

HOUSE COMMITTEE OF REFERENCE REPORT

Chairman of Committee

March 12, 2013
Date

Committee on Business, Labor, Economic, & Workforce Development.

After consideration on the merits, the Committee recommends the following:

HB13-1225 be amended as follows, and as so amended, be referred to the Committee of the Whole with favorable recommendation:

1 Amend printed bill, strike everything below the enacting clause and
2 substitute:

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

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

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

12 (a) "ADDITIONAL LIVING EXPENSE COVERAGE" OR "ALE" COVERS
13 INCREASED LIVING EXPENSES DURING THE TIME REQUIRED TO REPAIR OR
14 REPLACE DAMAGE TO THE POLICYHOLDER'S DWELLING UNIT FOLLOWING
15 AN INSURED LOSS OR, IF THE POLICYHOLDER PERMANENTLY RELOCATES,
16 THE TIME REQUIRED TO MOVE THE POLICYHOLDER'S HOUSEHOLD TO A NEW
17 LOCATION.

18 (a) (b) "Claim" includes a demand for payment of a benefit by the
19 insured, the payment of a covered benefit by an insurer, a loss reserve
20 established by the insurer, a loss adjustment expense incurred by the
21 insurer, or a payment made to the insured.

22 (c) "DWELLING" MEANS A SINGLE-FAMILY HOME, OTHER THAN A
23 MOBILE HOME, CONDOMINIUM, OR MANUFACTURED HOME, THAT IS USED

1 AS A PRIMARY RESIDENCE BY THE OWNER OF THE DWELLING.
2 (d) "EXTENDED REPLACEMENT COST COVERAGE" PAYS A
3 DESIGNATED AMOUNT ABOVE THE POLICY LIMIT TO REPLACE A DAMAGED
4 STRUCTURE IF NECESSARY UNDER CURRENT BUILDING CONDITIONS.
5 (b) (e) "Inquiry" means a request for information regarding the
6 terms, conditions, or coverages afforded under an insurance contract.
7 (f) "LAW AND ORDINANCE COVERAGE" MEANS COVERAGE FOR
8 INCREASED COSTS OF DEMOLITION, CONSTRUCTION, RENOVATION, OR
9 REPAIR ASSOCIATED WITH THE ENFORCEMENT OF BUILDING ORDINANCES
10 AND LAWS.
11 (g) "RECOVERABLE DEPRECIATION" MEANS THE DIFFERENCE
12 BETWEEN THE COST TO REPLACE INSURED PROPERTY AND THE ACTUAL
13 CASH VALUE OF THE PROPERTY.
14 (6) (a) BEFORE ISSUANCE OR RENEWAL OF A REPLACEMENT-COST
15 HOMEOWNER'S INSURANCE POLICY WHOSE DWELLING LIMIT IS EQUAL TO
16 OR GREATER THAN THE ESTIMATED REPLACEMENT COST OF THE
17 RESIDENCE, THE INSURER SHALL MAKE AVAILABLE TO AN APPLICANT THE
18 OPPORTUNITY TO OBTAIN EXTENDED REPLACEMENT-COST COVERAGE AND
19 LAW AND ORDINANCE COVERAGE. AT A MINIMUM, THE INSURER SHALL
20 MAKE AVAILABLE LAW AND ORDINANCE COVERAGE IN AN AMOUNT OF
21 INSURANCE EQUAL TO TEN PERCENT OF THE LIMIT OF THE INSURANCE FOR
22 THE DWELLING AND EXTENDED REPLACEMENT-COST COVERAGE IN AN
23 AMOUNT OF INSURANCE THAT IS AT LEAST TWENTY PERCENT OF THE LIMIT
24 OF THE INSURANCE FOR THE DWELLING. INFORMATION PROVIDED MUST BE
25 ACCOMPANIED BY AN EXPLANATION OF THE PURPOSE, TERMS, AND COST
26 OF THESE COVERAGES. THIS PARAGRAPH (a) DOES NOT APPLY TO ANY
27 HOMEOWNER'S INSURANCE POLICY THAT ALREADY INCLUDES EXTENDED
28 REPLACEMENT-COST COVERAGE AND LAW AND ORDINANCE COVERAGE IN
29 AMOUNTS GREATER THAN OR EQUAL TO THE AMOUNTS SPECIFIED IN THIS
30 PARAGRAPH (a).
31 (b) ALL HOMEOWNER'S INSURANCE REPLACEMENT COST POLICIES
32 FOR A DWELLING MUST INCLUDE ADDITIONAL LIVING EXPENSE COVERAGE.
33 THIS COVERAGE MUST BE AVAILABLE FOR A PERIOD OF AT LEAST TWELVE
34 MONTHS AND IS SUBJECT TO OTHER POLICY PROVISIONS. INSURERS SHALL
35 OFFER POLICYHOLDERS THE OPPORTUNITY TO PURCHASE A TOTAL OF
36 TWENTY-FOUR MONTHS OF ALE COVERAGE AND GIVE AN APPLICANT AN
37 EXPLANATION OF THE PURPOSE, TERMS, AND COST OF THIS COVERAGE.
38 THIS PARAGRAPH (b) DOES NOT APPLY TO ANY HOMEOWNER'S INSURANCE
39 POLICY THAT ALREADY INCLUDES AT LEAST TWENTY-FOUR MONTHS OF
40 ALE COVERAGE AS A STANDARD PROVISION.
41 (7) (a) THE TEXT OF ALL ENDORSEMENTS, SUMMARY DISCLOSURE

1 FORMS, AND HOMEOWNER'S INSURANCE POLICES FOR A DWELLING MUST
2 NOT EXCEED THE TENTH-GRADE READING LEVEL, AS MEASURED BY THE
3 FLESCH-KINCAID GRADE LEVEL FORMULA, OR MUST NOT SCORE LESS THAN
4 FIFTY AS MEASURED BY THE FLESCH READING EASE FORMULA. INSURERS
5 SHALL REVISE ALL HOMEOWNER'S INSURANCE POLICIES FOR A DWELLING
6 ISSUED OR RENEWED IN COLORADO ON OR AFTER JANUARY 1, 2015, TO
7 COMPLY WITH THIS SUBSECTION (7). THEREAFTER, ALL HOMEOWNER'S
8 INSURANCE POLICIES FOR A DWELLING MUST COMPLY WITH THIS
9 SUBSECTION (7).

10 (b) FOR THE PURPOSES OF THIS SUBSECTION (7):

11 (I) A CONTRACTION, HYPHENATED WORD, OR NUMBERS AND
12 LETTERS, WHEN SEPARATED BY SPACES, COUNT AS ONE WORD;

13 (II) A UNIT OF WORDS ENDING WITH A PERIOD, SEMICOLON, OR
14 COLON, BUT EXCLUDING HEADINGS AND CAPTIONS, COUNT AS A SENTENCE;
15 AND

16 (III) A SYLLABLE MEANS A UNIT OF SPOKEN LANGUAGE
17 CONSISTING OF ONE OR MORE LETTERS OF A WORD AS DIVIDED BY AN
18 ACCEPTED DICTIONARY. IF THE DICTIONARY SHOWS TWO OR MORE
19 EQUALLY ACCEPTABLE PRONUNCIATIONS OF A WORD, A PRONUNCIATION
20 CONTAINING FEWER SYLLABLES MAY BE USED.

21 (IV) "TEXT" INCLUDES ALL PRINTED MATTER EXCEPT THE
22 FOLLOWING:

23 (A) THE NAME AND ADDRESS OF THE INSURER; THE NAME,
24 NUMBER, OR TITLE OF THE POLICY; THE TABLE OF CONTENTS OR INDEX;
25 CAPTIONS AND SUBCAPTIONS; AND SPECIFICATION PAGES, SCHEDULES, OR
26 TABLES; AND

27 (B) ANY POLICY LANGUAGE THAT IS DRAFTED TO CONFORM TO THE
28 REQUIREMENTS OF A FEDERAL LAW OR REGULATION; ANY POLICY
29 LANGUAGE REQUIRED BY A COLLECTIVELY BARGAINED AGREEMENT; ANY
30 MEDICAL TERMINOLOGY; ANY WORDS THAT ARE DEFINED IN THE POLICY;
31 AND ANY POLICY LANGUAGE REQUIRED BY LAW OR REGULATION IF THE
32 INSURER IDENTIFIES THE LANGUAGE OR TERMINOLOGY EXCEPTED AND
33 CERTIFIES IN WRITING THAT THE LANGUAGE OR TERMINOLOGY IS ENTITLED
34 TO BE EXCEPTED.

35 (8) THE INSURER MUST CONSIDER, SUBJECT TO THE INSURER'S
36 UNDERWRITING REQUIREMENTS, AN ESTIMATE FROM A LICENSED
37 CONTRACTOR OR LICENSED ARCHITECT SUBMITTED BY THE POLICYHOLDER
38 AS THE BASIS FOR ESTABLISHING THE REPLACEMENT COST OF A DWELLING.

39 (9) AT RENEWAL OF A HOMEOWNER'S INSURANCE POLICY FOR A
40 DWELLING, THE INSURER SHALL PROVIDE WRITTEN NOTIFICATION TO THE
41 POLICYHOLDER DESCRIBING CHANGES IN INSURANCE POLICY LANGUAGE

1 THAT ARE APPLICABLE TO THAT RENEWAL PERIOD.

2 (10) EVERY HOMEOWNER'S INSURANCE CARRIER SHALL MAKE
3 AVAILABLE TO A POLICYHOLDER AN ELECTRONIC OR PAPER COPY OF THE
4 POLICYHOLDER'S INSURANCE POLICY, INCLUDING THE DECLARATION PAGE
5 AND ANY ENDORSEMENTS, WITHIN THREE BUSINESS DAYS AFTER A
6 REQUEST FROM THE POLICYHOLDER. THE POLICYHOLDER SHALL
7 DETERMINE THE METHOD OF DELIVERY.

8 (11) (a) IN THE EVENT OF A TOTAL LOSS OF THE CONTENTS OF A
9 DWELLING THAT WAS FURNISHED AT THE TIME OF LOSS, THE INSURER
10 SHALL OFFER THE POLICYHOLDER A MINIMUM OF THIRTY PERCENT OF THE
11 VALUE OF THE CONTENTS COVERAGE REFLECTED IN THE DECLARATION
12 PAGE OF THE HOMEOWNER'S POLICY WITHOUT REQUIRING SUBMITTAL OF
13 A WRITTEN INVENTORY OF THE CONTENTS. IN ORDER TO RECEIVE UP TO
14 THE FULL VALUE OF THE CONTENTS COVERAGE, THE POLICYHOLDER MAY
15 ACCEPT THE OFFER UNDER THIS PARAGRAPH (a) AND SUBMIT A WRITTEN
16 INVENTORY AS REQUIRED BY THE INSURER.

17 (b) IF THE POLICYHOLDER RECEIVES THE DEPRECIATED VALUE OF
18 CONTENTS INSURED UNDER A POLICY, THE INSURER MUST MAKE
19 AVAILABLE TO THE INSURED THE METHODOLOGY USED FOR DETERMINING
20 THE DEPRECIATED VALUE OF THE INSURED CONTENTS.

21 (c) (I) (A) EXCEPT AS SPECIFIED IN SUB-SUBPARAGRAPH (B) OF THIS
22 SUBPARAGRAPH (I), AN INSURER SHALL ALLOW THE POLICYHOLDER AT
23 LEAST ONE HUNDRED EIGHTY DAYS AFTER A TOTAL LOSS CLAIM TO SUBMIT
24 AN INVENTORY OF LOST OR DAMAGED PROPERTY.

25 (B) IN THE EVENT OF A DISASTER AS DECLARED BY THE GOVERNOR
26 THAT RESULTS IN THE TOTAL LOSS OF MULTIPLE DWELLINGS, THE PERIOD
27 SPECIFIED IN SUB-SUBPARAGRAPH (A) OF THIS SUBPARAGRAPH (I) IS
28 INCREASED TO TWO HUNDRED SEVENTY DAYS.

29 (II) AN INSURER SHALL ALLOW THE POLICYHOLDER AT LEAST ONE
30 HUNDRED EIGHTY DAYS AFTER EXPIRATION OF ALE TO REPLACE
31 PROPERTY AND RECEIVE RECOVERABLE DEPRECIATION ON THAT
32 PROPERTY.

33 (12) (a) NOTWITHSTANDING ANY PROVISION OF A HOMEOWNER'S
34 INSURANCE POLICY FOR A DWELLING THAT REQUIRES THE POLICYHOLDER
35 TO FILE SUIT AGAINST THE INSURER, IN THE CASE OF ANY DISPUTE, WITHIN
36 A PERIOD OF TIME THAT IS SHORTER THAN REQUIRED BY THE APPLICABLE
37 STATUTE OF LIMITATIONS PROVIDED BY LAW, A HOMEOWNER MAY FILE
38 SUCH A SUIT WITHIN THE PERIOD OF TIME ALLOWED BY THE APPLICABLE
39 STATUTE OF LIMITATIONS; EXCEPT THAT THIS PARAGRAPH (a):

40 (I) DOES NOT REVIVE A CAUSE OF ACTION THAT, AS OF THE
41 EFFECTIVE DATE OF THIS SUBSECTION (12), HAS ALREADY BEEN BARRED

1 BY CONTRACT; AND

2 (II) APPLIES ONLY TO A CAUSE OF ACTION THAT, AS OF THE
3 EFFECTIVE DATE OF THIS SUBSECTION (12), HAS NOT BEEN BARRED BY
4 CONTRACT.

5 (b) ON AND AFTER JANUARY 1, 2014, AN INSURER SHALL NOT
6 ISSUE OR RENEW A HOMEOWNER'S INSURANCE POLICY FOR A DWELLING
7 THAT REQUIRES THE POLICYHOLDER TO FILE SUIT AGAINST THE INSURER,
8 IN THE CASE OF ANY DISPUTE, WITHIN A PERIOD OF TIME THAT IS SHORTER
9 THAN REQUIRED BY THE APPLICABLE STATUTE OF LIMITATIONS PROVIDED
10 BY LAW.

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

13 **10-4-111. Summary disclosure forms required.** (3) Every
14 insurer or its designated agent shall furnish the required disclosure form
15 to:

16 (a) Applicants for insurance coverage at the time of the initial
17 insurance purchase;

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

22 (c) HOMEOWNER'S INSURANCE POLICYHOLDERS AT LEAST
23 ANNUALLY.

24 (3.5) FOR REPLACEMENT-COST HOMEOWNER'S INSURANCE POLICIES
25 ISSUED OR RENEWED ON OR AFTER JANUARY 1, 2015, THE SUMMARY
26 DISCLOSURE FORM MUST INCLUDE THE FOLLOWING CLEAR AND
27 CONSPICUOUS STATEMENT, EXCEPT AS MODIFIED BY THE COMMISSIONER
28 BY A RULE PROMULGATED ON OR AFTER JANUARY 1, 2015:

29 THE POLICY LIMIT ON THE DECLARATION PAGE
30 REFLECTS THE INSURER'S ESTIMATE OF THE COST TO
31 REPLACE THE COVERED STRUCTURES. THERE IS NO
32 GUARANTEE IT WILL BE SUFFICIENT TO REBUILD YOUR
33 HOME. YOU, AS THE POLICYHOLDER, ARE SOLELY
34 RESPONSIBLE FOR DETERMINING WHETHER THE POLICY
35 LIMIT, TOGETHER WITH THE OTHER TERMS OF THE POLICY,
36 PROVIDES SUFFICIENT COVERAGE TO BOTH: (1) REBUILD THE
37 COVERED STRUCTURES IN ACCORDANCE WITH CURRENT
38 BUILDING CODES; AND (2) COMPLY WITH ANY APPLICABLE
39 MINIMUM COVERAGES SPECIFIED IN YOUR HOME MORTGAGE.

40 DO NOT CONFUSE MARKET VALUE OR APPRAISED
41 VALUE WITH THE COST TO REPLACE THE COVERED

1 STRUCTURES BY REBUILDING. REPLACEMENT COST MAY
2 EXCEED THE MARKET VALUE. YOU ARE RESPONSIBLE FOR
3 ASSESSING IMPROVEMENTS TO YOUR HOME AND NOTIFYING
4 THE AGENT OR COMPANY IN ORDER TO UPDATE THE
5 COVERAGE AMOUNT.

6 YOU MAY PURCHASE ADDITIONAL COVERAGE WITH
7 APPROPRIATE DOCUMENTATION.

8 WE STRONGLY ENCOURAGE YOU TO PREPARE AN
9 INVENTORY OF THE CONTENTS OF THE HOME AND
10 OUTBUILDINGS, AND UPDATE IT REGULARLY. IT IS
11 ADVISABLE TO STORE THE INVENTORY OFF-SITE OF THE
12 INSURED PROPERTY. VIDEOTAPING OR PHOTOGRAPHING IS
13 THE MOST RELIABLE WAY TO ASSURE ADEQUATE RECOVERY.

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

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

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

6 **SECTION 5. Effective date.** This act takes effect January 1,
7 2014; except that section 10-4-110.8 (12), Colorado Revised Statutes, as
8 enacted in section 2 of this act, takes effect upon passage.

9 **SECTION 6. Safety clause.** The general assembly hereby finds,
10 determines, and declares that this act is necessary for the immediate
11 preservation of the public peace, health, and safety."

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