprise Board and the potential applicability of the bill to non-admitted lines.

Standards for rates

The provision specifying a loss ratio requirement is very concerning as it is an oversimplification of the rate making process and will create market distortion.

The one-size-fits-all approach doesn't account for varying risk levels across insurers, such as those that write a higher volume of policies in lower risk urban areas versus areas of the state with higher wildfire risk and require additional capital to cover the increased exposure. Further, the three-year loss ratio window could create market instability and force insurers to underprice, especially when major catastrophic events fall outside of the window. As introduced, the lack of expense consideration would also make it difficult for insurers to maintain profitability, especially for those with higher distribution costs, such as agency-based insurers that pay commissions versus insurers that sell directly to consumers.

There are also concerns about regulatory uncertainty and increased complexity with filings. As introduced, the loss ratio is undefined, such as whether based on statutory results or projected future trends and may be subject to future rulemaking, leaving uncertainty for insurers, complicating rate filings and financial planning.

Filing of rating information - certain coverages

As introduced, HB25-1302 requires insurers to submit two filings—one with and one without the new wildfire reinsurance plan. Of concern, Colorado already has one of the longest rate-filing review periods in the nation and adding this complexity would likely lead to delays and increase the burden on the Division of Insurance, affecting the efficiency of the review process.

We appreciate the opportunity to provide comment and feedback on Colorado HB25-1302. Considering these concerns, we urge policymakers to oppose this bill as introduced. We look forward to working with policymakers to identify solutions that will help improve insurance affordability and availability for Colorado consumers.

Sincerely,

A handwritten signature in black ink that reads "Lyn Elliott". The signature is written in a cursive, flowing style.

Lyn Elliott
Vice President, State Government Relations – Mountain Region