


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 12-0202
Prime Sponsor(s): Rep. Levy
 Sen. Nicholson

Date: January 26, 2012
Bill Status: House Local Government
Fiscal Analyst: Clare Pramuk (303-866-2677)

TITLE: CONCERNING ADDITIONAL PROTECTIONS FOR PURCHASERS OF HOMEOWNER'S INSURANCE POLICIES IN COLORADO.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures	\$7,018	
FTE Position Change		
Effective Date: July 1, 2013, unless a referendum petition is filed.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill requires the Commissioner of Insurance (commissioner) in the Department of Regulatory Agencies (DORA) to adopt rules related to homeowner's insurance. The rules are required to address the criteria for estimating replacement cost of a structure, standards for such replacement, and the process for documenting both the replacement value of the structure as well as the contents of the home. The rules will require insurance producers (agents) to complete continuing education on estimating replacement value. The bill requires that all homeowner's insurance policies include an appraisal clause and at least 24 months of coverage for additional living expenses. Insurers are required to provide a policyholder with a policy copy within 48 hours of a loss or a request from the policyholder. In the case of a total loss, the bill requires an insurer to offer the policyholder a settlement of no less than 80 percent of the listed value of the contents coverage in lieu of the policyholder providing a detailed inventory of the contents.

Finally, the bill adds to the list of conditions for which an insurance agent can be disciplined. These include failure to accurately describe the relationship between an insurance agent and an insurer and misrepresenting the adequacy of policy limits on a homeowner's insurance policy to cover the total loss of the property.

State Expenditures

This bill is expected to increase the workload of the Division of Insurance (division) in the DORA for rulemaking and facilitation and staffing of stakeholder meetings. Rulemaking is expected to require 40 hours of legal services hours from the Department of Law and 80 hours of division staff time. The division is expected to convene a task force to seek input from stakeholders in areas where the bill is less prescriptive. The fiscal note assumes these activities can be completed within DORA's existing appropriations.

Table 1. Expenditures Under HB12-1057	
Cost Components	FY 2012-13
Personal Services	\$3,990
Legal Services	3,028
TOTAL	\$7,018

Departments Contacted

Regulatory Agencies Law