

## **Homeowners Insurance Trends in Colorado: Implications of Natural Hazard Dynamics**

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- Colorado is the sixth-costliest state for homeowners insurance and costs are rising — mainly in wildfire-prone regions.
- Policy nonrenewal rates are relatively higher in rural, eastern regions of the state.
- CO has recently issued a state-backed insurance policy of last resort (the FAIR plan). The FAIR plan will help address availability concerns; however, insurance coverage gaps will remain.

This report analyzes recent trends in the homeowners insurance market in Colorado. Colorado is the sixth-costliest state for homeowners insurance, with an average homeowners insurance premium of \$4,072 annually (for 300K in coverage) (Smith and Powers, 2025). These premiums are rising rapidly and have increased 58% from 2018 to 2023. These trends are in part due to the rising incidence of property damage from wildfires. In fact, more than 321,000 Colorado homes face moderate or higher wildfire risk, with potential reconstruction costs of \$141 billion (Alvarez, 2025).

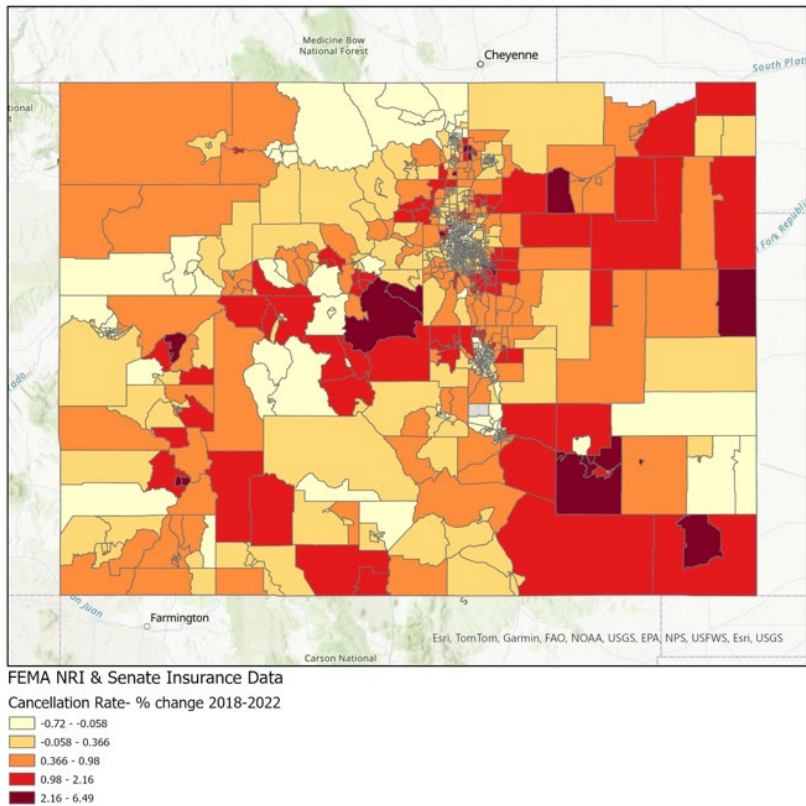
Many homes with insurance may not have adequate coverage following a hazard event. For example, following the 2021 Marshall Fire, 74% of affected homeowners were underinsured, with 36% severely underinsured — covering less than 75% of replacement costs (Cookson, Gallagher, and Mulder, 2025). Further, to cut costs, many consumers are opting into plans with lower coverage limits, thus exacerbating the issue of underinsurance.

There is evidence of insurance market stress nationally and these trends have led to an increase in policy nonrenewal, with the majority of states seeing their nonrenewal rates increase more than 25% since 2018 (Senate Budget Committee, 2024). Notably, these nonrenewal rates are higher in areas more likely to experience costly hazard events and in areas with fast premium growth. In Colorado, nonrenewal rates are particularly variable across time and space, consistent with Colorado weather (Chuang and Pretznl, 2025).

The Federal Insurance Office (FIO) released an Analyses of U.S. Homeowners Insurance Markets from 2018-2022 alongside zip-code level data. Using this data and aggregating to the census tract level, one can further investigate these trends within Colorado. From 2018 to 2022, on average across all zip codes, the nonrenewal rate in Colorado has only modestly increased by 0.34%. In 2022, the average nonrenewal rate was 1.14%.

Despite modest trends in the aggregate, the percentage change in policy nonrenewal is heterogeneous across space, as shown in Figure 1. Notably, there are relatively larger increases in nonrenewal rates within the more rural, eastern regions of Colorado.

Figure 1: Policy Nonrenewal Rates from 2018-2022 in CO



Given the important role of insurance in mitigating losses from hazard events, it is relevant to understand what regions face relatively high nonrenewal rates, premium costs, and are also subject to costly natural hazard events. FEMA’s national risk index (NRI) is a useful dataset to explore variation in natural hazard event incidence and severity across space. This data utilizes historical crop and property loss data to assign a risk index. The index also includes measures of social vulnerability and community resiliency. A higher risk score indicates a high probability of costly hazard events, high vulnerability, and low resiliency. Figure 2 visualizes FEMA’s NRI merged with FIO insurance data to identify areas with both high risk scores and high nonrenewal rates, which are concentrated in the northeastern corner of the state, shown in brown.

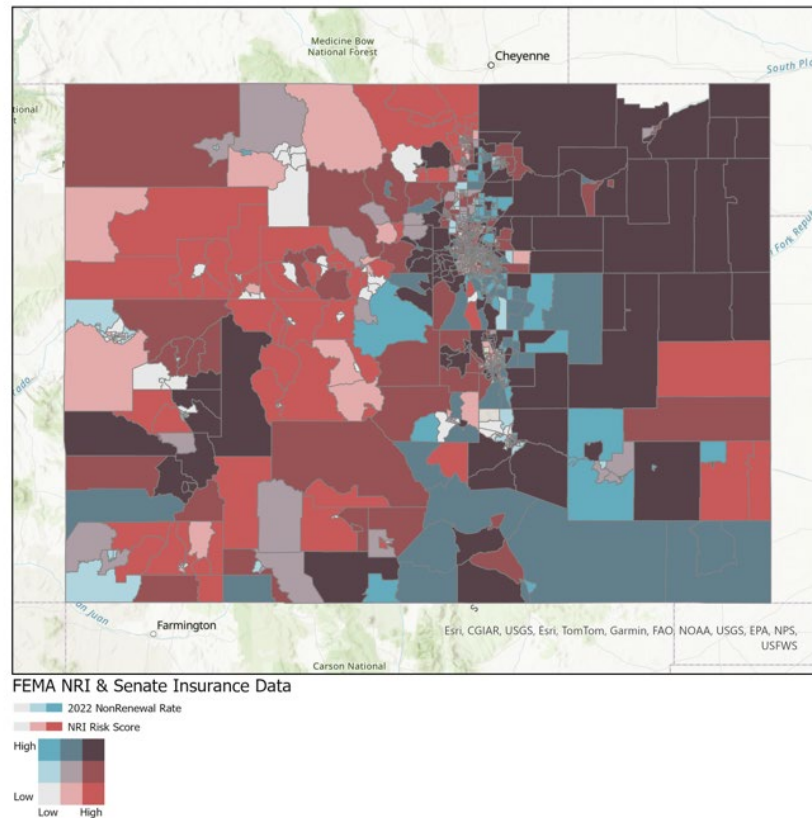
**Colorado FAIR Plan**

In response to these dynamics, many consumers are turning to state-backed insurers of last resorts, currently available in 33 states. These plans, called Fair Access to Insurance Requirements (FAIR) Plans, are state-mandated property insurance plans that provide coverage to individuals and businesses unable to obtain insurance in the primary market.

Colorado’s FAIR Plan was signed into law by the Governor in spring 2023, but applications for residential properties only became available in spring 2025. To be eligible, you must:

- 1) Own a property considered uninsurable by the standard insurance market,
- 2) Receive three declines from licensed standard insurance companies, and
- 3) Work with a licensed insurance agent to confirm eligibility and apply.

Figure 2: FEMA NRI and Policy Nonrenewal in CO



Importantly, the plan is described as "basic insurance" whereby coverage is minimal, policies only provide coverage for the actual cash value (ACV) of the property (not replacement cost), and premiums are higher than that of typical insurance. For more information, see [CO FAIR Insurance](#).

**Implications of Insurance Dynamics for Homeowners and Regional Economies**

To date, there are mixed findings within the economics literature on the impact of climate-related hazard events to households and regional economies;<sup>1</sup> however, a consistent finding is that households and businesses are often shielded from financial harm post hazard-event due to government aid and insurance acting as effective protective layers. Therefore, if the effectiveness of insurance markets decline, communities may face slower and less complete recovery following hazard events.

In areas of Colorado where there are high nonrenewal rates, homeowners and businesses may experience lapses or declines in coverage. This leaves them vulnerable to uninsured losses following hazard events.

If private insurance is available, homeowners cannot choose to switch to the FAIR plan, rather they must accept the private policy despite the expense. This may lead homeowners to accept policies with lower coverage, or, for homeowners without a mortgage, they may allow their policy to lapse entirely. For homeowners that can switch to the FAIR plan, the offered coverage may not fully compensate for losses following a hazard event.

<sup>1</sup> See, for example, An et al. (2023), Ratcliffe et al. (2020), and Gallagher and Hartley (2017).

If households and businesses are increasingly bearing the cost of uninsured repairs, this may deteriorate their financial condition and ability to repay their debts. Furthermore, repeated damage may put downward pressure on property values. Moving forward, understanding the role and health of property insurance markets is important for researchers and policy makers interested in community resiliency and the impact of climate-related hazard incidence.

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