

**First Regular Session
Sixty-eighth General Assembly
STATE OF COLORADO**

ENGROSSED

*This Version Includes All Amendments Adopted
on Second Reading in the House of Introduction*

LLS NO. 11-0031.01 Bart Miller

SENATE BILL 11-015

SENATE SPONSORSHIP

Foster,

HOUSE SPONSORSHIP

Miklosi,

Senate Committees

Local Government and Energy

House Committees

A BILL FOR AN ACT

101 **CONCERNING THE REQUIREMENTS FOR A HOMEOWNER'S INSURANCE**
102 **COMPANY TO TAKE ADVERSE ACTION ON EXISTING INSURANCE**
103 **COVERAGE FOR A HOME BASED ON CLAIMS EXPERIENCE.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

The bill prohibits a homeowner's insurance company from canceling or refusing to renew a homeowner's insurance policy based on claims experience so long as the claims experience shows 2 or fewer claims in the previous 36 months. If the claims experience shows 2 or

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

SENATE
Amended 2nd Reading
March 4, 2011

fewer claims within the previous 36 months:

- ! The deductible for the policy of homeowner's insurance may only be raised to the next level of deductible for the policy;
- ! No additional or special deductible may be added to the policy unless the additional or special deductible is already a normal part of the next deductible level for that policy; and
- ! The premium for the policy may only increase at renewal by up to 10% above the rate filing for the product in which the insured is currently covered.

A claim for which zero dollars are paid by the insurer shall not be considered a claim for underwriting or rating purposes. Absent a material change in risk of a property, no inquiry or discussion of a potential claim may be considered a claim for purposes of cancellation, refusal to renew, premium rate increase, increase in deductible level, or any reduction in coverage.

The bill also lengthens the period for prior notice of cancellation or refusal to renew a policy of homeowner's insurance from 30 days to 45 days in advance of the intended action.

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

2 **SECTION 1. Legislative declaration.** The general assembly
3 hereby finds and determines that significant uncertainty currently exists
4 for homeowners with respect to the practices of insurers in using claims
5 history to deny, cancel, or change the terms of coverage on homeowners'
6 insurance policies in a way that adversely affects homeowners in this
7 state. The general assembly, therefore, declares that the purpose of this
8 act is to set forth parameters that homeowners' insurers must follow when
9 using claims experience to make decisions with respect to denying,
10 canceling, or changing the terms of coverage on homeowners' insurance
11 policies in this state.

12 **SECTION 2.** 10-4-110.7 (2) (b) and (3), Colorado Revised
13 Statutes, are amended to read:

14 **10-4-110.7. Cancellation or nonrenewal - homeowner's**

1 **insurance policies.** (2) (b) (I) If an insurer uses claims experience for
2 the property and such claims history results in an adverse action to the
3 applicant or policyholder, the insurer shall disclose to the applicant or
4 policyholder the specific claim information that resulted in the adverse
5 action.

6 (II) NO INSURER MAY USE CLAIMS EXPERIENCE TO CANCEL OR
7 REFUSE TO RENEW A POLICY OF HOMEOWNER'S INSURANCE IF THE CLAIMS
8 EXPERIENCE SHOWS TWO OR FEWER CLAIMS WITHIN THE PREVIOUS FIVE
9 YEARS. IF THE CLAIMS EXPERIENCE SHOWS TWO OR FEWER CLAIMS
10 WITHIN THE PREVIOUS FIVE YEARS:

11 (A) THE DEDUCTIBLE FOR THE POLICY OF HOMEOWNER'S
12 INSURANCE MAY ONLY BE RAISED TO THE NEXT LEVEL OF DEDUCTIBLE FOR
13 THE POLICY;

14 (B) NO ADDITIONAL OR SPECIAL DEDUCTIBLE MAY BE ADDED TO
15 THE POLICY UNLESS THE ADDITIONAL OR SPECIAL DEDUCTIBLE IS ALREADY
16 A NORMAL PART OF THE NEXT DEDUCTIBLE LEVEL FOR THAT POLICY; AND

17 (C) THE PREMIUM RATE FOR THE POLICY MAY INCREASE AT
18 RENEWAL BY NO MORE THAN TEN PERCENT ABOVE THE RATE FILING FOR
19 THE PRODUCT IN WHICH THE INSURED IS CURRENTLY COVERED.

20 (III) A CLAIM FOR WHICH ZERO DOLLARS ARE PAID BY THE INSURER
21 SHALL NOT BE CONSIDERED A CLAIM FOR UNDERWRITING OR RATING
22 PURPOSES.

23 (IV) ABSENT A MATERIAL CHANGE IN RISK OF A PROPERTY, NO
24 INQUIRY OR DISCUSSION OF A POTENTIAL CLAIM MAY BE CONSIDERED A
25 CLAIM FOR PURPOSES OF CANCELLATION, REFUSAL TO RENEW, PREMIUM
26 RATE INCREASE, INCREASE IN DEDUCTIBLE LEVEL, OR ANY REDUCTION IN
27 COVERAGE.

1 (3) No insurer shall cancel or refuse to renew a policy of
2 homeowner's insurance unless such insurer mails, by first-class mail to
3 the named insured, at the last address shown in the insurer's records, at
4 least ~~thirty~~ FORTY-FIVE days in advance, a notice of its intended action
5 pursuant to section 10-4-110 that specifically states the reasons for
6 proposing to take such action pursuant to section 10-4-110; except that,
7 where cancellation is for nonpayment of premium, at least ten days' notice
8 of cancellation accompanied by the reasons therefor shall be given.

9 **SECTION 3. Effective date - applicability.** This act shall take
10 effect upon passage and shall apply to homeowner's insurance policies
11 issued or renewed on or after January 1, 2012.

12 **SECTION 4. Safety clause.** The general assembly hereby finds,
13 determines, and declares that this act is necessary for the immediate
14 preservation of the public peace, health, and safety.