

Insurance Companies Are Pulling Out of California. Is That in Our Future, Too?

A recent article in *The Washington Post* detailed how Allstate, State Farm and other major providers of homeowners insurance in California have “pulled back coverage in the last year due to wildfires and the rising costs of such risks. They have claimed that homeowners’ premiums do not match the risk they face.”

Laws and regulations in California have prevented insurers from raising rates as much as they need to, leaving as their only option refusing to renew or issue policies. In Florida, which is friendlier to insurers, homeowners pay \$6,000 per year for insurance on average, according to the *Post* article, whereas the average in California is only \$1,300 per year, according to the *Post* article.

We are already seeing a similar pullback in communities that have experienced wildfires or are simply at risk of wildfire. Let me know whether the company that insures your home has refused to renew your policy at any price.

The Dec. 30, 2021, Marshall fire in Superior and Louisville was not just a wakeup call for homeowners. It also caught the attention (to put it mildly) of the insurance industry as a whole.

A 2022 online article by Noelle Phillips of *The Denver Post* carried the headline “Will insurance companies opt to leave Colorado?” I will have a link to that article as well as the *Washington Post* article in the posting of this column at <http://RealEstateToday.substack.com>.

Our legislators took action on this topic with the passage and signing into law of **HB23-1174**, which instructs the Division of Insurance to study the factors affecting the affordability and availability of homeowners insurance and to make poli-

cy recommendations. The division has a deadline of Oct. 2 to receive your input as well as that of the insurance industry and other stakeholders. I put a link for that, too, in my posting of this column on Substack.

REAL ESTATE TODAY



By JIM SMITH Realtor®

DOI solicits feedback and comments on a “potential **parametric insurance policy concept** to help stabilize the homeowners insurance market.” Such a product does not exist currently in the United States, but has existed since 2007 in the Caribbean. The **Caribbean Catastrophe Risk Insurance Facility (CCRIF)** has 23 member governments — 19 Caribbean countries and four Central American countries — and has made 60 payouts so far totaling \$262 million, including to Haiti following the August 2021 earthquake. The World Resources Institute, in an October 2020 paper (you’ll find a link for it, too), wrote about CCRIF and how the concept might be replicated in our country.

What’s different about the “parametric” insurance policy is that the policy holder is the government, and that payouts are triggered by specific events, unrelated to the calculation of damages. That allows payouts to be made within 14 days of the triggering event, which in the case of wildfires could be the number of homes destroyed. How those funds are distributed and to whom — such as to a public works department, utility, social services agency, contractors, etc. — is spelled out in advance so that the funds can move quickly to provide needed relief and especially infrastructure repairs, as well as providing food, water and shelter if needed.

CCRIF has separate policies for earthquakes, tropical cyclones, excess rainfall and electric utilities. Remember the disastrous situation with Puerto Rico’s electric grid following Hurricanes Irma and Maria? Unlike Haiti, Puerto Rico is not a country, so it’s not a member of CCRIF, nor is the United States, so immediate financial assistance was not available to it from CCRIF.

The CCRIF has an excellent website explaining its history, funding and operation: www.ccrif.org.

Colorado is evaluating a parametric insurance policy for wildfires, where the payouts (and the premiums paid by the state as policyholder) would be pegged to the number of homes lost. But it could also have a policy for flooding that could be triggered, for example, by heavy rainfalls such as those exactly 10 years ago which caused extensive damage in the northern Front Range.

The goals of Colorado’s parametric insurance policy, which would require legislation, are two-fold: first to provide that kind of quick financial aid to localities following a disaster, and secondly to give some peace of mind to the insurance companies so they don’t leave the state. The funds from such a policy could also be applied toward the mitigation of the risks it covers, which would further appeal to insurers.

If you’re interested in learning more about this insurance product, the National Association of Insurance Commissioners (NAIC) has a website that explains parametric insurance policies in great detail and describes how other countries, including in Africa, have adopted the concept. I’ll have a link for it, too, on my Substack posting.

As the effects of climate change get more intense, you can expect to hear more about how governments adopt tools such as parametric insurance policies to cushion the effect of natural disasters.

‘Virtual Power Plant’ Uses Utility Customers’ Batteries

Green Mountain Power in Vermont decided to harness the capacity of their customers’ Tesla Powerwalls as an alternative to building additional power plants. It estimates a savings of \$3 million per year by drawing electricity from 4,800 customer-installed Powerwall units to handle peak electrical loads. Customers can lease the batteries for \$55/month or receive up to \$10,500 to offset the cost of buying the units. This could be a model for other electric utilities. I have posted a link to an extended article about this virtual power plant on my Substack.com posting of this article.

New: 4-BR Home in Parker’s Stonegate Subdivision

This home at **9502 Market Dr.**, like all Meritage homes, is thoughtfully constructed with energy efficient features including spray foam insulation in the walls and ceilings, high efficiency HVAC, a conditioned attic, and a fresh air ventilation system. The main level has an open floor plan with large kitchen, living room with 18-ft. vaulted ceiling, dining room and an office. You will love the sunlight filled office. The owners have landscaped the lot with specimen trees, flower beds, turf grass, automatic irrigation system, a large covered patio, sport court and a shed. The basement is partially finished with one bedroom and a full bath. “Smart home” features include a Ring doorbell, exterior and entry lights, home climate control, door locks and garage door opener. The 3-car tandem garage has an insulated door and epoxy floor. A new roof was installed in August 2023. Check out the **Narrated Video Tour** at www.ChuckBrownListing.info. Showings begin **Saturday**, with an **open house 11-1**, or call listing agent **Chuck Brown** at **303-885-7855** to see it.



Price Reduced on 3-Bedroom Park Hill Bungalow

This charming brick ranch at **2670 Kearney Street** in Park Hill is only minutes from City Park, the Denver Zoo & the Denver Museum of Nature and Science. The home is on a double lot with extensive flower and vegetable gardens. The bathroom was completely remodeled in 2020 and the kitchen was renovated with new granite countertops. A new roof and Bosch dishwasher were installed in July 2023. The original hardwood floors have been refinished. The home features new Anderson windows throughout. The main sewer line was completely replaced in 2009. Backyard includes a newer storage shed. The large concrete patio is great for summer entertaining. There are two bedrooms on the main floor, plus a non-conforming third bedroom in the basement. This home is located on a quiet street only one block from McAuliffe International Middle School. You can view my **Narrated Video Tour** at www.ParkHillHome.site, then call listing agent **Greg Kraft** at **720-353-1922** to arrange a private showing.



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“I cannot do all the good the world needs, but the world needs all the good I can do.” —Jana Stanfield