

Tackling insurance costs will require political courage

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The Denver Gazette · 11 Dec 2025 · B5 · MARK HILLMAN Mark Hillman served as Senate Majority Leader and State Treasurer. He is now executive director of Colorado Civil Justice League (www.ccjl.org).

Frustrated by rising insurance premiums, Colorado drivers and homeowners are giving state lawmakers an earful.



Home insurance rates in our state have grown faster since 2020 than anywhere else in the nation, according to the Wall Street Journal.

With full coverage auto insurance costing an average of \$3,233 a year, Coloradans are paying \$600 a year more than drivers in any state on our borders and nearly twice the amount paid by Wyoming drivers. The increase in auto insurance premiums here was worse than in all but four states, according to Colorado Public Radio.

A good portion of Colorado's predicament is due to the increased cost of vehicles and homes, making repair costs comparatively higher. Our state's geographic tendency to experience more frequent severe summer weather and its susceptibility to wildfires is another factor beyond our control.

While Coloradans could choose to buy vehicles with fewer bells and whistles, like external cameras to help avoid collisions but which are expensive to repair if damaged, or to build homes away from areas more prone to wildfire, that's unlikely to happen.

In response, Gov. Jared Polis unveiled his "Roadmap to Reduce Auto Insurance Premiums," which includes measures to increase road safety and reduce crashes, recent increased penalties for auto theft, cracking down on uninsured motorists, and alerting vehicle owners about developing hail storms. All of those measures are positive, but they avoid reforming three state laws that have unquestionably exacerbated rising insurance premiums by encouraging more and prolonged litigation.

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In 2008, the Colorado General Assembly enacted House Bill 1407 to require insurance companies to promptly pay benefits to any “first-party claimant.” On its face, that seems reasonable, but as with most complicated legislation, the devil is in the details.

When most of us hear “first-party claimant,” we think of the person who pays the premium. But this law defines “first-party” to include vendors who believe they are entitled to payment “on behalf of” an insured customer. Note

Moreover, the law does not specifically define a time limit that constitutes an “unreasonable delay.” But it does establish a penalty against insurers, allowing those who sue their insurers for unreasonable delay to claim two times the covered benefit plus attorney fees and costs.

Not surprisingly, insurers realized that it’s better to overpay claims once than to risk paying double (or sometimes triple) plus attorney fees and costs.

Next, Colorado law allows successful plaintiffs to collect interest on their claims at 8% or 9% per year from the date the damage or injury occurred until the case is settled years later. Most states link their judgment interest rate to the federal prime rate, plus 1-2%, while some set a fixed amount much lower than Colorado’s. But our lawmakers have preserved this relic since 1975 when inflation and interest rates reached double digits.

The practical impact of this law is to delay filing and resolving claims. Where else can you earn 8-9% interest on your money? Lenders are happy to loan money to plaintiffs for expenses if they can bank on a share of the damage award when the lawsuit is resolved.

A common axiom among billboard lawyers recognizes that if a case drags out for five years, the plaintiff can get an extra 50% in interest. ←

Finally, Colorado continues to allow “phantom damages” in personal injury lawsuits.

Anyone who has paid a medical bill knows the amount on the original bill is not the amount you or your insurer will ultimately pay to settle the bill. Sometimes the original billed amount is two, three or four times more than the final payment to the medical provider. The difference between the two amounts is illusory — or “phantom” — damages.

But when an injury leads to a lawsuit (as in an auto accident), a Colorado jury only hears the amount on the original bill. Interpretation of the collateral source law by our courts prohibits jurors from learning the actual amount that was paid. Consequently, juries usually award far more than the paid amount.

If lawmakers really wanted to reduce insurance premiums, they would reform these three laws. Of course, doing so would incur fierce opposition from lawyers whose advertisements boast about delivering enormous judgments verdicts for clients.

Meanwhile, every Coloradan pays more to insure our homes and vehicles.

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