

Second Regular Session
Sixty-eighth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 12-0202.02 Bart Miller x2173

HOUSE BILL 12-1057

HOUSE SPONSORSHIP

Levy,

SENATE SPONSORSHIP

Nicholson,

House Committees

Local Government

State, Veterans, & Military Affairs

Senate Committees

A BILL FOR AN ACT

101 CONCERNING ADDITIONAL PROTECTIONS FOR PURCHASERS OF
102 HOMEOWNER'S INSURANCE POLICIES IN COLORADO.

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 requires the insurance commissioner (commissioner) to adopt rules on the following related to the sale of homeowner's insurance in Colorado:

- ! Criteria and requirements for estimates of replacement value of insured property; and

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.

- ! An educational requirement for insurance producers related to homeowner's insurance, including estimating replacement value.

The bill also puts into place the following with respect to homeowner's insurance policies in this state:

- ! Minimum requirements for additional living expense coverage for a period of time of no less than 24 months after a loss requiring additional living arrangements;
- ! Requirements that insurers make available to policyholders copies of homeowner's insurance policies, including declaration pages, within 48 hours after a loss or a request;
- ! Standards for paying contents loss claims in the event of total loss;
- ! Additional arbitration requirements for disputes between insured homeowners and insurers relating to policy coverage;
- ! A requirement to provide summary disclosure forms to homeowner's insurance policyholders at least annually; and
- ! Potential disciplinary action by the commissioner against insurance producers that fail to:
 - ! Accurately describe to an insured the relationship of the producer to an insurer as the representative of the insurer and not a representative of, or advocate for, the insured policyholder; or
 - ! Accurately represent the adequacy of policy limits in a homeowner's insurance policy to cover total loss of the property.

1 *Be it enacted by the General Assembly of the State of Colorado:*
2 **SECTION 1.** In Colorado Revised Statutes, 10-4-110.8, **add** (6)
3 (7), (8), (9), (10) and (11) as follows:
4 **10-4-110.8. Homeowner's insurance - prohibited and required**
5 **practices - estimates of replacement value - additional living expense**
6 **coverage - copies of policies - personal property contents coverage -**
7 **inventory of personal property - definitions - rules.** (6) THE
8 COMMISSIONER SHALL ADOPT RULES GOVERNING THE SALE AND RENEWAL
9 OF HOMEOWNER'S INSURANCE POLICIES THAT PROVIDE COVERAGE ON A
10 REPLACEMENT COST BASIS. RULES ADOPTED UNDER THIS SECTION MUST,

1 AT A MINIMUM:

2 (a) SET FORTH CRITERIA TO BE USED FOR ESTIMATING THE
3 REPLACEMENT COST, INCLUDING THE EXPENSES THAT WOULD
4 REASONABLY BE INCURRED TO REBUILD THE INSURED STRUCTURE IN ITS
5 ENTIRETY TO EXISTING CODE;

6 (b) PROHIBIT AN ESTIMATE OF REPLACEMENT COST FROM BEING
7 BASED ON THE RESALE VALUE OF LAND OR ON THE AMOUNT OR
8 OUTSTANDING BALANCE OF ANY LOAN;

9 (c) REQUIRE REASONABLE STEPS TO BE TAKEN AT LEAST
10 ANNUALLY TO VERIFY THAT THE SOURCES AND METHODS USED TO
11 GENERATE ESTIMATES OF REPLACEMENT COST ARE KEPT CURRENT TO
12 REFLECT CHANGES IN THE COSTS OF RECONSTRUCTION AND REBUILDING,
13 INCLUDING CHANGES IN BUILDING CODES AND THE COST OF LABOR,
14 BUILDING MATERIALS, AND SUPPLIES BASED UPON THE GEOGRAPHIC
15 LOCATION OF THE INSURED STRUCTURE;

16 (d) REQUIRE ESTIMATES OF REPLACEMENT VALUE, AND THE
17 METHODOLOGY USED TO COMPUTE REPLACEMENT VALUE, TO BE
18 COMMUNICATED TO A PROSPECTIVE INSURED OR AN INSURED IN WRITING;

19 (e) REQUIRE INSURERS TO MAINTAIN WRITTEN RECORDS OF
20 ESTIMATES OF REPLACEMENT COST FOR PERIODS OF TIME DETERMINED
21 APPROPRIATE BY THE COMMISSIONER;

22 (f) REQUIRE MINIMUM STANDARDS FOR SOURCES OR TOOLS USED
23 IN ESTIMATING REPLACEMENT COST, INCLUDING STANDARDS TO ASSURE
24 THAT ANY MODELS USED ARE PROPERLY VALIDATED TO REFLECT
25 REPLACEMENT COSTS ACCURATELY; AND

26 (g) SET FORTH THE CIRCUMSTANCES IN WHICH AN INSURER WILL
27 BE REQUIRED TO ACCEPT A PROFESSIONAL ESTIMATE OF CONSTRUCTION

1 COST AS EVIDENCE OF REPLACEMENT VALUE.

2 (7) (a) ALL HOMEOWNER'S INSURANCE POLICIES MUST INCLUDE
3 COVERAGE FOR ADDITIONAL LIVING EXPENSES. THIS COVERAGE MUST BE
4 AVAILABLE FOR A PERIOD OF TWENTY-FOUR MONTHS AND SUBJECT TO
5 OTHER POLICY PROVISIONS.

6 (b) AN INSURER MAY OFFER ADDITIONAL LIVING EXPENSE
7 COVERAGE TO THE INSURED FOR A PERIOD BEYOND THE TWENTY-FOUR
8 MONTHS REQUIRED BY PARAGRAPH (a) OF THIS SUBSECTION (7).

9 (8) ALL HOMEOWNER'S INSURANCE CARRIERS MUST MAKE
10 AVAILABLE TO AN INSURED AN ELECTRONIC OR PAPER COPY OF THE
11 INSURED'S POLICY, INCLUDING THE DECLARATION PAGE, WITHIN
12 FORTY-EIGHT HOURS AFTER A LOSS OR A REQUEST FROM THE INSURED FOR
13 A COPY OF THE POLICY.

14 (9) IN THE EVENT OF A TOTAL LOSS, THE INSURER MUST OFFER THE
15 INSURED A SETTLEMENT OF NO LESS THAN EIGHTY PERCENT OF THE LISTED
16 VALUE OF THE CONTENTS COVERAGE UNDER THE HOMEOWNER'S
17 INSURANCE POLICY IN LIEU OF THE INSURED PROVIDING A DETAILED
18 INVENTORY LISTING ALL OF THE CONTENTS OF THE INSURED PROPERTY.

19 (10) IF AN INSURED RECEIVES THE DEPRECIATED VALUE OF
20 INSURED CONTENTS INSURED UNDER A POLICY, AN INSURER MUST MAKE
21 AVAILABLE TO THE INSURED THE METHODOLOGY USED FOR DETERMINING
22 THE DEPRECIATED VALUE OF THE INSURED CONTENTS.

23 (11) EVERY HOMEOWNER'S INSURANCE POLICY MUST INCLUDE AN
24 APPRAISAL CLAUSE. THIS CLAUSE MUST ALLOW FOR RESOLUTION OF
25 DISPUTES RELATED TO ISSUES OF COVERAGE UNDER THE POLICY AND
26 VALUATION OF LOSS.

27 **SECTION 2.** In Colorado Revised Statutes, 10-4-111, **amend** (3)

1 as follows:

2 **10-4-111. Summary disclosure forms required.** (3) Every
3 insurer or its designated agent shall furnish the required disclosure form
4 to:

5 (a) Applicants for insurance coverage at the time of the initial
6 insurance purchase;

7 (b) ~~and thereafter on~~ POLICYHOLDERS OF any renewal policy when
8 there are changes in major coverages and exclusions or changes in factors
9 considered in cancellation, nonrenewal, and increase in premium
10 situations; AND

11 (c) HOMEOWNER'S INSURANCE POLICYHOLDERS AT LEAST
12 ANNUALLY.

13 **SECTION 3.** In Colorado Revised Statutes, 10-2-301, **add** (8) as
14 follows:

15 **10-2-301. Continuing education requirement - insurance**
16 **valuation training - definitions.** (8) (a) **Definitions.** AS USED IN THIS
17 SUBSECTION (8):

18 (I) "HOMEOWNER'S INSURANCE" HAS THE SAME MEANING AS SET
19 FORTH IN SECTION 10-4-110.6.

20 (II) "INSURANCE PRODUCER" OR "PRODUCER" HAS THE SAME
21 MEANING AS SET FORTH IN SECTION 10-2-103; EXCEPT THAT "INSURANCE
22 PRODUCER" OR "PRODUCER" ONLY INCLUDES THOSE PRODUCERS REQUIRED
23 BY THE COMMISSIONER TO MEET CONTINUING EDUCATION REQUIREMENTS.

24 (b) **Insurance valuation training and continuing education.**
25 THE COMMISSIONER SHALL BY RULE REQUIRE THAT EVERY INSURANCE
26 PRODUCER SUBJECT TO CONTINUING EDUCATION REQUIREMENTS AND
27 OFFERING HOMEOWNER'S INSURANCE COVERAGE THAT HAS NOT ALREADY

1 TAKEN A HOMEOWNER'S INSURANCE VALUATION TRAINING COURSE MUST
2 SATISFACTORILY COMPLETE ONE THREE-HOUR TRAINING COURSE ON
3 HOMEOWNER'S INSURANCE VALUATION. ALL PRODUCERS SUBJECT TO
4 CONTINUING EDUCATION REQUIREMENTS AND OFFERING HOMEOWNER'S
5 INSURANCE COVERAGE MUST TAKE APPROPRIATE CONTINUING EDUCATION
6 MEETING THE REQUIREMENTS PRESCRIBED BY THE COMMISSIONER.

7 **SECTION 4.** In Colorado Revised Statutes, 10-2-801, **amend** (1)
8 (o); and **add** (1) (q) and (1) (r) as follows:

9 **10-2-801. Licenses - denial, suspension, revocation,**
10 **termination - reporting of actions - definitions.** (1) The commissioner
11 may place an insurance producer on probation; suspend, revoke, or refuse
12 to issue, continue, or renew an insurance producer license; order
13 restitution to be paid from an insurance producer; or assess a civil penalty
14 pursuant to section 10-2-804 or 10-3-1108, if, after notice to the insurance
15 producer licensee and after a hearing held in accordance with sections
16 24-4-104 and 24-4-105, C.R.S., the commissioner finds that as to the
17 licensee or applicant any one or more of the following conditions exist:

18 (o) Failing to comply with an administrative or court order
19 imposing a child support obligation; ~~or~~

20 (q) FAILING TO ACCURATELY DESCRIBE TO AN INSURED UNDER A
21 HOMEOWNER'S INSURANCE POLICY THE RELATIONSHIP OF A PRODUCER AS
22 REPRESENTING AN INSURER, AND NOT AS REPRESENTING OR ADVOCATING
23 FOR THE INSURED, AT THE TIME OF APPLICATION FOR A HOMEOWNER'S
24 INSURANCE POLICY OR DURING THE CLAIMS PROCESS; OR

25 (r) MISREPRESENTING THE ADEQUACY OF POLICY LIMITS IN A
26 HOMEOWNER'S INSURANCE POLICY TO COVER TOTAL LOSS OF THE
27 PROPERTY.

1 **SECTION 5. Act subject to petition - effective date -**

2 **applicability.** (1) This act takes effect July 1, 2013; except that, if a
3 referendum petition is filed pursuant to section 1 (3) of article V of the
4 state constitution against this act or an item, section, or part of this act
5 within the ninety-day period after final adjournment of the general
6 assembly, then the act, item, section, or part will not take effect unless
7 approved by the people at the general election to be held in November
8 2012 and, in such case, will take effect on July 1, 2013, or on the date of
9 the official declaration of the vote thereon by the governor, whichever is
10 later.

11 (2) The provisions of this act apply to activities related to
12 homeowner's insurance occurring on or after the effective date of this act.