

**STATE  
FISCAL IMPACT**

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<b>Drafting Number:</b> LLS 13-0290	<b>Date:</b> February 20, 2013
<b>Prime Sponsor(s):</b> Rep. Levy Sens. Kefalas; Nicholson	<b>Bill Status:</b> House Business, Labor, Economic and Workforce Development
	<b>Fiscal Analyst:</b> Clare Pramuk (303-866-2677)

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**TITLE:** CONCERNING ADDITIONAL PROTECTIONS FOR HOMEOWNER'S INSURANCE POLICYHOLDERS IN COLORADO, AND, IN CONNECTION THEREWITH, ENACTING THE "HOMEOWNER'S INSURANCE REFORM ACT OF 2013".

<b>Fiscal Impact Summary</b>	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
<b>State Revenue</b>		
<b>State Expenditures</b>	See State Expenditures section.	
<b>FTE Position Change</b>		
<b>Effective Date:</b> January 1, 2014, unless a referendum petition is filed.		
<b>Appropriation Summary for FY 2013-2014:</b> None required.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

The bill creates the "Homeowner's Insurance Reform Act of 2013" and makes a number of changes to the regulation of homeowner's insurance. It requires insurers to provide to homeowner's insurance policyholders a specific disclosure at least annually regarding policy limits, replacement value, and the importance of preparing an inventory of the contents of the home and outbuildings. Other changes require that:

- insurers include additional living expense (ALE) coverage of not less than 12 months with an option to purchase a total of 24 months of coverage;
- insurers offer extended replacement-cost coverage and law and ordinance coverage;
- the text of all homeowner's insurance documents must not exceed the tenth-grade reading level by January 1, 2015;
- insurers provide policyholders with updated replacement cost estimates every two years;
- insurers consider an estimate from a policyholder's licensed contractor or architect as the basis for establishing the replacement cost;
- at renewal, insurers provide written notification to policyholders describing changes in insurance policy language;
- insurers make an electronic or paper copy of the homeowner's insurance documents available within three business days of the policyholder's request;

- in the event of a total loss, insurers offer a minimum of 25 percent of the value of the contents coverage without requiring a written inventory;
- if a policyholder receives the depreciated value of contents, the insurer make available to the policyholder the methodology used for determining the depreciated value;
- an insurer allow a policyholder up to 180 days after a total loss claim to submit an inventory of lost of damaged property;
- an insurer allow a policyholder up to 180 days after the expiration of ALE to replace property and receive recoverable depreciation on that property; and
- insurance agents selling homeowner's insurance must complete at least three hours of continuing education in homeowner's insurance coverage every two years.

Finally, the bill makes void any provision in a homeowner's policy that requires the policyholder to sue the insurer in the case of any dispute within a shorter period of time than allowed for by the applicable statute of limitations.

### **State Expenditures**

In FY 2013-14 only, the Division of Insurance in the Department of Regulatory Agencies will see an increase in homeowner's insurance rate filings made in response to the changes that insurers are required to make to their policies. The division actuaries routinely review only a sample of homeowner's insurance rate filings, so an increase in filings does not affect the number of reviews. However, the new policy requirements from this bill will increase the amount of time required for each review by about 30 minutes. The division will also make minor rule changes to address the bill's continuing education requirements. The fiscal note assumes this increase can be addressed within existing appropriations.

### **Departments Contacted**

Law                      Regulatory Agencies