

First Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

REVISED

*This Version Includes All Amendments Adopted
on Second Reading in the Second House*

LLS NO. 23-0133.01 Yelana Love x2295

HOUSE BILL 23-1174

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A BILL FOR AN ACT

101 CONCERNING HOMEOWNER'S INSURANCE, AND, IN CONNECTION
102 THEREWITH, REQUIRING CERTAIN REPORTS RELATED TO THE
103 COST OF RECONSTRUCTING A HOME, INCREASING THE NOTICE
104 REQUIREMENT BEFORE AN INSURER CAN CANCEL OR REFUSE TO
105 RENEW A HOMEOWNER'S INSURANCE POLICY, CREATING
106 GUARANTEED REPLACEMENT COST COVERAGE IN HOMEOWNER'S
107 INSURANCE, AND 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>.)

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.*

SENATE
Amended 2nd Reading
May 6, 2023

HOUSE
3rd Reading Unamended
April 21, 2023

HOUSE
Amended 2nd Reading
April 18, 2023

The bill requires the commissioner of insurance (commissioner) to prepare an annual report on the cost of rebuilding homes in Colorado in the event of a total loss. An insurer that issues or renews more than 25% of its homeowner's insurance policies in a particular region of the state at a cost that is at least 10% less than the estimate set forth in the commissioner's annual report is required to report certain information to the commissioner.

Current law prohibits an insurer from canceling or refusing to renew a policy of homeowner's insurance unless the insurer mails notice to the insured at least 30 days in advance of the effective date of the cancellation of or refusal to renew the policy. The bill increases the notice requirement to 60 days in advance of the action.

The bill creates guaranteed replacement cost coverage in homeowner's insurance, which pays the full cost to repair or replace a damaged or destroyed structure, even if the amount exceeds the policy limits. The bill specifies the factors an insurer must consider when determining the replacement costs of a dwelling and requires insurers to disclose certain information regarding the replacement costs before issuing or renewing a homeowner's insurance policy.

The bill requires an insurer to offer an applicant guaranteed replacement cost coverage before offering extended replacement cost coverage, law and ordinance coverage, or inflation protection coverage, which is defined as coverage that provides automatic adjustments of the coverage amount on the dwelling or structure being insured to protect against the impact of inflation.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** 10-1-144 as
3 follows:

4 **10-1-144. Cost to reconstruct a home - annual report -**
5 **homeowner's insurance affordability study - rules.** (1) (a) THE
6 COMMISSIONER SHALL CONTRACT WITH AN INDEPENDENT THIRD PARTY TO
7 PREPARE AN ANNUAL RESIDENTIAL RECONSTRUCTION CONSUMER
8 INFORMATION REPORT ON THE COST OF RECONSTRUCTING HOMES IN
9 COLORADO, TAKING INTO ACCOUNT THE REGION OF THE STATE, THE
10 HOME TYPES BY DESIGN STRUCTURE, DIFFERENT HOME CUSTOMIZATION

1 TYPES, AND THE FACTORS INCLUDED IN SECTION 10-4-110.8 (8). THE
2 COMMISSIONER SHALL COMPLETE THE REPORT BY APRIL 1, 2025, AND BY
3 APRIL 1 OF EACH YEAR THEREAFTER BASED ON DATA FROM THE
4 PRECEDING CALENDAR YEAR.

5 (b) THE DIVISION SHALL POST THE ANNUAL REPORT PREPARED
6 PURSUANT TO THIS SUBSECTION (1) ON THE DIVISION'S WEBSITE BY APRIL
7 15 OF EACH YEAR.

8 (2) AFTER A STAKEHOLDER PROCESS, THE COMMISSIONER MAY
9 CONTRACT WITH AN INDEPENDENT THIRD PARTY TO EVALUATE POLICIES
10 TO ADDRESS THE AFFORDABILITY OF HOMEOWNER'S INSURANCE.

11 (3) THE COMMISSIONER MAY PROMULGATE RULES TO IMPLEMENT
12 THIS SECTION.

13 **SECTION 2.** In Colorado Revised Statutes, 10-4-110.7, **amend**
14 (3) as follows:

15 **10-4-110.7. Cancellation or nonrenewal - homeowner's**
16 **insurance policies.** (3) ~~NO~~ AN insurer shall NOT cancel or refuse to
17 renew a policy of homeowner's insurance unless such insurer mails, by
18 first-class mail to the named insured, at the last address shown in the
19 insurer's records, at least ~~thirty~~ SIXTY days in advance, a notice of its
20 intended action pursuant to section ~~10-4-110~~ that specifically states the
21 reasons for proposing to take such action; ~~pursuant to section 10-4-110;~~
22 except that, where cancellation is for nonpayment of premium, THE
23 INSURER SHALL PROVIDE at least ten days' notice of cancellation
24 accompanied by the reasons ~~therefor shall be given~~ FOR TAKING SUCH
25 ACTION.

26 **SECTION 3.** In Colorado Revised Statutes, 10-4-110.8 **amend**
27 (6)(a), (8), and (15); and **add** (3)(d.7) and (9.5) as follows:

1 **10-4-110.8. Homeowner's insurance - prohibited and required**
2 **practices - estimates of replacement value - additional living expense**
3 **coverage - copies of policies - personal property contents coverage -**
4 **inventory of personal property - requirements concerning total loss**
5 **scenarios resulting from wildlife disasters - definitions - rules.** (3) As
6 used in this section, unless the context otherwise requires:

7 ■
8 (d.7) "INFLATION PROTECTION COVERAGE" MEANS COVERAGE
9 THAT PROVIDES AUTOMATIC ADJUSTMENTS OF THE COVERAGE AMOUNT ON
10 THE DWELLING OR STRUCTURE BEING INSURED TO PROTECT AGAINST THE
11 IMPACT OF INFLATION.

12 ■ (6) (a) (I) Before issuance or renewal of a replacement-cost
13 homeowner's insurance policy whose dwelling limit is equal to or greater
14 than the estimated replacement cost of the residence, the insurer shall
15 make available to an applicant the opportunity to obtain extended
16 replacement-cost coverage and law and ordinance coverage. At a
17 minimum, the insurer shall ~~make available~~ OFFER law and ordinance
18 coverage in an amount of insurance equal to ~~ten~~ TWENTY percent of the
19 limit of the insurance for the dwelling and extended replacement-cost
20 coverage in an amount of insurance that is at least ~~twenty~~ FIFTY percent
21 of the limit of the insurance for the dwelling. Information provided must
22 be accompanied by an explanation of the purpose, terms, and cost of these
23 coverages. This ~~paragraph (a)~~ SUBSECTION (6)(a) does not apply to any
24 homeowner's insurance policy that already includes GUARANTEED
25 REPLACEMENT COST COVERAGE, INFLATION PROTECTION COVERAGE,
26 extended replacement-cost coverage, ~~and~~ OR law and ordinance coverage
27 in amounts greater than or equal to the amounts specified in this

1 paragraph (a) SUBSECTION (6)(a).
2 (II) NO LATER THAN JANUARY 1, 2025, AND AS PRESCRIBED BY THE
3 COMMISSIONER BY RULE, THE INSURER SHALL:
4 (A) LIST ON THE DECLARATION PAGE OF THE POLICY, IN BOLD AND
5 IN TWELVE-POINT TYPE, WHETHER A CONSUMER PURCHASED OR REJECTED
6 THE ADDITIONAL COVERAGES LISTED IN THIS SUBSECTION (6)(a); AND
7 (B) PROVIDE THE PREMIUM COST ASSOCIATED WITH THE REJECTED
8 ADDITIONAL COVERAGES LISTED IN THIS SUBSECTION (6)(a) IN A SEPARATE
9 NOTICE WITH THE APPLICATION OR RENEWAL OF THE POLICY.
10 (8) The insurer must consider ~~subject to the insurer's underwriting~~
11 ~~requirements, an estimate from a licensed contractor or licensed architect~~
12 ~~submitted by the policyholder as the basis for establishing the~~
13 ~~replacement cost of a dwelling.~~ THE FOLLOWING FACTORS AS A BASIS FOR
14 ESTABLISHING THE RECONSTRUCTION COST OF A DWELLING:
15 (a) THE RECONSTRUCTION COST ESTIMATED FROM THE ANNUAL
16 REPORT PREPARED PURSUANT TO SECTION 10-1-144;
17 (b) THE RECONSTRUCTION COST ESTIMATING SOFTWARE USED AND
18 THE SOFTWARE ESTIMATE;
19 (c) SPECIFIC RECONSTRUCTION EXPENSES, INCLUDING:
20 (I) LABOR, BUILDING MATERIALS, AND SUPPLIES;
21 (II) A CONTRACTOR'S OVERHEAD AND PROFIT;
22 (III) DEMOLITION AND DEBRIS REMOVAL;
23 (IV) COST OF PERMITS AND ARCHITECT'S PLANS AND FEES; AND
24 (V) FEATURES OF THE STRUCTURE, INCLUDING:
25 (A) THE FOUNDATION TYPE;
26 (B) THE TYPE OF FRAME;
27 (C) ROOFING MATERIALS AND TYPE OF ROOF;

- 1 (D) SIDING MATERIALS AND TYPE OF SIDING;
- 2 (E) SQUARE FOOTAGE;
- 3 (F) NUMBER OF STORIES;
- 4 (G) ANY WALL HEIGHTS THAT ARE NOT STANDARD;
- 5 (H) INTERIOR FEATURES AND FINISHES, SUCH AS THE HEATING AND
- 6 AIR CONDITIONING SYSTEM, WALLS, FLOORING, CEILING, FIREPLACES,
- 7 KITCHEN, AND BATHROOMS;
- 8 (I) THE AGE OF THE ORIGINAL STRUCTURE OR THE YEAR OF THE
- 9 ORIGINAL STRUCTURE'S CONSTRUCTION; AND
- 10 (J) THE SIZE AND TYPE OF ANY ATTACHED GARAGE; AND
- 11 (d) AN ESTIMATE FROM A CONTRACTOR OR AN ARCHITECT
- 12 LICENSED PURSUANT TO ARTICLE 120 OF TITLE 12, IF SUBMITTED BY THE
- 13 POLICYHOLDER.

14 (9.5) (a) AT APPLICATION AND RENEWAL OF A REPLACEMENT COST
15 HOMEOWNER'S INSURANCE POLICY FOR A DWELLING THAT IS ISSUED OR
16 RENEWED ON AND AFTER JANUARY 1, 2025, THE INSURER SHALL:

17 (I) PROVIDE THE APPLICANT OR POLICYHOLDER WITH AN ESTIMATE
18 OF THE COST NECESSARY TO RECONSTRUCT THE COVERED STRUCTURE;

19 (II) DISCLOSE TO THE APPLICANT OR POLICYHOLDER, IN A FORM
20 AND MANNER PRESCRIBED BY THE COMMISSIONER BY RULE:

21 (A) HOW THE ESTIMATE WAS CALCULATED, TAKING INTO ACCOUNT
22 THE FACTORS LISTED IN SUBSECTION (8) OF THIS SECTION; AND

23 (B) THE RECONSTRUCTION COSTS FOR HOMES AS DETAILED IN THE
24 ANNUAL REPORT REQUIRED IN SECTION 10-1-144 FOR THE SAME
25 GEOGRAPHIC AREA OF THE INSURED'S HOME;

26 (III) PROVIDE COPIES OF ANY GENERATED ESTIMATES FROM ANY
27 SOFTWARE OR TOOLS OR SERVICES USED BY THE INSURER TO ESTABLISH

1 THE RECONSTRUCTION COSTS; █

2 (IV) PROVIDE THE APPLICANT OR POLICYHOLDER WITH THE WEB
3 ADDRESS OF, OR A LINK TO, THE REPORT PREPARED PURSUANT TO SECTION
4 10-1-144; AND

5 (b) AN INSURER OTHERWISE SUBJECT TO THIS SUBSECTION (9.5)
6 DOES NOT HAVE TO COMPLY WITH THE REQUIREMENTS OF THIS
7 SUBSECTION (9.5) IF:

8 (I) WITHIN THE TWO YEARS PRIOR TO THE OFFER OF RENEWAL OF
9 THE HOMEOWNER'S INSURANCE POLICY, THE POLICYHOLDER HAS
10 REQUESTED AND THE INSURER HAS PROVIDED COVERAGE LIMITS GREATER
11 THAN THE LIMITS PREVIOUSLY SELECTED BY THE POLICYHOLDER; OR

12 (II) IN CONNECTION WITH ITS ANNUAL OFFER TO RENEW THE
13 POLICY, THE INSURER HAS OFFERED THE POLICYHOLDER, ON AN
14 EVERY-OTHER-YEAR BASIS, THE RIGHT TO RECALCULATE THE
15 RECONSTRUCTION COST ESTIMATE AND THE POLICY INCLUDES INFLATION
16 PROTECTION COVERAGE.

17 (15) The commissioner may adopt rules as necessary for wildfire
18 disasters that the governor declares pursuant to section 24-33.5-704 and
19 for the implementation of subsections (13) and (14) of this section. TO
20 IMPLEMENT THIS SECTION, INCLUDING RULES REGARDING:

21 (a) THE INFORMATION THAT INSURERS MUST CONSIDER IN
22 ESTIMATING RECONSTRUCTION COSTS;

23 (b) THE USE OF RECONSTRUCTING COST ESTIMATOR TOOLS AND
24 SERVICES; AND

25 (c) THE REQUIREMENTS TO PROVIDE INFORMATION IN THE
26 SUMMARY DISCLOSURE FORM TO CONSUMERS THAT EXPLAINS
27 REPLACEMENT COST COVERAGE, ACTUAL CASH VALUE COVERAGE, AND

1 THE ABILITY OF CONSUMERS TO PURCHASE AFFORDABLE COVERAGE.

2 **SECTION 4. Appropriation.** (1) For the 2023-24 state fiscal
3 year, \$109,955 is appropriated to the department of regulatory agencies
4 for use by the division of insurance. This appropriation is from the
5 division of insurance cash fund created in section 10-1-103 (3), C.R.S. To
6 implement this act, the division may use this appropriation as follows:

7 (a) \$64,139 for personal services, which amount is based on an
8 assumption that the division will require an additional 0.8 FTE;

9 (b) \$7,750 for operating expenses; and

10 (c) \$38,066 for the purchase of legal services.

11 (2) For the 2023-24 state fiscal year, \$38,066 is appropriated to the
12 department of law. This appropriation is from reappropriated funds
13 received from the department of regulatory agencies under subsection
14 (1)(c) of this section and is based on the assumption that the department
15 of law will require an additional 0.2 FTE. To implement this act, the
16 department of law may use this appropriation to provide legal services for
17 the department of regulatory agencies.

18 **SECTION 5. Act subject to petition - effective date.** Section
19 10-4-110.8 (8), Colorado Revised Statutes, as amended in section 3 of
20 this act, takes effect January 1, 2025, and the remainder of this act takes
21 effect at 12:01 a.m. on the day following the expiration of the ninety-day
22 period after final adjournment of the general assembly; except that, if a
23 referendum petition is filed pursuant to section 1 (3) of article V of the
24 state constitution against this act or an item, section, or part of this act
25 within such period, then the act, item, section, or part will not take effect
26 unless approved by the people at the general election to be held in

1 November 2024 and, in such case, will take effect on the date of the
2 official declaration of the vote thereon by the governor; except that
3 section 10-4-110.8 (8), Colorado Revised Statutes, as amended in section
4 3 of this act, takes effect January 1, 2025.