



Colorado Division of Insurance

## **Consumer Insurance Council**

### **MINUTES**

August 1, 2012  
9:00 – 11:30 a.m.

#### **Call to Order**

Chair Jean Nofles called the Council to order at 9:10 a.m.

#### **Members Present**

Jean Nofles Chris Crigler, Christy Blakely, Dede DePercin, John Riedel, Kelly Stahlman, Catherine Strode, Flora Russel, Garry Wolfe

#### Members Absent

Deanna Ames  
Linda Romer Todd

#### Division Staff

Deputy Commissioner Peg Brown, Commissioner Jim Riesberg, External Affairs Director Jo Donlin

#### **Approval of the Minutes**

Garry Wolff asked that the April 25 Minutes be amended to show that the initial outlay for setting up a title agency is \$10,000 instead of the \$5,000 as presented. John Riedel moved for approval of the Minutes of the Council's April 25, 2012 meeting with the correction. Dede DePercin seconded the motion and the motion was approved by acclamation.

#### **Presentation on National Flood Insurance Program**

Erin May of the National Flood Insurance Program (NFIP) and Norm Ashford of the Federal Emergency Management Agency (FEMA) discussed the potential for flooding in Colorado as a result of the wildfires. Mr. Ashford reviewed the impact of wildfires on soil, and that wildfires increase the risk of flood events. The NFIP was recently reauthorized and included an option for the waiver of the 30 day waiting period for flood insurance to take effect. This option for the waiver was exercised for the Larimer and El Paso County communities that suffered the wildfires. To exercise the waiver, three conditions must exist: The burn must have involved federal land, the policy is purchased within 60 days of the fire containment date, and the waters causing the flooding originate or came off of the federal land.

FEMA and the NFIP are reaching out to these communities to make them aware of the flood risk following wildfires. The NFIP uses the Flood Insurance Rate Map (FIRM) to educate and inform

consumers. The intent of this educational effort is that communities will cooperate with the NFIP to create a flood map and proactive plan that addresses the possibility of a flood following a wildfire. Communities would utilize their planning permit process to direct construction to occur outside of projected flood planning areas to reduce structure losses when flooding occurs. Flood zone maps identify flood zones by risk category, and indicate whether there may be a requirement imposed by a lender to purchase flood coverage.

One frequently asked question is whether or not there is a need for flood insurance if a property owner already has homeowner/property insurance. The answer is that anyone, in a participating community, can purchase flood insurance. A participating community is one that agrees to work with the NFIP to manage potential floods and through community zoning and permitting. Most communities participate in the flood insurance program; only 4 -7% of communities in the United States do not.

Flood maps create 5 zones – A, B, C, X, and D. Zone A has the highest risk. Most people can obtain preferred risk policies which are a low cost option covering \$250,000 in structure and \$100,000 in personal property for about \$405 annually. Much more information is available on the NFIP's website: [www.floodsmart.gov](http://www.floodsmart.gov).

### **Panel of Victims of Wildfires**

Carol Lynn Lucas, a victim of the Waldo Canyon wildfire, was introduced by Council member Catherine Strode. Ms. Lucas lost her home in the fire, but was able to get 5 carloads of her property out before the mandatory evacuation was imposed. She described the devastation of losing her home and possessions, and the ongoing significant emotional impact. Ms. Lucas discussed issues with the timing of the evacuation, noting that they received very little notice and that problems with information about what support is available are ongoing. Ms. Lucas felt that the community effort, [www.ColoradoSpringsTogether.org](http://www.ColoradoSpringsTogether.org), was not helpful. She noted that access to a computer might not be available and that the communications efforts to provide information to victims needs to be better structured, e.g. send by mail to victims at affected addresses where mail is held for them to pick up or can be forwarded.

Ms. Lucas' insurance experience has been fairly good, while her neighbor, whose home was not destroyed but suffered smoke damage, has had a more difficult time. She and her neighbor have the same insurance company but different adjusters. Ms. Lucas had separate adjusters for the structure and contents, but was ultimately able to have the structure adjuster assist her with her contents claims. In her experience, the people whose homes were not destroyed are having the most difficulty with insurance claims.

A significant stress for Ms. Lucas and others involves accounting for everything they owned. Her company would provide her with a percentage payout on contents without itemization. To get full coverage, the company requires itemization and she has found that they are depreciating items down to 20% of current cost. She gave compelling testimony and advice about the importance of cataloging and videotaping belongings prior to a disaster.

Ms. Lucas' suggestions for the Council:

- Recommend victims ask for a copy of their policy;
- Request DOI to host a panel of victims to discuss insurance claims process, challenges and barriers to recovery, etc.;

- Establish a central location – while a Disaster Recovery Center was established, not everyone went there;
- Create an e-mail list. Send mail via US Postal Service for outreach to victims as it can be held for pickup or be forwarded to ensure it gets into their hands;
- Create a generic content list to assist people in itemizing their belongings on a room by room basis;
- Videotape the home's contents; and
- Review homeowners' insurance annually with agent, ask questions, and update to include home improvements and updated building codes. Ms. Lucas suggested that an annual update be required to be sent by insurance companies.

### **Division Efforts on Wildfires and Homeowners' Insurance Disclosure Forms**

Bobbie Baca, P&C Consumer Affairs, reported that the Division staffed the disaster recovery centers in the communities during the two major fires. The DOI developed and distributed Natural Disaster Insurance Recovery kits at the recovery centers and will be developing additional materials for inclusion in the kits. The DOI has received eight complaints as a result of the Waldo Canyon fire and three as a result of the High Park fire. Most of the complaints were about smoke damage, and not total losses. Between the two recovery centers, the DOI has had 161 total face-to-face contacts to date.

A question was asked about public adjusters. Ms. Baca explained that public adjusters are insurance adjusters who work on a fee basis on behalf of the insured. Public adjusters are hired by the homeowner to assist and coordinate the claim process and their fee is usually a percentage of the claim amount. Homeowners should ask if the adjuster is licensed, and if their business is based in Colorado. After any natural disaster, public adjusters come in from out of state, and some are legitimate but others are not. It is important that if a homeowner decides to use a public adjuster that they make sure the adjuster is legitimate.

Ms. Baca also reported on the recommendations of the task force that is updating the homeowners' policy disclosure document. She stressed the importance of updating homeowners insurance regularly and in understanding the policy. The DOI is considering creating a homeowners' insurance buyers guide.

### **Health Care Reform**

Commissioner Riesberg displayed his Colorado socks, reminding the Council that it was Colorado Day.

The Commissioner then reported that Senate Bill 200 allowed for the creation of an Insurance Exchange. Colorado is applying for a second Level One grant of \$43 million from the federal government for the Exchange. The vast majority of the grant is for technology to operate the Exchange and only about five percent is for personnel. The grant must be submitted by October 15. By 2015, the Exchange must be self-supporting.

The state must select an Essential Health Benefits package (EHB). To participate in the Exchange, plans must provide the essential benefits package. Under the federal health care reform law, plans must cover services in ten categories. To choose the EHB, states can select one from a total of 10 existing plans – the three largest small group plans in the state, the largest HMO plan in the state, the three largest state employee plans, or the three largest federal employee plans. Colorado has posted a chart listing the benefits under the nine plans (Colorado only has two qualifying state

employee plans), held a webinar introducing the process and issues and two town hall meetings. Public comments on the options will be accepted until Sunday, August 5. Colorado's selection of a benchmark EHB plan is due to the federal government by September 30. The pre-enrollment period for plans on the Exchange is October 2013.

A meeting hosted by the US Department of Health and Human Services about the Exchange and other health care reform topics will be held on August 22<sup>nd</sup> from 9 a.m. to 4 p.m. at the Denver University Auditorium. Only eight to ten states are doing a state-based Exchange like Colorado. The other states will have a federal Exchange. State Divisions/Departments of Insurance will regulate insurance both in and outside the Exchange. More information is available on the DOI website or at [www.askdora.gov](http://www.askdora.gov).

External Affairs Director Jo Donlin said that DORA has hired a communications firm to develop a communications plan for the DOI. She hopes to have the firm present at a future Council meeting.

Ms. Donlin and the Commissioner told the Council that the Division's legislative proposals have to be submitted to DORA by August 24. The Division is anticipating submitting six ideas for bills. All of the DORA Division Directors (and the Commissioner) will meet to identify DORA's priorities, as each Department can only run five bills.

The Commissioner and Ms. Donlin will be at Jefferson County Safety Day on August 25 at the Jefferson County Fairgrounds.

### **Other Items of Discussion**

Letters advising consumers of rebates on health insurance premiums are slated to go out beginning August 1. The rebate process is set in federal law and is the responsibility of the US Department of Health and Human Services to administer.

Council member Garry Wolff handed out a report on title insurance regulation which rates states on a 6 to 1 scale (6 is high) with Colorado being rated as a 2.

### **Adjournment**

The Council adjourned at 11:30 a.m.

The next meeting of the Council will be September 19 from 9 to 11:30 a.m. and suggested topics for the meeting include: One Colorado, NAIC Summer meeting, DORA/DOI Communication Plan/Council Outreach.