

Colorado's new last-resort insurance plan must watch California closely

When disaster strikes, humans rebuild.

Rising from the ashes, drying out from the storm, and sifting through the rubble are in our nature, as is coming to the aid of a neighbor, friend or family member in a time of crisis.

But who should pay when a catastrophe so expensive it's hard to comprehend befalls an entire city?

In the Los Angeles area, losses will exceed \$50 billion from wildfires that are still not contained. The Wall Street Journal reported that JPMorgan Chase estimates private insurance companies will cover only \$20 billion of the losses.

When the \$2 billion Marshall Fire swept through Boulder County, we learned quickly in December 2021 that too many Coloradans were underinsured, uninsured or were about to get low-ball estimates for the cost of rebuilding from their insurance companies.

Now Californians will learn the same lesson.

But lawmakers in the Golden State can learn a lot from their high-altitude peers.

The ongoing rebuilding in Louisville, Superior, and the county was expedited by efforts to soften the blow to those who lost everything in that wind-driven firestorm four years ago.

Lawmakers forgave sales taxes on building materials for fire victims, required insurance companies to also consider state estimates for the cost of replacement construction, and empowered residents to fight back against unfair insurance claims delays levied by banks and lenders.

There is much California can do to aid the rebuilding of homes, just as Colorado stepped up to assist our neighbors in need. It doesn't hurt that Billie Eilish, Lady Gaga and Katy Perry are joining up to give a FireAid Benefit Concert.

And Colorado has a chance to learn from California. All eyes must be on California's state plan of last resort, the FAIR Plan, as the state had recently picked up thousands of policies in fire prone areas after private insurance companies bailed on homeowners — foreseeing just such a catastrophe as has unfolded.

Last year, Colorado lawmakers created the similar insurance of last-resort plan, and also named it the FAIR Plan. Now if California's program goes bankrupt or becomes insolvent, Colorado can act to make the necessary changes.

There are already big differences between the plans. For example, California insures up to \$3 million worth of property, while Colorado's plan is set to be capped at \$750,000.

And like in California, Colorado's FAIR Plan is backed by insurance companies who are required to pay into the system as part of the condition of offering property insurance in the state.

So the big question is, how much will homeowner's premiums skyrocket in California as insurance companies collectively pass along the bill for the FAIR Plan's losses onto other homeowners? Insuring extremely high-risk properties cannot come at the expense of collapsing the entire insurance system for everyone.

We all benefit from the concept of insurance — collectively sharing risk by paying small amounts every month so that there is a pot of money to pull from when disaster strikes. This concept works whether the disaster is cancer or a flood.

The system doesn't work, however, when too many people take too many risks and suddenly no one can afford what it would cost to cover the frequent disasters. But we all feel strongly that smokers should be able to get health insurance but they should pay

more for the same coverage. The same holds true for a home built with disregard for a flood plane, or with lower building standards for earthquakes or fires.

The trick for Colorado's new FAIR Plan will be setting the right parameters to make certain we are able to rebuild while also making certain that insurance premiums stay affordable for the rest of Colorado. Gov. Jared Polis pledged to make property insurance a priority in 2025, and this should be a key part of that agenda.

It'll take a combination of private donations, fundraisers, federal aid through FEMA, state assistance, and insurance payments to rebuild what has been lost in California. And the truth is most people will not be made whole suffering financial losses that range from a few hundred dollars to millions.

But as climate change collectively increases the risk for everyone across America, we must prepare to endure such losses and devise a plan for sharing the risk.