

CHAPTER 278

INSURANCE

HOUSE BILL 25-1182

BY REPRESENTATIVE(S) Titone and Brown, Bacon, Bird, Boesenecker, Joseph, Lindsay, Marshall, Ricks, Stewart K., Story, McCluskie, Clifford, Duran, Mabrey;
also SENATOR(S) Cutter and Simpson, Wallace, Winter F.

AN ACT

CONCERNING TOOLS TO ASSESS RISK FOR THE PURPOSE OF UNDERWRITING PROPERTY INSURANCE POLICIES.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, **add** 10-4-124 as follows:

10-4-124. Homeowner insurance - underwriting - wildfire risk models - requirements - definitions - rules. (1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "CATASTROPHE MODEL" MEANS A TOOL, INSTRUMENTALITY, MEANS, OR PRODUCT, INCLUDING A MAP-BASED TOOL, A COMPUTER-BASED TOOL, OR A SIMULATION THAT IS USED BY AN INSURER TO ESTIMATE POTENTIAL LOSSES FROM CATASTROPHIC EVENTS.

(b) "COMMUNITY-LEVEL MITIGATION ACTION" MEANS A SCIENCE-BASED MITIGATION ACTION AS DEMONSTRATED BY A COMMUNITY- OR NEIGHBORHOOD-LEVEL DESIGNATION OR CERTIFICATION OR AS UNDERTAKEN BY A GOVERNMENT ENTITY.

(c) "PROPERTY-SPECIFIC MITIGATION ACTION" MEANS A SCIENCE-BASED MITIGATION ACTION AS DEMONSTRATED BY THE "WILDFIRE PREPARED HOME" DESIGNATION FROM THE INSURANCE INSTITUTE FOR BUSINESS AND HOME SAFETY OR BY A SIMILAR MITIGATION PROGRAM THAT INCLUDES A VERIFICATION AND CERTIFICATION PROCESS.

(d) "WILDFIRE RISK MODEL" MEANS A TOOL, INSTRUMENTALITY, MEANS, OR

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

PRODUCT, INCLUDING A MAP-BASED TOOL, A COMPUTER-BASED TOOL, OR A SIMULATION, THAT IS USED BY AN INSURER IN WHOLE OR IN PART, TO MEASURE OR ASSESS THE WILDFIRE RISK ASSOCIATED WITH A RESIDENTIAL PROPERTY OR COMMUNITY FOR PURPOSES OF RATING, CLASSIFYING, OR PRICING BASED ON WILDFIRE RISK OR ESTIMATING RISKS OR LOSSES CORRESPONDING TO THE WILDFIRE RISK CLASSIFICATIONS.

(2) (a) AN INSURER THAT USES A WILDFIRE RISK MODEL OR A CATASTROPHE MODEL OR SCORING METHOD TO ASSIGN RISK SHALL PROVIDE THE WILDFIRE RISK MODEL, CATASTROPHE MODEL, OR SCORING METHOD USED TO ASSIGN RISK, INCLUDING A DESCRIPTION OF THE MODEL, THE IMPACT OF THE MODEL ON RATES, AN ACTUARIAL JUSTIFICATION FOR ALL RATING FACTORS, INCLUDING MITIGATION DISCOUNTS OFFERED, AND AN EXPLANATION OF THE USE OF THE MODEL IN UNDERWRITING DECISIONS, TO THE COMMISSIONER AS PART OF THE INSURER'S COMPLETE FILING.

(b) TO THE EXTENT DATA IS AVAILABLE AND AS ESTABLISHED BY RULE, AN INSURER SHALL SUBMIT TO THE DIVISION, AS PART OF THEIR RATE FILINGS, INFORMATION ON HOW AND WHETHER THE MODELS USED FOR UNDERWRITING AND RATING ACCOUNT FOR STATE-WIDE MITIGATION ACTIVITIES, SUCH AS FOREST TREATMENT, INVESTMENTS IN WILDFIRE FIGHTING AND MITIGATION EQUIPMENT, AND UTILITY WILDFIRE MITIGATION ACTIVITIES UNDERTAKEN PURSUANT TO A WILDFIRE MITIGATION PLAN APPROVED BY THE PUBLIC UTILITIES COMMISSION.

(c) MODELS SUBMITTED TO THE COMMISSIONER PURSUANT TO THIS SECTION SHALL BE TREATED AS TRADE SECRETS AND NOT SUBJECT TO DISCLOSURE UNDER THE "COLORADO OPEN RECORDS ACT", PART 2 OF ARTICLE 72 OF TITLE 24.

(3) AN INSURER THAT USES A WILDFIRE RISK MODEL, A CATASTROPHE MODEL, OR A COMBINATION OF MODELS SHALL ENSURE THE FOLLOWING FACTORS ARE EITHER INCORPORATED IN THE WILDFIRE RISK MODEL, CATASTROPHE MODEL, OR COMBINATION OF MODELS OR ARE OTHERWISE DEMONSTRABLY INCLUDED IN THE INSURER'S UNDERWRITING AND PRICING:

(a) PROPERTY-SPECIFIC MITIGATION ACTIONS SUCH AS ESTABLISHING DEFENSIBLE SPACE, INCORPORATING BUILDING HARDENING MEASURES, OR RECEIVING CERTIFICATION FROM AN ENTITY WITH EXPERTISE IN MITIGATION OF PROPERTIES AGAINST WILDFIRE; AND

(b) COMMUNITY-LEVEL MITIGATION ACTIVITIES OR DESIGNATIONS, INCLUDING FOREST TREATMENT AND OTHER FUEL REDUCTION ACTIVITIES.

(4) IF AN INSURER DOES NOT INCORPORATE PROPERTY-SPECIFIC AND COMMUNITY-LEVEL MITIGATION ACTIONS INTO ITS MODELS, THE INSURER SHALL PROVIDE DISCOUNTS TO POLICYHOLDERS WHO CAN DEMONSTRATE THAT PROPERTY-SPECIFIC MITIGATION ACTIONS HAVE BEEN UNDERTAKEN ON THE PROPERTY OR COMMUNITY-LEVEL MITIGATION ACTIONS HAVE BEEN UNDERTAKEN IN SUFFICIENT PROXIMITY TO THE PROPERTY TO REDUCE THE RISK OF LOSS.

(5) AN INSURER SHALL POST ON ITS PUBLIC WEBSITE READILY ACCESSIBLE INFORMATION ON THE PREMIUM DISCOUNTS, INCENTIVES, OR OTHER PREMIUM

ADJUSTMENTS THAT ARE AVAILABLE TO POLICYHOLDERS WHO UNDERTAKE PROPERTY-SPECIFIC MITIGATION ACTIONS OR PROVIDE EVIDENCE OF COMMUNITY-LEVEL MITIGATION ACTIONS AND THE PROCESS FOR APPEALING A WILDFIRE RISK SCORE. THE WEBSITE SHALL IDENTIFY, AS APPLICABLE:

(a) PROPERTY-SPECIFIC MITIGATION ACTIONS FOR THE POLICYHOLDER TO UNDERTAKE AND COMMUNITY-LEVEL MITIGATION ACTIONS THAT COULD RESULT IN A DISCOUNT, INCENTIVE, OR OTHER PREMIUM ADJUSTMENT; AND

(b) THE AMOUNT OF THE DISCOUNT, INCENTIVE, OR OTHER PREMIUM ADJUSTMENT ASSOCIATED WITH EACH ACTION.

(6) (a) AN INSURER THAT PROVIDES A MITIGATION DISCOUNT OR THAT USES A WILDFIRE RISK MODEL OR RISK SCORE TO UNDERWRITE, NONRENEW, PRICE, CREATE A RATE DIFFERENTIAL, OR SURCHARGE THE PREMIUM BASED UPON THE POLICYHOLDER'S OR APPLICANT'S WILDFIRE RISK SHALL PROVIDE AN ANNUAL WRITTEN NOTICE TO EACH POLICYHOLDER OR APPLICANT UPON APPLICATION FOR PROPERTY INSURANCE OF THE APPLICABLE MITIGATION DISCOUNTS, THE WILDFIRE RISK SCORE, AND ANY OTHER WILDFIRE RISK CLASSIFICATION USED BY THE INSURER TO UNDERWRITE, NONRENEW, PRICE, CREATE A RATE DIFFERENTIAL, OR SURCHARGE THE PREMIUM BASED UPON THE POLICYHOLDER'S OR APPLICANT'S WILDFIRE RISK.

(b) THE NOTICE SHALL INCLUDE:

(I) A PLAIN-LANGUAGE EXPLANATION OF THE WILDFIRE RISK SCORE OR OTHER WILDFIRE RISK CLASSIFICATION, INCLUDING AN EXPLANATION THAT INSURERS MAY USE DIFFERENT MODELS AND HAVE DIFFERENT RISK SCORE RANGES THAT COULD RESULT IN DIFFERENT RISK SCORES FROM OTHER INSURERS;

(II) THE RANGE OF THE SCORES OR CLASSIFICATIONS THAT COULD POTENTIALLY BE ASSIGNED TO THE PROPERTY;

(III) THE RELATIVE POSITION OF THE SCORE OR CLASSIFICATION ASSIGNED TO THE PROPERTY WITHIN THAT RANGE OF POSSIBLE SCORES OR CLASSIFICATIONS PROVIDED BY THE INSURER'S RISK MODEL;

(IV) A WRITTEN EXPLANATION OF WHY THE POLICYHOLDER OR APPLICANT RECEIVED THE ASSIGNED SCORE OR CLASSIFICATION THAT IDENTIFIES THE PRIMARY FEATURES OF THE PROPERTY THAT INFLUENCED THE ASSIGNMENT OF THE SCORE OR CLASSIFICATION; AND

(V) THE IMPACT, IF ANY, THAT EACH PROPERTY-SPECIFIC MITIGATION OR COMMUNITY-LEVEL MITIGATION ACTION COULD HAVE ON A WILDFIRE RISK SCORE OR CLASSIFICATION ASSIGNED TO THE PROPERTY.

(7) THE INSURER SHALL PROVIDE THE WILDFIRE RISK SCORE OR CLASSIFICATION TO THE POLICYHOLDER OR APPLICANT:

(a) FOR APPLICANTS, NO LATER THAN FIFTEEN DAYS AFTER THE SUBMISSION OF THE APPLICANT'S COMPLETED APPLICATION TO THE INSURER;

(b) FOR POLICYHOLDERS, IN THE OFFER OF RENEWAL;

(c) FOR POLICYHOLDERS THAT ARE NOT BEING OFFERED A RENEWAL, WITH THE NONRENEWAL NOTICE; AND

(d) FOR A POLICYHOLDER OR APPLICANT, IF THE POLICYHOLDER OR APPLICANT HAS COMPLETED A PROPERTY-SPECIFIC MITIGATION ACTION OR PROVIDES EVIDENCE OF A COMMUNITY-LEVEL MITIGATION ACTION IN SUFFICIENT PROXIMITY TO THE PROPERTY TO REDUCE THE RISK OF LOSS SINCE THE TIME OF THE LAST APPLICATION TO OR RENEWAL BY THE INSURER, NO LATER THAN THIRTY DAYS AFTER THE SUBMISSION TO THE INSURER OF THE POLICYHOLDER'S OR APPLICANT'S REQUEST THAT THE INSURER PROVIDE A REVISED WILDFIRE RISK SCORE OR WILDFIRE RISK CLASSIFICATION.

(8) A POLICYHOLDER OR APPLICANT FOR A POLICY OF PROPERTY INSURANCE WHOSE WILDFIRE RISK MODEL SCORE, WILDFIRE RISK CLASSIFICATION ASSIGNED TO THE PROPERTY, OR APPLICABLE MITIGATION DISCOUNT IS INACCURATE AND PROVIDES EVIDENCE OF THE PROPERTY-SPECIFIC OR COMMUNITY-LEVEL MITIGATION ACTION MAY APPEAL THE SCORE DIRECTLY TO THE INSURER. THE INSURER SHALL NOTIFY THE POLICYHOLDER OR APPLICANT IN WRITING OF THE RIGHT TO APPEAL THE WILDFIRE RISK SCORE OR OTHER WILDFIRE RISK CLASSIFICATION OR APPLICABLE MITIGATION DISCOUNT WHEN THE SCORE OR CLASSIFICATION OR DISCOUNT IS PROVIDED TO THE POLICYHOLDER OR APPLICANT AS REQUIRED BY SUBSECTION (6) OF THIS SECTION. IF THE POLICYHOLDER OR APPLICANT APPEALS THE WILDFIRE RISK SCORE OR OTHER WILDFIRE RISK CLASSIFICATION OR APPLICABLE WILDFIRE DISCOUNT, THE INSURER SHALL ACKNOWLEDGE RECEIPT OF THE APPEAL IN WRITING WITHIN TEN CALENDAR DAYS AFTER RECEIPT OF THE APPEAL. THE INSURER SHALL RESPOND TO THE APPEAL IN WRITING WITH A RECONSIDERATION AND DECISION WITHIN THIRTY CALENDAR DAYS AFTER RECEIVING THE APPEAL. IF AN APPEAL IS DENIED, THE INSURER SHALL, UPON REQUEST BY THE COMMISSIONER, FORWARD A COPY OF THE APPEAL AND THE INSURER'S RESPONSE, TO THE COMMISSIONER.

(9) THIS SECTION APPLIES TO PROPERTY INSURANCE COVERAGE PROVIDED BY THE FAIR ACCESS TO INSURANCE REQUIREMENTS PLAN ASSOCIATION CREATED IN SECTION 10-4-1804.

(10) THIS SECTION APPLIES ONLY TO HOMEOWNER'S INSURANCE POLICIES AS DEFINED IN SECTION 10-4-110.6, PROPERTY INSURANCE POLICIES COVERING RESIDENTIAL CONDOMINIUM UNITS AS DEFINED IN SECTION 38-33-103 (1), AND MULTIFAMILY RESIDENTIAL HOUSING AS DEFINED IN SECTION 24-32-3701 (9).

(11) THE COMMISSIONER MAY ADOPT RULES TO IMPLEMENT THIS SECTION.

SECTION 2. Act subject to petition - effective date - applicability. (1) This act takes effect July 1, 2026; except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within the ninety-day period after final adjournment of the general assembly, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2026 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

(2) This act applies to property insurance policies issued or renewed on or after the applicable effective date of this act.

Approved: May 28, 2025