

NEWS: WILDFIRE

Colorado ditches plan to trade utilities' wildfire liability for insurance funding. Homeowners may foot bill instead.

A 0.5% fee would be imposed under House Bill 1302 on every home insurance policy in Colorado unless a house meets certain wildfire mitigation standards



Jesse Paul

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A home in the Enclave Circle neighborhood in Louisville burns on Dec. 31, 2021, after the Marshall Fire tore through. (Hugh Carey, The Colorado Sun)

The Unaffiliated

All politics, no agenda.

Colorado lawmakers have abandoned **a plan to drive down** — or at least stabilize — home insurance prices by asking utilities to pay tens of millions of dollars into a fund in exchange for easing some of their wildfire liability, pivoting to place the financial burden of their cost-savings concept on homeowners instead.

House Bill 1302 initially sought to collect up to \$100 million every five years from utilities to buy reinsurance for home insurers. Reinsurance is insurance for insurers that kicks in under extraordinary circumstances, such as when a natural disaster causes enormous losses.

In exchange, the utilities would have been less financially liable when their equipment started wildfires.

But utilities balked at the first-in-the-nation idea, and so lawmakers Monday amended the bill to impose a 0.5% fee on every homeowners insurance policy in Colorado up to \$100 million every five years.

The fee would be collected by insurance companies and then handed over to a state enterprise, which would purchase the reinsurance. The charge only be waived if a home meets the Insurance Institute for Business and Home Safety standards for wildfire mitigation, or have a similar level of protection against wildfire. The IBHS is a nonprofit supported by the insurance industry.

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The home reinsurance idea, which is unique to Colorado, aims to reduce private insurers' financial risk and therefore drive down premiums

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The sponsors of House Bill 1302, including House Speaker Julie McCluskie, D-Dillon, and Rep. Kyle Brown, D-Louisville, argue the fee is fair and worthwhile since their measure seeks to reduce private insurers' financial risk and therefore, in theory, drive down premiums paid by homeowners.

“Quite frankly, half a percent, given the way that homeowners insurance has gone up in the last number of years — just in the last year alone in the Denver area it went up 16% — in order to stabilize the market and prevent future gigantic increases is more than a good trade-off,” Brown said.

Backers of **House Bill 1302** also hope the measure prevents insurers from leaving the state, which would **make it even more difficult for Coloradans to get coverage.**

The concept is borrowed from **a health insurance program adopted in Colorado** in 2019 that has helped drive down costs — albeit **with some caveats.** That initiative is funded by fees on insurers and federal funding, not directly by Coloradans.



An aerial attack firefighting helicopter returns from dropping water on the Quarry Fire burning near Deer Creek Canyon Park as pictured at South Valley Road in the Ken Caryl Ranch neighborhood on July 31 in Jefferson County. (Andy Colwell, Special to The Colorado Sun)

Among the other amendments to House Bill 1302 adopted Monday in the House Finance Committee was one eliminating a requirement that home insurers lower rates when no more than 75% of their revenue goes toward insured payouts over a three-year period.

The bill was also changed to reduce a fee on homeowners without impact-resistant roofs to pay for a hail mitigation program to 0.5% from 1.5%. The program can collect up to \$100 million every five years. The funds would be distributed through grants to people seeking to upgrade their roofs.

The changes mean that people with homes in parts of Colorado that aren't prone to wildfire or hail will be paying to drive down insurance costs for people who live in high-risk areas. Areas with high hail risk generally aren't as prone to wildfire, and vice versa.

But Brown defended the plan since insurance works best with bigger risk pools. Both groups will benefit from each other pitching in.

"Insurance works better when everybody is involved," he said.

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Insurance carriers were highly skeptical of House Bill 1302 when it was introduced. The changes to the measure made Monday are getting them closer to supporting the legislation.

"It's a huge improvement," said Carole Walker, who leads the Rocky Mountain Insurance Information Association, an industry trade group.

House Bill 1302, which is a key initiative of Gov. Jared Polis' administration, next heads to the House Appropriations Committee.

