

Colorado Legislative Council Staff Fiscal Note
STATE
REVISED FISCAL IMPACT
(replaces fiscal note dated February 20, 2013)

Drafting Number: LLS 13-0290 **Date:** March 14, 2013
Prime Sponsor(s): Rep. Levy **Bill Status:** House Second Reading
 Sen. Kefalas; Nicholson **Fiscal Analyst:** Clare Pramuk (303-866-2677)

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

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures	See State Expenditures section.	
FTE Position Change		
Effective Date: January 1, 2014, unless a referendum petition is filed.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: 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 primarily for single-family homes used as a primary residence by the owner. 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 make available 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 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 of a furnished dwelling, insurers offer a minimum of 30 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 or damaged property, or in the event of a disaster, up to 270 days;
- an insurer allow a policyholder up to 180 days after the expiration of ALE to replace property and receive recoverable depreciation on that property;
- insurance agents selling homeowner's insurance must complete at least three hours of continuing education in homeowner's insurance coverage every two years; and
- at least annually, insurers provide policyholders with a specific disclosure form that clarifies that the policyholder is responsible for the adequacy of his or her replacement cost coverage and for maintaining a home contents inventory.

Finally, on or after January 1, 2014, 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 Commissioner of Insurance will also make minor rule changes to address the bill's continuing education and summary disclosure form requirements. The rule regarding the summary disclosure form may be promulgated by the commissioner on or after January 1, 2015. The fiscal note assumes this workload increase can be addressed within existing appropriations.

Departments Contacted

Law Regulatory Agencies