

First Regular Session
Sixty-ninth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 13-0290.01 Bart Miller x2173

HOUSE BILL 13-1225

HOUSE SPONSORSHIP

Levy, Fischer

SENATE SPONSORSHIP

Kefalas and Nicholson,

House Committees

Business, Labor, Economic, & Workforce Development

Senate Committees

A BILL FOR AN ACT

101 CONCERNING ADDITIONAL PROTECTIONS FOR HOMEOWNER'S
102 INSURANCE POLICYHOLDERS IN COLORADO, AND, IN
103 CONNECTION THEREWITH, ENACTING THE "HOMEOWNER'S
104 INSURANCE REFORM ACT OF 2013".

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 makes the following changes to the laws regulating homeowner's insurance:

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.

- ! Requires insurers to offer extended replacement coverage and law and ordinance coverage, with an explanation of the terms of this coverage;
- ! Requires insurers to include at least one year of additional living expense coverage and to offer a total of 24 months of additional living expense coverage, with an explanation of the terms of this coverage;
- ! Requires homeowner's insurance policies, endorsements, notifications, and summary disclosure forms be written in plain language and revised by January 1, 2015, to comply with this requirement;
- ! 2 years after initial issuance of a homeowner's insurance policy and no more than every 2 years thereafter, requires an insurer to provide policyholders with an updated estimate of replacement cost based on a construction inflation index and revalidate the replacement-cost estimate based on contact with the policyholder no more than every 4 years;
- ! Requires an insurer to consider an estimate from a homeowner's licensed contractor or licensed architect as the basis for establishing the replacement cost;
- ! Specifies that policyholders have the right to a written notification, at renewal, describing changes in their insurance contract language that are applicable to the renewal period;
- ! Requires insurers to provide an electronic or paper copy of the policyholder's insurance policy, including the declaration page and endorsements, within 3 business days after a request from an insured;
- ! With respect to contents coverage in total loss claims, requires insurers to:
 - ! Offer to pay 25% of contents coverage reflected in the policy declaration, subject to policy limitations, without requiring a contents inventory;
 - ! Provide the basis for depreciation when applicable; and
 - ! Allow the policyholder up to 180 days after a total loss claim to submit an inventory of lost or damaged property; and
 - ! Allow a policyholder up to 180 days after expiration of alternative living expense coverage to replace property and receive recoverable depreciation on that property.
- ! Upon request from a policyholder, requires an insurer to provide the components of the replacement-cost estimate

- for the insured property;
- ! Requires a summary disclosure to be given to policyholders annually, including statements that:
 - ! The policyholder is responsible for selecting the amount of coverage;
 - ! The policyholder is responsible for assessing improvements to the home and notifying the insurer;
 - ! The policyholder may purchase additional coverage with appropriate documentation; and
 - ! The policyholder should update the inventory of contents regularly and store the inventory off-site.
- ! Implements a continuing education requirement for insurance producers offering homeowner's insurance policies to take at least 3 hours of continuing education on homeowner coverages during a 2-year period.
- ! Makes void as against public policy terms in homeowner's insurance policies that require policyholders to sue insurers in cases of disputes within a shorter period of time than allowed for by the applicable statute of limitations.

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

2 **SECTION 1. Short title.** This act shall be known and may be
 3 cited as the "Homeowner's Insurance Reform Act of 2013".

4 **SECTION 2.** In Colorado Revised Statutes, 10-4-110.8, **amend**
 5 (3); and **add** (6), (7), (8), (9), (10), (11), and (12) as follows:

6 **10-4-110.8. Homeowner's insurance - prohibited and required**
 7 **practices - estimates of replacement value - additional living expense**
 8 **coverage - copies of policies - personal property contents coverage -**
 9 **inventory of personal property - definitions - rules.** (3) For the
 10 purposes of this section, unless the context otherwise requires:

11 (a) "ADDITIONAL LIVING EXPENSE COVERAGE" OR "ALE" COVERS
 12 INCREASED LIVING EXPENSES DURING THE TIME REQUIRED TO REPAIR OR
 13 REPLACE DAMAGE TO THE POLICYHOLDER'S DWELLING UNIT FOLLOWING
 14 AN INSURED LOSS OR, IF THE POLICYHOLDER PERMANENTLY RELOCATES,

1 THE TIME REQUIRED TO MOVE THE POLICYHOLDER'S HOUSEHOLD TO A NEW
2 LOCATION.

3 ~~(a)~~ (b) "Claim" includes a demand for payment of a benefit by the
4 insured, the payment of a covered benefit by an insurer, a loss reserve
5 established by the insurer, a loss adjustment expense incurred by the
6 insurer, or a payment made to the insured.

7 (c) "CONSTRUCTION INFLATION INDEX" MEANS AN INDICATOR OF
8 INCREASED COSTS TO DEMOLISH AND BUILD STRUCTURES IN A SPECIFIED
9 AREA.

10 (d) "EXTENDED REPLACEMENT COST COVERAGE" PAYS A
11 DESIGNATED AMOUNT ABOVE THE POLICY LIMIT TO REPLACE A DAMAGED
12 STRUCTURE IF NECESSARY UNDER CURRENT BUILDING CONDITIONS.

13 ~~(b)~~ (e) "Inquiry" means a request for information regarding the
14 terms, conditions, or coverages afforded under an insurance contract.

15 (f) "LAW AND ORDINANCE COVERAGE" MEANS COVERAGE FOR
16 INCREASED COSTS OF DEMOLITION, CONSTRUCTION, RENOVATION, OR
17 REPAIR ASSOCIATED WITH THE ENFORCEMENT OF BUILDING ORDINANCES
18 AND LAWS.

19 (g) "RECOVERABLE DEPRECIATION" MEANS THE DIFFERENCE
20 BETWEEN THE COST TO REPLACE INSURED PROPERTY AND THE ACTUAL
21 CASH VALUE OF THE PROPERTY.

22 (6) (a) BEFORE ISSUANCE OR RENEWAL OF A REPLACEMENT-COST
23 HOMEOWNER'S INSURANCE POLICY, THE INSURER SHALL OFFER THE
24 PROSPECTIVE POLICYHOLDER THE OPPORTUNITY TO OBTAIN EXTENDED
25 REPLACEMENT-COST COVERAGE AND LAW AND ORDINANCE COVERAGE. AT
26 A MINIMUM, THE INSURER SHALL OFFER LAW AND ORDINANCE COVERAGE
27 THAT IS TEN PERCENT OVER THE FACE AMOUNT OF THE POLICY LIMIT. THE

1 OFFER MUST BE ACCOMPANIED BY A WRITTEN EXPLANATION OF THE
2 PURPOSE, TERMS, AND ADDITIONAL COST OF THESE COVERAGES.

3 (b) ALL HOMEOWNER'S INSURANCE POLICIES MUST INCLUDE
4 ADDITIONAL LIVING EXPENSE COVERAGE. THIS COVERAGE MUST BE
5 AVAILABLE FOR A PERIOD OF NOT LESS THAN TWELVE MONTHS AND
6 SUBJECT TO OTHER POLICY PROVISIONS. INSURERS SHALL OFFER
7 POLICYHOLDERS THE OPPORTUNITY TO PURCHASE A TOTAL OF
8 TWENTY-FOUR MONTHS OF ALE COVERAGE. INSURERS SHALL GIVE
9 POLICYHOLDERS A WRITTEN EXPLANATION OF THE PURPOSE, TERMS, AND
10 ADDITIONAL COST OF THIS COVERAGE.

11 (7) THE TEXT OF ALL ENDORSEMENTS, NOTIFICATIONS, SUMMARY
12 DISCLOSURE FORMS, AND HOMEOWNER'S INSURANCE POLICES MUST NOT
13 EXCEED THE TENTH-GRADE READING LEVEL, AS MEASURED BY THE
14 FLESCH-KINCAID GRADE LEVEL FORMULA, AND MUST NOT SCORE LESS
15 THAN FIFTY AS MEASURED BY THE FLESCH READING EASE FORMULA.
16 INSURERS SHALL REVISE ALL HOMEOWNER'S INSURANCE POLICIES OFFERED
17 IN COLORADO NO LATER THAN JANUARY 1, 2015, TO COMPLY WITH THIS
18 SUBSECTION (7). THEREAFTER, ALL HOMEOWNER'S INSURANCE POLICIES
19 MUST COMPLY WITH THIS SUBSECTION (7).

20 (8) (a) TWO YEARS AFTER INITIAL ISSUANCE OF A HOMEOWNER'S
21 INSURANCE POLICY AND NOT MORE THAN EVERY TWO YEARS THEREAFTER,
22 THE INSURER SHALL PROVIDE POLICYHOLDERS WITH AN UPDATED
23 ESTIMATE OF REPLACEMENT COST BASED ON A CONSTRUCTION INFLATION
24 INDEX FOR THE LOCATION OF THE INSURED PROPERTY. THE
25 REPLACEMENT-COST ESTIMATE MUST BE REVALIDATED TO ACCOUNT FOR
26 CHANGES TO THE INSURED PROPERTY BASED ON CONTACT WITH THE
27 POLICYHOLDER AT LEAST ONCE EVERY FOUR YEARS. UPON REQUEST FROM

1 THE POLICYHOLDER, THE INSURER SHALL PROVIDE IN WRITING TO THE
2 POLICYHOLDER THE COMPONENTS OF THE REPLACEMENT-COST ESTIMATE.

3 (b) THE INSURER SHALL CONSIDER, SUBJECT TO THE INSURER'S
4 UNDERWRITING REQUIREMENTS, AN ESTIMATE FROM THE POLICYHOLDER'S
5 LICENSED CONTRACTOR OR LICENSED ARCHITECT AS THE BASIS FOR
6 ESTABLISHING THE REPLACEMENT COST.

7 (9) AT RENEWAL, INSURERS SHALL PROVIDE WRITTEN
8 NOTIFICATION TO POLICYHOLDERS DESCRIBING CHANGES IN INSURANCE
9 POLICY LANGUAGE THAT ARE APPLICABLE TO THAT RENEWAL PERIOD.

10 (10) EVERY HOMEOWNER'S INSURANCE CARRIER SHALL MAKE
11 AVAILABLE TO A POLICYHOLDER AN ELECTRONIC OR PAPER COPY OF THE
12 POLICYHOLDER'S INSURANCE POLICY, INCLUDING THE DECLARATION PAGE
13 AND ANY ENDORSEMENTS, WITHIN THREE BUSINESS DAYS AFTER A
14 REQUEST FROM THE POLICYHOLDER. THE POLICYHOLDER SHALL
15 DETERMINE THE METHOD OF DELIVERY.

16 (11) (a) IN THE EVENT OF A TOTAL LOSS, THE INSURER SHALL
17 OFFER THE POLICYHOLDER A MINIMUM OF TWENTY-FIVE PERCENT OF THE
18 VALUE OF THE CONTENTS COVERAGE REFLECTED IN THE DECLARATION
19 PAGE OF THE HOMEOWNER'S POLICY WITHOUT REQUIRING SUBMITTAL OF
20 A WRITTEN INVENTORY OF THE CONTENTS. THE POLICYHOLDER MAY
21 EITHER ACCEPT THE OFFER UNDER THIS PARAGRAPH (a) OR SUBMIT A
22 WRITTEN INVENTORY AS REQUIRED BY THE INSURER IN ORDER TO RECEIVE
23 THE FULL VALUE OF THE CONTENTS COVERAGE.

24 (b) IF THE POLICYHOLDER RECEIVES THE DEPRECIATED VALUE OF
25 CONTENTS INSURED UNDER A POLICY, THE INSURER MUST MAKE
26 AVAILABLE TO THE INSURED THE METHODOLOGY USED FOR DETERMINING
27 THE DEPRECIATED VALUE OF THE INSURED CONTENTS.

1 (c) (I) AN INSURER SHALL ALLOW THE POLICYHOLDER UP TO ONE
2 HUNDRED EIGHTY DAYS AFTER A TOTAL LOSS CLAIM TO SUBMIT AN
3 INVENTORY OF LOST OR DAMAGED PROPERTY.

4 (II) AN INSURER SHALL ALLOW THE POLICYHOLDER UP TO ONE
5 HUNDRED EIGHTY DAYS AFTER EXPIRATION OF ALE TO REPLACE
6 PROPERTY AND RECEIVE RECOVERABLE DEPRECIATION ON THAT
7 PROPERTY.

8 (12) ANY PROVISION OF A HOMEOWNER'S INSURANCE POLICY THAT
9 REQUIRES THE POLICYHOLDER TO FILE SUIT AGAINST THE INSURER, IN THE
10 CASE OF ANY DISPUTE, WITHIN A PERIOD OF TIME THAT IS SHORTER THAN
11 REQUIRED BY THE APPLICABLE STATUTE OF LIMITATIONS PROVIDED BY
12 LAW IS HEREBY DECLARED CONTRARY TO PUBLIC POLICY AND ON THAT
13 BASIS IS VOID AND UNENFORCEABLE.

14 **SECTION 3.** In Colorado Revised Statutes, 10-4-111, **amend** (3);
15 and **add** (3.5) as follows:

16 **10-4-111. Summary disclosure forms required.** (3) Every
17 insurer or its designated agent shall furnish the required disclosure form
18 to:

19 (a) Applicants for insurance coverage at the time of the initial
20 insurance purchase;

21 (b) ~~and thereafter on~~ POLICYHOLDERS OF any renewal policy when
22 there are changes in major coverages and exclusions or changes in factors
23 considered in cancellation, nonrenewal, and increase in premium
24 situations; AND

25 (c) HOMEOWNER'S INSURANCE POLICYHOLDERS AT LEAST
26 ANNUALLY.

27 (3.5) FOR REPLACEMENT-COST HOMEOWNER'S INSURANCE

1 POLICIES, THE SUMMARY DISCLOSURE FORM MUST INCLUDE THE
2 FOLLOWING CLEAR AND CONSPICUOUS STATEMENT:

3 THE POLICY LIMIT ON THE DECLARATION PAGE
4 REFLECTS THE INSURER'S ESTIMATE OF THE COST TO
5 REPLACE THE COVERED STRUCTURES. THERE IS NO
6 GUARANTEE IT WILL BE SUFFICIENT TO REBUILD YOUR
7 HOME. YOU, AS THE POLICYHOLDER, ARE SOLELY
8 RESPONSIBLE FOR DETERMINING WHETHER THE POLICY
9 LIMIT, TOGETHER WITH THE OTHER TERMS OF THE POLICY,
10 PROVIDES SUFFICIENT COVERAGE TO REBUILD THE COVERED
11 STRUCTURES IN ACCORDANCE WITH CURRENT BUILDING
12 CODES.

13 DO NOT CONFUSE MARKET VALUE OR APPRAISED
14 VALUE WITH THE COST TO REPLACE THE COVERED
15 STRUCTURES BY REBUILDING. REPLACEMENT COST MAY
16 EXCEED THE MARKET VALUE. YOU ARE RESPONSIBLE FOR
17 ASSESSING IMPROVEMENTS TO YOUR HOME AND NOTIFYING
18 THE AGENT OR COMPANY IN ORDER TO UPDATE THE
19 COVERAGE AMOUNT.

20 YOU MAY PURCHASE ADDITIONAL COVERAGE WITH
21 APPROPRIATE DOCUMENTATION.

22 WE STRONGLY ENCOURAGE YOU TO PREPARE AN
23 INVENTORY OF THE CONTENTS OF THE HOME AND
24 OUTBUILDINGS, AND UPDATE IT REGULARLY. IT IS
25 ADVISABLE TO STORE THE INVENTORY OFF-SITE OF THE
26 INSURED PROPERTY. VIDEOTAPING OR PHOTOGRAPHING IS
27 THE MOST RELIABLE WAY TO ASSURE ADEQUATE RECOVERY.

1 **SECTION 4.** In Colorado Revised Statutes, 10-2-301, **amend** (1)
2 as follows:

3 **10-2-301. Continuing education requirement - rules - advisory**
4 **committee.** (1) Producers not exempt from the requirements of this
5 section shall satisfactorily complete up to twenty-four hours of instruction
6 by attending ~~such~~ courses or programs of instruction ~~as may be~~ approved
7 by the commissioner. At least three of the twenty-four hours of
8 continuing education ~~shall~~ **MUST** be for courses in ethics. **FOR PRODUCERS**
9 **AUTHORIZED TO SELL PROPERTY OR PERSONAL INSURANCE LINES OF**
10 **BUSINESS, AT LEAST THREE OF THE TWENTY-FOUR HOURS OF CONTINUING**
11 **EDUCATION MUST BE FOR COURSES IN HOMEOWNER'S INSURANCE**
12 **COVERAGE. The insurance** commissioner may adopt rules concerning
13 testing requirements as a part of the certified continuing education. The
14 PRODUCER SHALL COMPLETE THE required hours of instruction ~~shall be~~
15 ~~completed~~ within twenty-four months after the date the producer's license
16 ~~is required to be renewed~~ **RENEWS**, beginning with renewal dates on or
17 after January 1, 1993. A producer may accumulate no more than twelve
18 carry-over credit hours during the one hundred twenty days before the
19 licensing continuation date. ~~Such~~ Carry-over credits ~~may be applied~~
20 **APPLY** to the next continuing education period. If a producer has more
21 than one license to sell insurance in this state, **THE PRODUCER SHALL**
22 **COMPLETE** the required hours of instruction ~~shall be completed~~ within
23 twenty-four months after the date **OF RENEWAL OF** the first ~~such~~ license.
24 ~~is required to be renewed.~~ For good cause shown, the commissioner may
25 grant an extension of time, **NOT EXCEEDING ONE ADDITIONAL YEAR,**
26 within which to comply with ~~the requirements of~~ this section. ~~such~~
27 ~~extension not to exceed an additional one year.~~ An instructor of an

1 approved course of instruction ~~shall qualify~~ QUALIFIES for the same
2 number of hours of continuing education as a person attending and
3 successfully completing the course or program, but ~~no~~ AN instructor shall
4 NOT receive credit more than once for a course or program given more
5 than once during the twenty-four-month period described in this
6 subsection (1).

7 **SECTION 5. Act subject to petition - effective date -**
8 **applicability.** (1) This act takes effect January 1, 2014; except that, if a
9 referendum petition is filed pursuant to section 1 (3) of article V of the
10 state constitution against this act or an item, section, or part of this act
11 within the ninety-day period after final adjournment of the general
12 assembly, then the act, item, section, or part will not take effect unless
13 approved by the people at the general election to be held in November
14 2014 and, in such case, will take effect on the date of the official
15 declaration of the vote thereon by the governor.

16 (2) This act applies to activities related to homeowner's insurance
17 occurring on or after the applicable effective date of this act.