

Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 26-0777.01 Brita Darling x2241

HOUSE BILL 26-1247

HOUSE SPONSORSHIP

Keltie,

SENATE SPONSORSHIP

(None),

House Committees
Business Affairs & Labor

Senate Committees

A BILL FOR AN ACT

101 CONCERNING PROCEDURES REQUIRED FOR THE RESOLUTION OF
102 DISPUTED HOMEOWNER'S INSURANCE CLAIMS.

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://leg.colorado.gov>.)

The bill requires each policy or contract of homeowner's insurance (policy) issued or renewed in the state on or after January 1, 2027, to include a mandatory and binding appraisal process, if requested by either the insured or the insurer, for determination of disputed claims for damage to property, including a determination of the amount of loss, causation, and necessary scope of repair or replacement of the property.

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

The appraisal process does not determine coverage under the terms of the policy.

The bill specifies the appraisal process requirements, including who can serve as a fair and competent appraiser and umpire, the selection of an appraiser by each party, and the joint selection of an umpire by the parties' appraisers, prior to commencing negotiations, in the event the insured and insurer cannot resolve the dispute. The affirmative vote of the appraisers or of an appraiser and the umpire determines the loss amount. The insured and insurer each pay their own expenses for their appraiser and share the expenses of the umpire. The bill includes a timeline for completing the appraisal process, including completion within 4 months after the umpire is selected. The bill tolls the timelines for certain contract provisions while the appraisal process is pending.

The bill also specifies information that must be provided to an insured with respect to an insurer's initial review of a claim. An insurer shall provide written evidence supporting an initial coverage determination. If the amount of loss is disputed, the insured may submit third-party damage assessments and the insurer shall reprocess the claim, taking into account the third-party damage assessments.

The bill declares that it is an unfair method of competition and unfair or deceptive act or practice in the business of insurance to willfully or repeatedly violate the provisions of the bill concerning the appraisal clause process for policies.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 10-3-1104, **add**
3 (1)(uu) as follows:

4 **10-3-1104. Unfair methods of competition - unfair or deceptive**
5 **practices - rules - definitions.**

6 (1) The following are defined as unfair methods of competition
7 and unfair or deceptive acts or practices in the business of insurance:

8 (uu) A WILLFUL OR REPEATED VIOLATION OF SECTION 10-4-125
9 CONCERNING THE APPRAISAL CLAUSE PROCESS FOR HOMEOWNER'S
10 INSURANCE POLICIES OR CONTRACTS.

11 **SECTION 2.** In Colorado Revised Statutes, **add** 10-4-125 as
12 follows:

1 **10-4-125. Homeowner's insurance - dispute of claims - damage**
2 **validation through third-party assessment - appraisal process in**
3 **policies and contracts - definitions.**

4 (1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
5 REQUIRES:

6 (a) "APPRAISER" MEANS AN INDIVIDUAL WHO IS:

7 (I) LICENSED IN THE STATE AS:

8 (A) A CONTRACTOR IN THE BUILDING AND CONSTRUCTION TRADES;

9 (B) AN INSPECTOR;

10 (C) A PUBLIC ADJUSTER; OR

11 (D) AN ATTORNEY;

12 (II) AN IN-HOUSE INSURANCE COMPANY ADJUSTER; OR

13 (III) AN INDEPENDENT INSURANCE ADJUSTER.

14 (b) "COVERED PROPERTY" MEANS A NAMED PROPERTY UNDER A
15 POLICY OR CONTRACT OF HOMEOWNER'S INSURANCE.

16 (c) "FAIR AND COMPETENT" MEANS AN APPRAISER OR UMPIRE:

17 (I) IS NOT A PARTY TO THE INSURANCE POLICY OR CONTRACT;

18 (II) DOES NOT HAVE A FINANCIAL INTEREST THAT IS CONDITIONED
19 UPON THE OUTCOME OF THE APPRAISAL;

20 (III) IS NOT A CURRENT EMPLOYEE OF THE INSURED OR INSURER;

21 AND

22 (IV) IS NOT A FAMILY MEMBER OR AN INDIVIDUAL WITH WHOM THE
23 INSURED HAS A PERSONAL RELATIONSHIP THAT COULD REASONABLY
24 SUGGEST BIAS.

25 (d) "HOMEOWNER'S INSURANCE" HAS THE MEANING SET FORTH IN
26 SECTION 10-4-101.5 AND INCLUDES A POLICY OR CONTRACT THAT COVERS
27 A SINGLE-FAMILY HOME THAT IS USED AS A PRIMARY RESIDENCE, A

1 SECONDARY RESIDENCE, OR A RENTAL PROPERTY.

2 (e) "INSURED" MEANS A HOMEOWNER'S INSURANCE POLICYHOLDER
3 OR THEIR DESIGNATED REPRESENTATIVE.

4 (f) "INSURER" MEANS AN INSURER OF A POLICY OR CONTRACT OF
5 HOMEOWNER'S INSURANCE ON THE COVERED PROPERTY AND INCLUDES
6 THE FAIR PLAN ASSOCIATION CREATED IN SECTION 10-4-1804.

7 (g) "THIRD-PARTY DAMAGE ASSESSMENT" MEANS A WRITTEN
8 DAMAGE ASSESSMENT OR REPAIR ESTIMATE FROM A QUALIFIED,
9 INDEPENDENT COMPANY OF AN INSURED'S CHOICE.

10 (h) "UMPIRE" MEANS AN APPRAISER OR RETIRED JUDGE SELECTED
11 JOINTLY BY AN INSURED'S APPRAISER AND AN INSURER'S APPRAISER, OR BY
12 A COURT OF COMPETENT JURISDICTION, AFTER AN APPRAISAL CLAUSE IS
13 INVOKED.

14 (2) (a) WITHIN FOURTEEN DAYS AFTER AN INSURER HAS
15 INVESTIGATED A CLAIM AND MADE AN INITIAL COVERAGE
16 DETERMINATION, THE INSURER SHALL PROVIDE TO THE INSURED, IN
17 WRITING, EVIDENCE SUPPORTING THE INITIAL COVERAGE DETERMINATION,
18 INCLUDING POLICY OR CONTRACT PROVISIONS RELIED UPON BY THE
19 INSURER, AND ADJUSTER OR CONSULTANT REPORTS PROCURED DURING
20 THE INVESTIGATION.

21 (b) IF AN INSURED DISPUTES THE INSURER'S INITIAL COVERAGE
22 DETERMINATION, THE INSURED MAY SUBMIT THIRD-PARTY DAMAGE
23 ASSESSMENTS. UPON RECEIPT OF AN INSURED'S THIRD-PARTY DAMAGE
24 ASSESSMENT, THE INSURER SHALL CONSIDER THE INFORMATION PROVIDED
25 IN THE DAMAGE ASSESSMENT IN GOOD FAITH AND CONDUCT AN ON-SITE
26 REINSPECTION OF THE PROPERTY WITHIN FORTY-FIVE DAYS AFTER RECEIPT
27 OF THE THIRD-PARTY DAMAGE ASSESSMENT.

1 (c) WITHIN TWENTY-EIGHT DAYS AFTER A REINSPECTION OF THE
2 PROPERTY REQUIRED PURSUANT TO SUBSECTION (2)(b) OF THIS SECTION
3 IS COMPLETED, THE INSURER SHALL EITHER APPROVE THE CLAIM OR
4 PROVIDE VALID AND SPECIFIC REASONS FOR DENIAL OF THE CLAIM IN
5 REFERENCE TO THE POLICY OR CONTRACT.

6 (3) IF THERE IS A DISPUTE OVER THE AMOUNT OF LOSS, EITHER THE
7 INSURED OR THE INSURER MAY MAKE A WRITTEN REQUEST TO INVOKE THE
8 APPRAISAL CLAUSE OF THE POLICY OR CONTRACT, AS DESCRIBED IN
9 SUBSECTION (4) OF THIS SECTION.

10 (4) (a) EACH POLICY OR CONTRACT OF HOMEOWNER'S INSURANCE
11 ISSUED OR RENEWED IN THE STATE ON OR AFTER JANUARY 1, 2027, MUST
12 INCLUDE A CLAUSE AUTHORIZING AN INSURER OR INSURED TO INVOKE A
13 MANDATORY AND BINDING APPRAISAL PROCESS IN COMPLIANCE WITH THIS
14 SECTION TO SETTLE A DISPUTE OVER THE AMOUNT OF LOSS, CAUSATION,
15 OR NECESSARY SCOPE OF REPAIR OR REPLACEMENT OF PROPERTY. THE
16 APPRAISAL PROCESS DOES NOT DETERMINE COVERAGE UNDER THE TERMS
17 OF THE POLICY OR CONTRACT.

18 (b) THE APPRAISAL CLAUSE MUST INCLUDE THE FOLLOWING
19 PROVISIONS:

20 (I) THE RIGHT OF THE INSURED AND INSURER TO CHOOSE THEIR
21 OWN FAIR AND COMPETENT APPRAISER WITHIN TWENTY-ONE DAYS AFTER
22 RECEIPT OF THE WRITTEN REQUEST TO INVOKE THE APPRAISAL CLAUSE;

23 (II) THE JOINT SELECTION OF A FAIR AND COMPETENT UMPIRE BY
24 THE INSURED'S APPRAISER AND THE INSURER'S APPRAISER PRIOR TO THE
25 PARTIES' APPRAISERS COMMENCING DISCUSSION OR NEGOTIATIONS UNDER
26 THE APPRAISAL CLAUSE. IF THE INSURED'S APPRAISER AND THE INSURER'S
27 APPRAISER CANNOT AGREE TO THE SELECTION OF AN UMPIRE WITHIN

1 TWENTY-ONE DAYS, EITHER PARTY MAY PETITION A COURT OF COMPETENT
2 JURISDICTION IN THE JURISDICTION IN WHICH THE PROPERTY IS LOCATED
3 TO SELECT AN UMPIRE FROM AMONG THOSE PRESENTED BY THE INSURED'S
4 APPRAISER AND THE INSURER'S APPRAISER OR OF THE COURT'S OWN
5 CHOOSING.

6 (III) THE AMOUNT AGREED UPON IS THE AMOUNT OF LOSS. IF THE
7 APPRAISERS FAIL TO AGREE, THE DIFFERENCES BETWEEN THE APPRAISALS
8 MUST BE SUBMITTED TO THE UMPIRE. THE AFFIRMATIVE VOTE OF ANY TWO
9 OF THE THREE PARTICIPANTS IN THE APPRAISAL PROCESS WILL SET THE
10 AMOUNT OF LOSS. THE APPRAISAL PROCESS MUST BE RESOLVED BY THE
11 APPRAISERS, OR AN APPRAISER AND THE UMPIRE, WITHIN ONE HUNDRED
12 TWENTY DAYS AFTER THE SELECTION OF THE UMPIRE.

13 (IV) THE APPRAISAL PROCESS AND AUTHORITY GRANTED TO THE
14 APPRAISERS OR UMPIRE MAY BE EXPANDED OR MODIFIED ONLY BY
15 WRITTEN, MUTUAL CONSENT SIGNED BY BOTH THE INSURED AND INSURER;
16 AND

17 (V) WITH RESPECT TO PAYMENT FOR SERVICES AND EXPENSES
18 RELATING TO THE APPRAISAL PROCESS, EACH PARTY SHALL:

19 (A) PAY ITS OWN APPRAISER;

20 (B) PAY THE EXPENSES FOR ATTORNEYS OR CONSULTANTS
21 RETAINED BY THE PARTY; AND

22 (C) SHARE EQUALLY THE EXPENSES OF THE UMPIRE.

23 (5) UNTIL THE APPRAISAL PROCESS IS CONCLUDED, THE
24 FOLLOWING POLICY OR CONTRACT TIMELINES ARE TOLLED:

25 (a) THE RECOVERING OF APPLICABLE REPLACEMENT COST VALUE
26 BENEFITS, CODE COVERAGES, AND ADDITIONAL COVERAGES;

27 (b) THE TIME LIMIT WITHIN WHICH AN INSURED MAY BRING SUIT

1 AGAINST THE INSURER; AND

2 (c) THE TIME LIMIT WITHIN WHICH AN INSURED MUST MAKE THE
3 REPAIRS.

4 (6) (a) A HOMEOWNER'S INSURANCE POLICY OR CONTRACT,
5 INCLUDING ANY ENDORSEMENT, MUST NOT INCLUDE A PROVISION THAT
6 PROHIBITS AN INSURED FROM CONTRACTING WITH A PUBLIC ADJUSTER OR
7 ATTORNEY FOR SERVICES.

8 (b) AN INSURED IS NOT REQUIRED TO ENTER INTO A CONTRACT
9 DESCRIBED IN SUBSECTION (6)(a) OF THIS SECTION.

10 (7) A VIOLATION OF THIS SECTION CONSTITUTES AN UNFAIR
11 METHOD OF COMPETITION OR AN UNFAIR OR DECEPTIVE ACT OR PRACTICE
12 IN THE BUSINESS OF INSURANCE PURSUANT TO SECTION 10-3-1104 (1)(uu).

13 **SECTION 3. Act subject to petition - effective date -**
14 **applicability.** (1) This act takes effect January 1, 2027; except that, if a
15 referendum petition is filed pursuant to section 1 (3) of article V of the
16 state constitution against this act or an item, section, or part of this act
17 within the ninety-day period after final adjournment of the general
18 assembly, then the act, item, section, or part will not take effect unless
19 approved by the people at the general election to be held in November
20 2026 and, in such case, will take effect January 1, 2027, or on the date of
21 the official declaration of the vote thereon by the governor, whichever is
22 later.

23 (2) This act applies to policies or contracts of homeowner's
24 insurance issued or renewed on or after the applicable effective date of
25 this act.