HOUSE BILL 22-1111

A BILL FOR AN ACT

CONCERNING INSURANCE COVERAGE FOR INSURED LOSSES INCURRED AS A RESULT OF A DECLARED FIRE DISASTER, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

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 establishes new coverage requirements for property and casualty insurance policies issued or renewed in Colorado, which requirements apply in the event of a loss of a residence as a result of a declared fire disaster.

The bill also establishes new requirements for insurers who issue

Shading denotes HOUSE amendment.  Double underlining denotes SENATE amendment.  Capital letters or bold & italic numbers indicate new material to be added to existing statute.  Dashes through the words indicate deletions from existing statute.
or renew property and casualty insurance policies, which requirements concern an insurer's handling of policy claims after such a loss occurs.

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

SECTION 1. In Colorado Revised Statutes, 10-4-110.8, amend (3) introductory portion and (3)(g); and add (3)(h), (3)(i), (13), (14), and (15) as follows:

10-4-110.8. Homeowner's insurance - prohibited and required practices - estimates of replacement value - additional living expense coverage - copies of policies - personal property contents coverage - inventory of personal property - requirements concerning total loss scenarios resulting from wildfire disasters - definitions - rules. (3) For the purposes of AS USED in this section, unless the context otherwise requires:

(g) "Recoverable depreciation" means the difference between the cost to replace insured property and the actual cash value of the property. (I) "OWNER-OCUPIED RESIDENCE" MEANS A RESIDENCE THAT IS OCCUPIED PRIMARILY FOR THE USE OF THE OWNER AND THE OWNER'S DESIGNEES.

(II) "OWNER-OCUPIED RESIDENCE" INCLUDES, BUT IS NOT LIMITED TO, AN OWNER-OCUPIED PRIMARY RESIDENCE.

(III) "OWNER-OCUPIED RESIDENCE" DOES NOT INCLUDE ANY PROPERTY THAT IS INSURED UNDER A COMMERCIAL INSURANCE OR AGRIBUSINESS POLICY.

(h) "RECOVERABLE DEPRECIATION" MEANS THE DIFFERENCE BETWEEN THE COST TO REPLACE INSURED PROPERTY AND THE ACTUAL CASH VALUE OF THE PROPERTY.

(i) "WILDFIRE" MEANS A RAPIDLY SPREADNG FIRE THAT IS
DIFFICULT TO BRING UNDER CONTROL IN AN AREA THAT INCLUDES COMBUSTIBLE VEGETATION, SUCH AS TREES, GRASS, BRUSH, OR BUSHES, WHICH FIRE CAUSES WIDESPREAD OR SEVERE DAMAGE TO PROPERTY, REGARDLESS OF THE ORIGINAL SOURCE OF IGNITION OF THE FIRE.

(13) IN OFFERING, ISSUING, OR RENEWING A HOMEOWNERS INSURANCE POLICY IN THIS STATE, AN INSURER SHALL COMPLY WITH THE FOLLOWING MINIMUM REQUIREMENTS CONCERNING COVERAGE PROVIDED UNDER THE POLICY TO POLICYHOLDERS TO PROTECT THEM FROM DAMAGES THAT OCCUR IN THE EVENT OF A TOTAL LOSS OF AN OWNER-OCUPIED RESIDENCE, INCLUDING THE CONTENTS OF THE OWNER-OCUPIED RESIDENCE, WHICH LOSS OCCURS AS A RESULT OF A WILDFIRE DISASTER THAT THE GOVERNOR DECLARES PURSUANT TO SECTION 24-33.5-704:

(a) A POLICY OF HOMEOWNERS INSURANCE MAY NOT LIMIT OR DENY A PAYMENT OF THE BUILDING CODE UPGRADE COST OR A PAYMENT OF ANY EXTENDED REPLACEMENT COST AVAILABLE UNDER THE POLICY COVERAGE FOR A POLICYHOLDER'S STRUCTURE THAT WAS A TOTAL LOSS ON THE BASIS THAT THE POLICYHOLDER DECIDED TO REBUILD IN A NEW LOCATION OR TO PURCHASE AN EXISTING STRUCTURE IN A NEW LOCATION IF THE POLICY OTHERWISE COVERS THE REPLACEMENT COST OR BUILDING CODE UPGRADE COST; EXCEPT THAT THE MEASURE OF INDEMNITY MAY NOT EXCEED THE REPLACEMENT COST, INCLUDING THE UPGRADE COSTS AND EXTENDED REPLACEMENT COST FOR REPAIRING, REBUILDING, OR REPLACING THE STRUCTURE AT THE ORIGINAL LOCATION OF THE LOSS.

(b) IF A POLICY OF HOMEOWNERS INSURANCE REQUIRES A POLICYHOLDER TO REPAIR, REBUILD, OR REPLACE DAMAGED OR LOST PROPERTY IN ORDER TO COLLECT THE FULL REPLACEMENT COST FOR THE PROPERTY, THE INSURER, SUBJECT TO THE POLICY LIMITS, SHALL:
(I) Allow the policyholder at least twenty-four months to submit receipts and invoices for the replacement costs of the insured owner-occupied residence, which period begins on the date upon which the insurer provides the policyholder a reasonable, accurate, and timely estimate of the actual cash value of the loss; and

(II) Provide that, in addition to the period described in subsection (13)(b)(I) of this section, the policyholder has the option to twice extend such period by six months if the policyholder, acting in good faith and with reasonable diligence, encounters unavoidable delays in obtaining a construction permit, lacks necessary construction materials, lacks available contractors to perform necessary work, or encounters other circumstances beyond the policyholder’s control. This subsection (13)(b)(II) does not prohibit an insurer from allowing a policyholder additional time to collect the full replacement cost for lost or damaged property or for additional living expenses.

(c) The policy must include additional living expense coverage to apply in the event of such a loss. Notwithstanding subsection (6)(b) of this section, additional living expense coverage must be available for a period of at least twenty-four months, and the insurer shall offer the policyholder the opportunity to twice extend such period by six months if the policyholder, acting in good faith and with reasonable diligence, encounters a delay or delays in receiving necessary permit approvals for, or reconstruction of, the insured
OWNER- OCCUPIED RESIDENCE, WHICH DELAYS ARE BEYOND THE CONTROL
OF THE POLICYHOLDER.

(d) The policy must provide that, notwithstanding
subsection (11)(c) of this section, to replace property and
receive recoverable depreciation on that property, an insurer
shall allow the policyholder the greater of:

(I) At least three hundred sixty-five days after the
expiration of ALE; or

(II) Thirty-six months after the insurer provides the
policyholder the first payment toward the actual cash value of
such loss.

(e) The policy must provide that the insurer will pay the
policyholder for the loss of use of the insured property within
twenty days after the insurer receives documentation of such
loss, which documentation may include a signed lease that
obligates the policyholder to pay for temporary replacement
housing; except that:

(I) If a policyholder provides a signed lease as
documentation, the insurer may pay the policyholder in monthly
or other increments, in accordance with the terms of the lease;
and

(II) Alternatively, an insurer may provide advance rent
payments for housing for the policyholder, family members,
livestock, and pets, as necessary.

(f) The policy must provide that the policyholder may
either:

(I) Replace the insured owner-occupied residence at the
CURRENT LOCATION OR ANOTHER LOCATION, IN EITHER OF WHICH CASE
THE CALCULATION OF THE REPLACEMENT COST OF THE INSURED
OWNER-OCCUPIED RESIDENCE SHALL NOT INCLUDE CONSIDERATION OF THE
VALUE OF THE LAND UPON WHICH THE REPLACEMENT RESIDENCE IS
LOCATED; OR

(II) USE THE PROCEEDS FROM THE POLICY TO PURCHASE AN
EXISTING RESIDENCE AT A NEW LOCATION, IN WHICH CASE THE
CALCULATION OF THE REPLACEMENT COST OF THE INSURED
OWNER-OCCUPIED RESIDENCE SHALL NOT INCLUDE CONSIDERATION OF THE
VALUE OF THE LAND UPON WHICH THE EXISTING RESIDENCE IS LOCATED.

(g) THE POLICY MUST ALLOW A POLICYHOLDER TO USE PROCEEDS
RESULTING FROM COVERAGE AGAINST THE LOSS OF OUTBUILDINGS,
DWELLING EXTENSIONS, AND OTHER STRUCTURES TO PAY THE COSTS OF A
REPLACEMENT RESIDENCE IF THE COVERAGE LIMIT THAT APPLIES TO THE
POLICYHOLDER’S OWNER-OCCUPIED RESIDENCE IS INSUFFICIENT TO PAY
FOR REBUILDING OR REPLACING THE OWNER-OCCUPIED RESIDENCE.

(h) WITHIN A REASONABLE AMOUNT OF TIME AFTER RECEIVING A
CLAIM UNDER AN ISSUED POLICY, AN INSURER SHALL PROVIDE TO THE
POLICYHOLDER:

(I) APPROPRIATE CONTACT INFORMATION THAT ALLOWS FOR
DIRECT CONTACT WITH EITHER AN EMPLOYEE OF THE INSURER OR A
REPRESENTATIVE WHO IS CAPABLE OF ELEVATING COMPLAINTS OR
INQUIRIES TO AN EMPLOYEE OF THE INSURER;

(II) AT LEAST ONE MEANS OF COMMUNICATION DURING REGULAR
BUSINESS HOURS; AND

(III) A WRITTEN STATUS REPORT IF, WITHIN A SIX-MONTH PERIOD,
THE POLICYHOLDER IS ASSIGNED A THIRD OR SUBSEQUENT ADJUSTER TO
BE PRIMARILY RESPONSIBLE FOR A CLAIM. THE WRITTEN STATUS REPORT
MUST INCLUDE A SUMMARY OF ANY DECISIONS OR ACTIONS THAT ARE
SUBSTANTIALLY RELATED TO THE DISPOSITION OF A CLAIM, INCLUDING
THE AMOUNT OF LOSSES TO STRUCTURES OR CONTENTS, THE RETENTION
OF CONSULTATION OF DESIGN OR CONSTRUCTION PROFESSIONALS, THE
AMOUNT OF COVERAGE FOR LOSSES TO STRUCTURES OR CONTENTS, AND
ALL ITEMS OF DISPUTE.

(14) IF A HOMEOWNERS INSURANCE POLICYHOLDER EXPERIENCES
A TOTAL LOSS OF THE CONTENTS OF AN OWNER-OCUPIED RESIDENCE
THAT WAS DOCUMENTED AS BEING FURNISHED AT THE TIME OF LOSS AS A
RESULT OF A WILDFIRE DISASTER THAT IS DECLARED BY THE GOVERNOR
PURSUANT TO SECTION 24-33.5-704, THE INSURER SHALL:

(a) NOTWITHSTANDING SUBSECTION (11)(a) OF THIS SECTION,
OFFER THE POLICYHOLDER A MINIMUM OF SIXTY-FIVE PERCENT, OR A
LARGER PERCENT BY MUTUAL AGREEMENT OF THE POLICYHOLDER AND
INSURER, OF THE LIMIT OF THE CONTENTS COVERAGE INDICATED IN THE
DECLARATION PAGE OF THE POLICY WITHOUT REQUIRING THE
POLICYHOLDER TO SUBMIT A WRITTEN INVENTORY OF THE CONTENTS;

(b) NOTIFY THE POLICYHOLDER THAT:

(I) ACCEPTANCE OF THE MONEY DESCRIBED IN SUBSECTION (14)(a)
OF THIS SECTION DOES NOT CHANGE THE BENEFITS AVAILABLE UNDER THE
POLICY;

(II) ADDITIONAL MONEY MAY BE AVAILABLE IF THE
POLICYHOLDER SUBMITS AN INVENTORY; AND

(III) THE INSURER IS REQUIRED, PURSUANT TO SUBSECTION (11)(b)
OF THIS SECTION, TO DISCLOSE ITS METHODOLOGY FOR DETERMINING THE
DEPRECIATED VALUE OF THE CONTENTS OF INSURED PROPERTY;
(c) (I) If the policyholder submits an inventory of personal property losses in an amount that exceeds the amount paid to the policyholder pursuant to subsection (14)(a) of this section:

(A) Request any additional information concerning the inventory no later than thirty days after receiving the inventory; and

(B) Provide payment for any covered and undisputed items within thirty days after receiving the inventory.

(II) The commissioner shall adopt rules to simplify the process for policyholders to submit an inventory for personal property losses and expedite reimbursement for such losses.

(d) Provide payment for covered costs associated with the removal of debris within sixty days after receiving an invoice, receipt, or other documentation indicating the date and cost of the removal of the debris; except that, in cases where debris removal is conducted by, or in coordination with, governmental entities, payment for covered costs for removal of debris will be provided within a reasonable amount of time; and

(e) Provide payment for any covered loss of trees, shrubs, and landscaping within thirty days after the insurer receives documentation of such loss, such as documentation from a reputable landscaping company, showing the number and nature of trees, shrubs, and landscaping features damaged or destroyed.

(15) The commissioner may adopt rules as necessary for wildfire disasters that the governor declares pursuant to
SECTION 24-33.5-704 AND FOR THE IMPLEMENTATION OF SUBSECTIONS (13) AND (14) OF THIS SECTION.

SECTION 2. Appropriation. (1) For the 2022-23 state fiscal year, $66,781 is appropriated to the department of regulatory agencies for use by the division of insurance. This appropriation is from the division of insurance cash fund created in section 10-1-103 (3), C.R.S. To implement this act, the division may use this appropriation as follows:

(a) $59,231 for personal services, which amount is based on an assumption that the division will require an additional 1.0 FTE; and

(b) $7,550 for operating expenses.

SECTION 3. Act subject to petition - effective date - applicability. (1) This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly; except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2022 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

(2) This act applies to the offer, issuance, and renewal of property and casualty insurance policies in the state and to the administration of claims pursuant to such policies on and after the applicable effective date of this act.