



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1247: PROPERTY INSURANCE APPRAISAL CLAUSE CLAIM DISPUTES

Prime Sponsors:

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. Beginning January 1, 2027, this bill requires homeowner's insurance policies to include a clause authorizing an insurer or an insured to invoke a mandatory and binding appraisal process.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- Minimal State Revenue
- State Diversion

Appropriations. For FY 2026-27, the bill requires an appropriation of \$15,415 to the Department of Regulatory Agencies.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$21,136	\$31,705
Diverted Funds	\$21,136	\$31,705
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.3 FTE	0.3 FTE

Fund sources for these impacts are shown in the tables below.

**Table 1A
 State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$0
Cash Funds	\$15,415	\$23,123
Federal Funds	\$0	\$0
Centrally Appropriated	\$5,721	\$8,582
Total Expenditures	\$21,136	\$31,705
Total FTE	0.3 FTE	0.3 FTE

**Table 1B
 State Diversions**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	-\$21,136	-\$31,705
Cash Funds	\$21,136	\$31,705
Net Diversion	\$0	\$0

Summary of Legislation

Under current practice, most homeowner’s insurance policy contracts include an appraisal clause which may be used if the insured and the insurer dispute the amount of a loss. Beginning January 1, 2027, this bill requires all homeowner’s insurance policies to include a clause authorizing an insurer or an insured to invoke a mandatory and binding appraisal process to settle a dispute over the amount of loss, causation, or necessary scope of repair or replacement of property. The bill establishes the appraisal process requirements, eligible participants, timelines, and division of costs for the process. A willful or repeated violation of the appraisal clause by an insurance company is an unfair method of competition and unfair or deceptive trade practice in the business of insurance.

State Revenue

Beginning in FY 2028-29, the bill potentially increases state revenue from creation of a new deceptive trade practice and unfair method of competition in the business of insurance, as outlined below.

Civil Penalties

A person committing a deceptive trade practice in the business of insurance may be subject to a civil penalty of up to \$3,000 for each act, with potentially higher penalties for willful or repeat violations, up to a maximum annual penalty specified in statute. Given that insurers are assumed to comply with the requirements of the bill, and the wide range in potential penalty amounts in any cases that are pursued by the commissioner, the fiscal note cannot estimate the potential impact of these civil penalties. Penalty revenue is deposited into the General Fund and subject to TABOR.

Filing Fees

The bill may increase revenue to the Judicial Department from an increase in civil case filings to appeal deceptive trade practice actions taken by the Division of Insurance in the Department of Regulatory Agencies (DORA). Revenue from filing fees is subject to TABOR.

State Diversion

This bill diverts \$21,136 in FY 2027-28 and \$31,704 in FY 2028-29 and ongoing from the General Fund to the Division of Insurance Cash Fund. This revenue diversion occurs because the bill increases costs in the Division of Insurance (DOI) in DORA, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases state expenditures in DORA by \$21,136 in FY 2026-27 and \$31,704 in FY 2027-28 and future years. These costs, paid from the Division of Insurance Cash Fund, are summarized in Table 2 and discussed below.

Table 2
State Expenditures
Department of Regulatory Agencies

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$15,415	\$23,123
Centrally Appropriated Costs	\$5,721	\$8,582
Total Costs	\$21,136	\$31,705
Total FTE	0.3 FTE	0.3 FTE

Staff

DORA requires 0.3 FTE Rate Financial Analyst to handle additional complaints, which the bill is estimated to increase by 25 percent from insurance companies that fail to meet new timelines. Staff costs and FTE are prorated in FY 2026-27 to a January 1, 2027, start date.

The DOI will also review insurer rate and form filings to ensure that insurers are complying with the appraisal clause requirements of the bill. These reviews will minimally increase workload for the DOI and can be accomplished within existing appropriations.

Legal Services

DORA may require legal services, provided by the Department of Law, related to rulemaking, implementation, and a rise in complaints. This workload is expected to be minimal and no change in appropriations is required.

Other Agency Impacts

The trial courts in the Judicial Department may have an increase in workload to the extent cases are filed under the bill. It is assumed that insurers will comply with the law, and that any increased caseload will be minimal and addressed within existing resources.

The Office of Administrative Courts in the Department of Personnel and Administration may see an increase in workload if DORA initiates disciplinary action against licensees pursuant to this proposed legislation; however, it is assumed that any caseload growth can be accomplished within existing appropriations.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

Technical Note

The bill requires insurance companies to be compliant with new contract requirements beginning on January 1, 2027; however, the bill's effective date does not provide insurers and the Division of Insurance sufficient time to update and review rate and form filings prior to implementation.

Effective Date

The bill takes effect January 1, 2027, assuming no referendum petition is filed, and applies to policies or contracts of homeowner’s insurance issued or renewed on or after this date.

State Appropriations

For FY 2026-27, the bill requires an appropriation of \$15,415 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies, and 0.3 FTE.

State and Local Government Contacts

Judicial

Regulatory Agencies

Law

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).