



January 16, 2025

As our hearts and thoughts remain with those affected by the fires in California, there have been a lot of questions about the Colorado FAIR Plan. We hope to provide clarity on how it relates to recent events, and provide the facts about the Colorado FAIR Plan.

The Colorado FAIR Plan will continue preparing to roll out our policy options in 2025. Our mission is to design a plan that is financially stable and resilient in the event of a crisis.

Below you will find answers to commonly asked questions regarding the Colorado FAIR Plan. We look forward to keeping you updated on our progress in the coming weeks.

The Colorado FAIR Plan is a plan of last resort. It will provide limited property coverage at a higher price for home and business owners who cannot find coverage in the standard insurance market.

**Question: How is the Colorado FAIR Plan different from the California FAIR Plan?**

Answer: Many states around the country have a "FAIR" plan. FAIR is simply an acronym for "Fair Access to Insurance Requirements" and plans differ drastically from state to state.

Colorado's FAIR plan is designed for stability and resilience. The Colorado FAIR plan is required by law to charge actuarially sound rates and offers only limited coverage amounts and options to reflect the high risk nature of the properties it insures.

The Colorado FAIR Plan is not intended to compete with the private market but rather to be a pressure release valve for the private market when there is demand for risk they cannot take on. This will allow the private market to stay in Colorado and continue to provide coverage for the majority of homeowners. The FAIR Plan is the market of last resort and should not be the market of first choice.

**Question: Is the Colorado FAIR Plan just for wildfire areas?**

Answer: No, the Colorado FAIR Plan is for residential and commercial properties that are deemed high-risk and have been denied coverage by at least three standard insurance providers regardless of where they are in the state. The general policies cover damage from fire and lightning. Additional coverage can be purchased for other causes of loss such as wind/hail and

vandalism, but there will be a maximum combined coverage limit of \$750,000 for a home and \$5,000,000 for a commercial property.

**Question: Is the Colorado FAIR Plan paid for by state and local taxes?**

Answer: No, no state or local property taxes are used to fund the Colorado FAIR Plan. The Colorado FAIR Plan will initially be funded by assessments to insurance companies writing policies in the standard market. However, the ultimate goal is for the FAIR plan to be self-sustaining through premiums.

**Question: How expensive is the Colorado FAIR Plan?**

Answer: Due to the elevated risks associated with the residential and commercial properties we insure, Colorado FAIR Plan policies are only for people who cannot get insurance from the standard market. Costs will vary and the Colorado FAIR Plan policies will never be your cheapest option. Additionally, coverage will be significantly limited when compared to plans in the standard market.

**Question: Will the Colorado FAIR Plan cost less than a standard homeowners policy?**

Answer: FAIR Plan policies are fundamentally different from standard homeowners policies because they provide more limited coverage. Therefore you cannot make an "apples-to-apples" cost comparison. In order to purchase a Colorado FAIR Plan policy, you must go through a licensed agent. They can help you review the coverage available under the Colorado FAIR Plan and determine if it is the best coverage and cost option available to you.

**Question: How are Colorado FAIR Plan rates determined?**

Answer: In Colorado, state law requires that Colorado FAIR Plan rates be actuarially sound. That means that we must generate enough revenue to cover all of the costs incurred by the Plan, including the costs of operations and claims. Our goal is for the Colorado FAIR Plan to be self-sustaining and to expand and contract based on the fluctuations in the market. In addition, rates for the Colorado FAIR Plan are reviewed by the Colorado Division of Insurance.

**Question: Won't the Colorado FAIR Plan drive up premiums for all Coloradoans?**

Answer: Increased risk across Colorado is driving the increased cost of insurance for consumers across the state. The Colorado FAIR Plan is a better way to account for the risk of all Colorado residents and ultimately provide more stability for all Colorado insurance consumers.

**Question: What kind of coverage does the Colorado FAIR Plan provide?**

Answer: Colorado FAIR Plan policies will provide coverage for the actual cash value (ACV) of a residential or commercial property. They do not cover the replacement cost. Colorado FAIR Plan policies also contain specific exclusions for theft, water damage and liability. It is important to work with an agent to understand the specific coverages, and coverage limitations, provided by the Colorado FAIR Plan.

**Question: With the Colorado FAIR Plan, will homeowners have to get multiple policies?**

Answer: The Colorado FAIR Plan only offers one policy for homeowners and commercial properties. Consumers may choose to purchase coverage for additional causes of loss beyond fire and lightning such as wind/hail or vandalism. They may also insure their personal property. However, all coverages are limited to a total payout of \$750,000 for homeowners and \$5 million for commercial properties. In many states, other companies step in and provide coverage in addition to a FAIR Plan policy. These are referred to as “wrap” or “difference in conditions” or “difference in coverage” policies. Because these products are not offered by the FAIR Plan, we do not have specifics at this time as to what products may be available to consumers. Again, this underscores the value of working with a licensed agent that can help consumers navigate all the coverage options that may be available in the marketplace.

**Question: Can I purchase coverage directly through the Colorado FAIR Plan or do I have to use an agent?**

Answer: No, all Colorado FAIR Plan policies must be purchased through a licensed insurance producer who is registered with the Colorado FAIR Plan.