

HB-1225 Colorado Homeowners Insurance Reform Act of 2013

Law Summary: Stems from property insurance issues raised by some homeowners and state legislators following the Fourmile Canyon, High Park and Waldo Canyon Wildfires.

HB-1225 addresses:

- Mandatory replacement coverage offers
- Policy deadline extensions
- Contents documentation
- Simplifying policy language
- Increased agent/company education & policyholder communication

Bill Sponsors: Rep. Claire Levy, D-Boulder; Sen. John Kefalas, D-Larimer County; Sen. Jeanne Nicholson, D-Boulder

Statutory Effective Dates: Most provisions effective 1/1/14. The new litigation filing deadline retrospectively for any "open" or new claim was effective upon signature (5/10/13). Plain policy language goes into effect 1/1/15.

Key Statutory Changes to Replacement Cost Personal "Dwelling" Policies: (*Dwelling as defined in HB-1225 is a single-family home, other than a mobile home, condominium or manufactured home that is used as a primary residence by the owner of the dwelling.*)

- ❖ Must offer "Extended Replacement Cost Coverage" that is at least 20% of the dwelling limit and Law and Ordinance coverage that is at least 10% of the dwelling policy limit if the home is insured to 100% or greater of the cost to rebuild.
- ❖ Must include a minimum of 12 months and offer up to 24 months of Additional Living Expenses.

Key Statutory Changes to All Homeowners Insurance Policies:

- ❖ All endorsements, summary disclosure forms and homeowners insurance policies must not exceed a 10th grade reading level or score less than 50 on the FLESCH-KINCAID Scale.
- ❖ Must consider, subject to underwriting requirements, a licensed contractor or architect's estimate submitted by the policyholder as the basis for establishing dwelling replacement costs.
- ❖ At renewal, must provide the policyholder written notification describing policy language changes.
- ❖ Must make available upon request of the policyholder an electronic or paper copy of the policy, including the declarations page and endorsements, within 3 business days. Policyholder determines delivery method.
- ❖ Must provide a copy of the summary disclosure form at time of sale and at least annually.
- ❖ In a total loss of the contents of an "Owner-Occupied Primary Residence" that was furnished at the time of the loss, must offer the policyholder a minimum of 30% or more (by mutual agreement) of the value of the contents coverage reflected in the policy declarations page without requiring a written contents inventory. To receive the full contents replacement value the policyholder may accept the initial offer and then submit a written inventory as required by the insurer.
- ❖ If the policyholder receives the depreciated contents value the insurer must make available the depreciation methodology.
- ❖ Must allow at least 365 days after a total loss to submit a damaged/destroyed contents inventory and allow at least 365 days after expiration of ALE to replace property and receive recoverable depreciation on that property on replacement cost policies.
- ❖ Must not issue or renew a homeowners insurance policy that requires the policyholder to file suit against the insurer, in the case of any dispute, within a period of time that is shorter than required by the applicable statute of limitations provided by law. Colorado statute of limitations is 3 years.
- ❖ At least 3 of the 24 hours of continuing education for producers authorized to sell property or personal lines MUST be for courses in homeowners insurance coverage. A producer may accumulate no more than 12 carry-over credit hours during the 120 days before the licensing continuation date.