

First Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 23-0133.01 Yelana Love x2295

HOUSE BILL 23-1174

HOUSE SPONSORSHIP

Amabile,

SENATE SPONSORSHIP

(None),

House Committees
Business Affairs & Labor

Senate Committees

A BILL FOR AN ACT

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

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.

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 rebuild a home - annual report - insurer**
5 **requirements - rules.** (1)(a) THE COMMISSIONER SHALL CONTRACT WITH
6 AN INDEPENDENT THIRD PARTY TO PREPARE AN ANNUAL REPORT ON THE
7 COST OF REBUILDING HOMES IN COLORADO IN THE EVENT OF A TOTAL
8 LOSS, TAKING INTO ACCOUNT THE REGION OF THE STATE, THE HOME TYPES
9 BY DESIGN STRUCTURE, AND DIFFERENT HOME CUSTOMIZATION TYPES.
10 THE COMMISSIONER SHALL COMPLETE THE REPORT BY APRIL 1, 2024, AND

1 BY APRIL 1 OF EACH YEAR THEREAFTER BASED ON DATA FROM THE
2 PRECEDING CALENDAR YEAR.

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

6 (2) BEGINNING JULY 1, 2024, EACH INSURER THAT ISSUES OR
7 RENEWS MORE THAN TWENTY-FIVE PERCENT OF THE INSURER'S
8 HOMEOWNER'S INSURANCE POLICIES IN A PRESCRIBED REGION OF THE
9 STATE, AS DEFINED BY THE COMMISSIONER BY RULE, FOR A COVERAGE
10 AMOUNT OF AT LEAST TEN PERCENT LESS THAN THE ESTIMATE SET FORTH
11 IN THE ANNUAL REPORT PREPARED PURSUANT TO SUBSECTION (1) OF THIS
12 SECTION SHALL REPORT TO THE COMMISSIONER THE FOLLOWING
13 INFORMATION:

14 (a) THE TOTAL NUMBER OF PROPERTIES INSURED FOR A COVERAGE
15 AMOUNT OF AT LEAST TEN PERCENT LESS THAN THE ESTIMATE SET FORTH
16 IN THE ANNUAL REPORT PREPARED PURSUANT TO SUBSECTION (1) OF THIS
17 SECTION AND THE STREET ADDRESSES AND COUNTIES OF THOSE
18 PROPERTIES;

19 (b) THE NAME OF EACH INSURER THAT SOLD OR RENEWED POLICIES
20 FOR THE PROPERTIES COUNTED IN SUBSECTION (2)(a) OF THIS SECTION;
21 AND

22 (c) AN ASSESSMENT BY THE INSURER OF THE MATERIAL RISK OF
23 UNDERINSURANCE FOR THE COMMUNITY OR COMMUNITIES IN WHICH THE
24 PROPERTIES ARE LOCATED.

25 (3) THE COMMISSIONER MAY PROMULGATE RULES TO IMPLEMENT
26 THIS SECTION.

27 **SECTION 2.** In Colorado Revised Statutes, 10-4-110.7, **amend**

1 (3) as follows:

2 **10-4-110.7. Cancellation or nonrenewal - homeowner's**
3 **insurance policies.** (3) ~~No~~ AN insurer shall NOT cancel or refuse to
4 renew a policy of homeowner's insurance unless such insurer mails, by
5 first-class mail to the named insured, at the last address shown in the
6 insurer's records, at least ~~thirty~~ SIXTY days in advance, a notice of its
7 intended action ~~pursuant to section 10-4-110~~ that specifically states the
8 reasons for proposing to take such action; ~~pursuant to section 10-4-110;~~
9 except that, where cancellation is for nonpayment of premium, THE
10 INSURER SHALL PROVIDE at least ten days' notice of cancellation
11 accompanied by the reasons ~~therefor shall be given~~ FOR TAKING SUCH
12 ACTION.

13 **SECTION 3.** In Colorado Revised Statutes, 10-4-110.8 **amend**
14 (6), (8), and (15); and **add** (3)(d.5), (3)(d.7), and (9.5) as follows:

15 **10-4-110.8. Homeowner's insurance - prohibited and required**
16 **practices - estimates of replacement value - additional living expense**
17 **coverage - copies of policies - personal property contents coverage -**
18 **inventory of personal property - requirements concerning total loss**
19 **scenarios resulting from wildlife disasters - definitions - rules.** (3) As
20 used in this section, unless the context otherwise requires:

21 (d.5) "GUARANTEED REPLACEMENT COST COVERAGE" MEANS
22 COVERAGE THAT PAYS THE FULL COST TO REPAIR OR REPLACE THE
23 DAMAGED OR DESTROYED STRUCTURE, INCLUDING COSTS FOR LAW AND
24 ORDINANCE COVERAGE, EVEN IF THIS AMOUNT EXCEEDS THE POLICY
25 LIMITS.

26 (d.7) "INFLATION PROTECTION COVERAGE" MEANS COVERAGE
27 THAT PROVIDES AUTOMATIC ADJUSTMENTS OF THE COVERAGE AMOUNT ON

1 THE DWELLING OR STRUCTURE BEING INSURED TO PROTECT AGAINST THE
2 IMPACT OF INFLATION.

3 (6) (a) (I) Before issuance or renewal of a ~~replacement-cost~~
4 homeowner's insurance policy, ~~whose dwelling limit is equal to or greater~~
5 ~~than the estimated replacement cost of the residence~~, the insurer shall
6 ~~make available~~ OFFER to an applicant the opportunity to obtain ~~extended~~
7 GUARANTEED replacement cost coverage. ~~and law and ordinance~~
8 ~~coverage.~~

9 (II) (A) IF THE APPLICANT REJECTS GUARANTEED REPLACEMENT
10 COST COVERAGE, THE INSURER SHALL OFFER TO THE APPLICANT EXTENDED
11 REPLACEMENT COST COVERAGE, LAW AND ORDINANCE COVERAGE, AND
12 INFLATION PROTECTION COVERAGE IN ACCORDANCE WITH SUBSECTION
13 (6)(a)(II)(B) OF THIS SECTION.

14 (B) At a minimum, the insurer shall make available: Law and
15 ordinance coverage in an amount of insurance equal to ~~ten~~ TWENTY
16 percent of the limit of the insurance for the dwelling; and extended
17 replacement cost coverage in an amount of insurance that is at least
18 ~~twenty~~ FIFTY percent of the limit of the insurance for the dwelling.
19 Information provided must be accompanied by an explanation of the
20 purpose, terms, and cost of these coverages.

21 (III) IF A POLICYHOLDER REJECTS THE COVERAGES SPECIFIED IN
22 THIS SUBSECTION (6)(a), THE INSURER SHALL MAINTAIN WRITTEN PROOF
23 THAT THE NAMED POLICYHOLDER REJECTED THE COVERAGE.

24 (IV) This ~~paragraph (a)~~ SUBSECTION (6)(a) does not apply to any
25 homeowner's insurance policy that already includes GUARANTEED
26 REPLACEMENT COST COVERAGE, INFLATION PROTECTION COVERAGE,
27 extended replacement cost coverage, ~~and~~ OR law and ordinance coverage

1 in amounts greater than or equal to the amounts specified in this
2 ~~paragraph (a)~~ SUBSECTION (6)(a).

3 (b) (I) All homeowner's insurance POLICIES THAT INCLUDE
4 replacement cost ~~policies~~ COVERAGE, EXTENDED REPLACEMENT COST
5 COVERAGE, OR GUARANTEED REPLACEMENT COST COVERAGE for a
6 dwelling must include additional living expense coverage. ~~This~~ ALE
7 coverage must be available for a period of at least twelve months and is
8 subject to other policy provisions. Insurers shall offer policyholders the
9 opportunity to purchase a total of twenty-four months of ALE coverage
10 and give an applicant an explanation of the purpose, terms, and cost of
11 ~~this~~ ALE coverage.

12 (II) ~~This paragraph (b)~~ SUBSECTION (6)(b) does not apply to any
13 homeowner's insurance policy that already includes at least twenty-four
14 months of ALE coverage as a standard provision.

15 (8) The insurer must consider ~~subject to the insurer's underwriting~~
16 ~~requirements, an estimate from a licensed contractor or licensed architect~~
17 ~~submitted by the policyholder as the basis for establishing the~~
18 ~~replacement cost of a dwelling.~~ THE FOLLOWING FACTORS AS A BASIS FOR
19 ESTABLISHING THE REPLACEMENT COST OF A DWELLING:

20 (a) THE REPLACEMENT COST ESTIMATED FROM THE ANNUAL
21 REPORT PREPARED PURSUANT TO SECTION 10-1-144;

22 (b) THE REBUILDING COST ESTIMATING SOFTWARE USED AND THE
23 SOFTWARE ESTIMATE;

24 (c) SPECIFIC REBUILDING EXPENSES, INCLUDING:

25 (I) LABOR, BUILDING MATERIALS, AND SUPPLIES;

26 (II) A CONTRACTOR'S OVERHEAD AND PROFIT;

27 (III) DEMOLITION AND DEBRIS REMOVAL;

- 1 (IV) PERMITS AND ARCHITECT'S PLANS; AND
- 2 (V) FEATURES OF THE PROPERTY, INCLUDING:
- 3 (A) THE FOUNDATION;
- 4 (B) THE TYPE OF FRAME;
- 5 (C) ROOFING MATERIALS AND TYPE OF ROOF;
- 6 (D) SIDING MATERIALS AND TYPE OF SIDING;
- 7 (E) SQUARE FOOTAGE;
- 8 (F) NUMBER OF STORIES;
- 9 (G) ANY WALL HEIGHTS THAT ARE NOT STANDARD;
- 10 (H) INTERIOR FEATURES AND FINISHES, SUCH AS THE HEATING AND
- 11 AIR CONDITIONING SYSTEM, WALLS, FLOORING, CEILING, FIREPLACES,
- 12 KITCHEN, AND BATHROOMS;
- 13 (I) THE AGE OF THE ORIGINAL PROPERTY OR THE YEAR OF THE
- 14 ORIGINAL PROPERTY'S CONSTRUCTION; AND
- 15 (J) THE SIZE AND TYPE OF ANY ATTACHED GARAGE; AND
- 16 (d) AN ESTIMATE FROM A CONTRACTOR OR AN ARCHITECT
- 17 LICENSED PURSUANT TO ARTICLE 120 OF TITLE 12, SUBMITTED BY THE
- 18 POLICYHOLDER.
- 19 (9.5) AT APPLICATION AND RENEWAL OF A HOMEOWNER'S
- 20 INSURANCE POLICY, THE INSURER SHALL:
- 21 (a) PROVIDE THE APPLICANT OR POLICYHOLDER WITH AN ESTIMATE
- 22 OF THE COST NECESSARY TO REBUILD OR REPLACE THE COVERED
- 23 PROPERTY;
- 24 (b) DISCLOSE TO THE APPLICANT OR POLICYHOLDER, IN A FORM
- 25 AND MANNER PRESCRIBED BY THE COMMISSIONER BY RULE:
- 26 (I) HOW THE ESTIMATE WAS CALCULATED, TAKING INTO ACCOUNT
- 27 THE FACTORS LISTED IN SUBSECTION (8) OF THIS SECTION; AND

1 (II) THE DIFFERENCE, IF ANY, BETWEEN THE INSURER'S REBUILD
2 COST ESTIMATE AND THE ESTIMATE IN THE ANNUAL REPORT PREPARED
3 PURSUANT TO SECTION 10-1-144;

4 (c) PROVIDE COPIES OF ANY ESTIMATES FROM ANY SOFTWARE OR
5 TOOLS USED BY THE INSURER TO ESTABLISH THE REPLACEMENT COSTS;
6 AND

7 (d) PROVIDE THE APPLICANT OR POLICYHOLDER WITH A LINK TO
8 THE REPORT PREPARED PURSUANT TO SECTION 10-1-144.

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

13 (a) THE INFORMATION THAT INSURERS MUST CONSIDER IN
14 ESTIMATING REBUILD COSTS;

15 (b) THE USE OF REBUILDING COST ESTIMATOR TOOLS AND
16 SERVICES; AND

17 (c) THE REQUIREMENTS TO PROVIDE INFORMATION IN THE
18 SUMMARY DISCLOSURE FORM TO CONSUMERS THAT EXPLAINS
19 REPLACEMENT COST COVERAGE, ACTUAL CASH VALUE COVERAGE, AND
20 THE ABILITY OF CONSUMERS TO PURCHASE AFFORDABLE COVERAGE.

21 **SECTION 4. Act subject to petition - effective date.** This act
22 takes effect at 12:01 a.m. on the day following the expiration of the
23 ninety-day period after final adjournment of the general assembly; except
24 that, if a referendum petition is filed pursuant to section 1 (3) of article V
25 of the state constitution against this act or an item, section, or part of this
26 act within such period, then the act, item, section, or part will not take
27 effect 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.