



Legislative Council Staff
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Final Fiscal Note

Drafting Number: LLS 23-0133 Date: August 11, 2023
Prime Sponsors: Rep. Amabile; Brown Sen. Baisley; Roberts Bill Status: Signed into Law
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Bill Topic: HOMEOWNER'S INSURANCE UNDERINSURANCE

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Diversion
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill specifies what insurers must consider in establishing replacement cost coverage for homeowners, and requires the Division of Insurance to publish an annual report on replacement costs. It increases state expenditures, which requires a General Fund diversion, on an ongoing basis beginning in FY 2023-24.

Appropriation Summary: For FY 2023-24, the bill requires and includes an appropriation of \$109,955 to the Department of Regulatory Agencies.

Fiscal Note Status: The fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 23-1174

Table with 4 columns: Category, Sub-category, Budget Year FY 2023-24, and Out Year FY 2024-25. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Diversions (General Fund, Cash Funds, Net Diversion), and Other Budget Impacts.

## Summary of Legislation

The bill specifies what factors insurers must consider in determining replacement value in replacement cost homeowner’s insurance policies. For policies issued or renewed as of January 1, 2025, insurers must provide homeowners with additional information about replacement costs. The Division of Insurance (DOI) in the Department of Regulatory Agencies must promulgate rules to implement these requirements.

DOI must contract with an independent third-party to prepare an annual report on the cost of reconstructing homes in Colorado. The first report is due April 1, 2025. After a stakeholder process, DOI may contract for an evaluation of policies to address homeowner’s insurance affordability.

Under current law, an insurer cannot cancel or refuse to renew a homeowner’s insurance without notifying them at least 30 days in advance. The bill extends this notification deadline to 60 days.

## State Diversion

The bill diverts \$124,776 from the General Fund in FY 2023-24 and \$807,138 in FY 2024-25. This occurs because the bill increases costs in the Department of Regulatory Agencies, Division of Insurance, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

## State Expenditures

The bill increases state expenditures in the Department of Regulatory Agencies by \$124,776 in FY 2023-24 and \$807,138 in FY 2024-25, paid from the Division of Insurance Cash Fund. Expenditures are detailed below and shown in Table 2.

**Table 2**  
**Expenditures Under HB 23-1174**

	FY 2023-24	FY 2024-25
<b>Department of Regulatory Agencies</b>		
Personal Services	\$64,139	\$157,784
Standard Operating	\$1,080	\$2,700
Capital Outlay	\$6,670	\$6,670
Legal Services	\$38,066	\$353,172
Contractor	-	\$250,000
Centrally Appropriated Costs <sup>1</sup>	\$14,821	\$36,812
FTE – Personal Services	0.8 FTE	2.0 FTE
FTE – Legal Services	0.2 FTE	1.9 FTE
<b>Total Cost</b>	<b>\$124,776</b>	<b>\$807,138</b>
<b>Total FTE</b>	<b>1.0 FTE</b>	<b>3.9 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Department of Regulatory Agencies.** The bill increases expenditures to generate the annual report, facilitate reporting requirements with insurers, and update rules.

- **Staff.** Managing the contract with the third party, facilitating the reporting process for insurers, and conducting compliance audits requires 1.0 FTE beginning in FY 2024-25. DORA requires an additional 1.0 FTE in FY 2023-24 and FY 2024-25 to support rulemaking, policy development, and outreach. Workload in subsequent years will depend on the extent to which rules must be updated; this will be addressed through the annual budget process. Standard operating and capital outlay costs are included, and costs are prorated to reflect the bill's effective date.
- **Legal services.** DORA requires legal support to execute the contract and conduct rulemaking in FY 2023-24, estimated at 360 hours (0.2 FTE). In subsequent years, DORA requires an estimated 3,340 hours (1.9 FTE) of additional legal services for general counsel and representation due to the anticipated disputes between insurers and homeowners related to DOI's replacement cost benchmarks published in the annual report, and the high level of confidential consumer data DOI receives from insurers. Legal services are provided by the Department of Law at of \$105.47 per hour.
- **Contractor.** The cost to solicit a contract for the annual report is estimated at \$250,000 beginning in FY 2024-25, consisting of 625 hours at \$400 per hour to create the initial report and to update it annually. This workload is expected to decrease over time as data collection and evaluation methodologies are established.
- **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 include employee insurance and supplemental employee retirement payments, are shown in Table 2.

## Effective Date

The bill was signed into law by the Governor on May 12, 2023, and it took effect on August 7, 2023, except that the Section 3 of the bill, pertaining to requirements of insurers, takes effect January 1, 2025.

## State Appropriations

For FY 2023-24, the bill requires an appropriation of \$109,955 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies, and 0.8 FTE. Of this, \$38,066 is reappropriated to the Department of Law, with an additional 0.2 FTE.

## State and Local Government Contacts

Information Technology

Law

Regulatory Agencies