

DEPARTMENT OF REGULATORY AGENCIES

Division of Insurance

3 CCR 702-5

PROPERTY AND CASUALTY

Regulation 5-1-25

CONCERNING HOMEOWNER COVERAGE DISCLOSURE REQUIREMENTS

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Section 1 Authority

This regulation is being promulgated and adopted by the Commissioner of Insurance under the authority of §§ 10-1-108(7), 10-1-109(1), 10-3-1110 and 10-4-110.8, C.R.S.

Section 2 Scope and Purpose

HB23-1174, enacted in the aftermath of the December 30, 2021, Marshall fire, requires insurers to offer certain percentages of Extended Replacement Cost and Law and Ordinance coverage. See §10-4-110.8 (6)(a), C.R.S. This regulation sets forth the requirements for notifying policyholders of the availability of those coverages.

Section 3 Applicability

This regulation applies to all insurers issuing replacement-cost homeowner's insurance policies in Colorado.

Section 4 Definitions

- A. "Extended Replacement Cost Coverage" shall have the same meaning as in § 10-4-110.8 (3)(d), C.R.S.
- B. "Guaranteed Replacement Cost Coverage", for the purpose of this regulation, shall mean coverage to repair or replace the dwelling to its original specifications regardless of the costs. There may be other coverages on the policy subject to limits.
- C. "Inflation Protection Coverage" shall have the same meaning as in § 10-4-110.8 (3)(d.7), C.R.S.
- D. "Law and Ordinance Coverage" shall have the same meaning as in § 10-4-110.8 (3)(f), C.R.S.

Section 5 Disclosure Requirements

The following disclosure requirements are applicable to new policies effective, and renewal offers sent on or after January 1, 2025.

- A. Any insurer that issues a replacement cost homeowner's insurance policy whose dwelling limit is equal to or greater than the estimated replacement cost of the residence and that does not already include guaranteed replacement cost coverage, inflation protection coverage, extended replacement-cost coverage, or law and ordinance coverage in amounts greater than fifty-percent of the limit of the insurance for the dwelling for extended replacement cost coverage and twenty-percent of the limit of the insurance for the dwelling for law and ordinance coverage, shall, at minimum, offer extended replacement coverage in an amount that is at least fifty-percent of the dwelling limit and law and ordinance coverage in an amount that is at least twenty-percent of the dwelling limit on new and renewal homeowner's insurance policies.
- B. If a policyholder elects to not purchase extended replacement-cost coverage or law and ordinance coverage, the insurer shall include the following in bold, 12-point font on the policy declarations page:

“You have chosen not to buy coverage available to you that would give you extra protection when you have an insured loss. This coverage includes options to increase your dwelling coverage limits, such as extended replacement cost coverage and law and ordinance coverage. To learn more about your choices, review the information included in your new or renewal policy.”

- C. In a separate notification that must accompany the new or renewal policy, the insurer shall provide the following information:
1. Identification and explanation of the coverage or coverages the policyholder has not elected to purchase; and
 2. The premium costs associated with each coverage that the policyholder has not elected. Consistent with the insurer's rate filings, the premium costs may be reflected as a percentage or dollar amount.

Coverages to be identified include fifty percent Extended Replacement Cost and twenty percent Law and Ordinance. The notification must also explain that the premium information is effective as of the date of the notice and subject to change and advise the policyholder to contact the insurer or producer for a current premium quote.

Section 6 Severability

If any provision of this regulation or the application of it to any person or circumstance is for any reason held to be invalid, the remainder of this regulation shall not be affected.

Section 7 Enforcement

Noncompliance with this regulation may result in the imposition of any of the sanctions made available in the Colorado statutes pertaining to the business of insurance, or other laws, which include the imposition of civil penalties, issuance of cease and desist orders, and/or suspensions or revocation of license, subject to the requirements of due process.

Section 8 Effective Date

This regulation shall become effective July 30, 2024.

Section 9 History

New regulation effective July 30, 2024.