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Readers Provide No Solutions to the Home Insurance Crisis, Just More Horror Stories

My May 16 column, "***A Full-Blown Home Insurance Crisis Is Brewing***," invited readers to share their personal experiences and also any suggestions they might have for solving the crisis, which is getting worse by the day.

REAL ESTATE TODAY

By JIM SMITH
Realtor®

There has been some good national coverage of the subject in the press and on radio and TV news programs. The bottom line is that even places like Colorado which don't experience as many disasters as the two coasts and the Midwest are subject to increases in insurance premiums due to industry payouts elsewhere.

According to economist Elliot Eisenberg, "In 2013 and 2014, the number of weather/climate disasters exceeding $1 billion inflation-adjusted was 10. In 2017, the number hit 19, in 2020 it was 22, and… the number reached a record 28 in 2023. The years 2020-2023 have been four of the worst five years, with 2017 also in the top five."

A May 13, 2024, article in the *New York Times* detailed the increasing losses by insurers in all 50 states. That included Colorado, where insurers have lost money in all but three years since 2013. The article quoted Dave Jones of the Climate Risk Initiative at UC Berkeley as saying, "I believe we're marching toward an uninsurable future." I have posted a link to that *Times* article on our blog, at **http://RealEstateToday.substack.com**.

There's a local problem which we've seen here in Golden, where our two main ZIP codes (80401 and 80403) cover more foothills areas than they do non-foothills areas. Those two ZIP codes encompass 184 square miles — bigger than the 64 Zip codes in Denver, including DIA's 54 square miles!

Some insurance companies are withdrawing not just from individual communities with serious wildfire risks, but from complete ZIP codes that include those areas with elevated wildfire risk.

If your home has a mortgage, your lender typically requires insurance, but when there is no mortgage, homeowners can choose not to have insurance, and a growing number of such homeowners are going without coverage — 14% according to a March 2024 report from the Consumer Federation of America.

Similarly, if you don't have a loan on your automobile, you can choose not to have collision, comprehensive or theft insurance on your car, and I'm among those who dropped collision coverage because of the unreasonably high cost. An article on **Forbes.com** last week reported that 25% of car owners don't have collision insurance.

HOAs are being hit especially hard when it comes to master policies. Reader KC Harney wrote me about an HOA in Parker which, following a May 2023 hail claim, raised the premium from $178,000 per year with a $2 million deductible to $337,000 per year with a $4 million deductible. This resulted in a special assessment of $12,000 per HOA member. It should be noted, KC told me, that the May 2023 event cost only $1.9 million to repair, which was less than the $2 million deductible, so the insurance company paid out nothing, yet they raised the premium and the deductible because there was a claim!

Broker associate Chuck Brown told me how insurance costs nearly killed a transaction of his in Evergreen. The buyer was turned down by just about every major insurance carrier before obtaining a policy from Farmers Insurance for $9,000 per year with a $35,000 deductible for fire and hail. The next lowest offer was a $19,000 premium from Allstate's secondary insurer.

Colorado Law Passed in 2023 Is But a Limited Solution to Problem

Last May, Governor Polis signed into law **HB23-1288**, the **Fair Access to Insurance Requirements Plan**, commonly known as the **FAIR Plan**. The 9-member board of the Plan is still setting up shop and its vendor won't issue insurance policies until early 2025. In essence, the FAIR Plan is an insurer of last resort for homeowners and businesses who cannot get coverage from any insurer operating in Colorado.

Every insurer in Colorado must participate in the Plan. The concept is that all Colorado insurance carriers share the expenses, income and losses, ensuring a fair distribution of costs.

The policies issued under the FAIR Plan are ***not subsidized***. The premiums are required to be "actuarially sound." Coverage is limited to $750,000 for homes and $1 million for businesses, which will result in under-insurance for many clients, so it's not a perfect fix and doesn't promise lower insurance rates. It only guarantees that homeowners and businesses will be able to obtain insurance if three firms have denied coverage. I'm troubled by the Plan's requirement that a homeowner or business be ***unable to obtain insurance***. The homeowners and HOA mentioned above ***were not denied insurance***, just overcharged, meaning they wouldn't be eligible.

For Sale: My Tesla Model S

It still runs like new, although it has 102,700 miles on the odometer. I'm letting it go for **$20,000**. Call me at **303-525-1851** for a test drive. Rita and I have loved this car, and you will, too!

Rules for Buyer Agent Agreements Badly Flawed

Last week the National Association of Realtors (NAR) fleshed out the rules to be enforced regarding the written agreement which a buyer and agent must sign before a buyer can be shown a listing.

On the one hand, NAR says it's important for the buyer agreement to stress that agent commissions are negotiable, but on the other hand it says that the agreement signed by buyer and agent must spell out a fee/commission ***that cannot be increased by any source***.

In other words, I'm required to have a buyer sign an agreement that they will pay me an acceptable ultimate fee for my efforts on their behalf. But if I agree, say, to a 0% or 1% commission agreement and I help them buy a house from a seller willing to pay me a much higher co-op commission (because they want their home to sell quickly), I can only accept from the seller the amount in my buyer agreement.

This is madness! What it will do is drive buyers to work only with listing agents, which is not good public policy. Every buyer deserves to have an agent working on his or her behalf.

What's also being overlooked throughout this months-long discussion of the NAR settlement is that most buyers are hard pressed to come up with their down payment, so how can you expect them to pay thousands in additional dollars for professional representation? They will not get the representation they deserve by working only with the agents representing sellers.

That is why the old system of sellers paying a commission which the listing agent can share with a buyer's agent is the only and best way of serving both buyers and sellers — but that ship has sailed, unfortunately. It will be interesting to see the chaos resulting from these new rules.

Price Reduced on 3-BR Lakewood Home Listed by Jim Swanson

This bi-level home at **11296 W. Kentucky Dr.** has been well maintained (and updated) by the seller inside & out. There are lilacs on two sides of the house, and an ornamental plum and two purple ash trees are in the backyard. (See photo at right.) View a narrated video tour and find more pictures online at **www.GRElistings.com**, then call listing agent **Jim Swanson** at **303-929-2727** to request a showing.