



Bulletin No. B-5.35

Homeowners' Right to Obtain Additional or Enhanced Coverages

I. Background and Purpose

The Homeowner's Insurance Reform Act of 2013 ("Act"), concerning additional protections for homeowner's insurance policyholders, provides certain coverage requirements under § 10-4-110.8, C.R.S. Several insurers have questioned whether unlimited time, subject to a percentage cap or coverage limitation, satisfies the twenty-four (24) month additional living expense requirement. The purpose of this bulletin is to provide guidance to insurers regarding issuance or renewal of a replacement-cost homeowner's insurance policy. This bulletin also clarifies the Division's position concerning the option to purchase twenty-four (24) months of additional living expense coverage.

Bulletins are the Division's interpretations of existing insurance law or general statements of Division policy. Bulletins themselves neither establish binding norms nor finally determine issues or rights.

II. Applicability and Scope

This bulletin is intended to provide guidance concerning § 10-4-110.8(6)(a) and (b) C.R.S. and its applicability to an insurance policy for a single-family home that is used as a primary residence by the owner of the dwelling. This bulletin applies to all regulated insurance entities issuing owner-occupied residential dwelling property insurance policies to Colorado residents.

III. Division Position

An application for a homeowner's insurance replacement-cost policy shall give the consumer the choice to accept or reject each of the following benefits, unless the benefit is a standard policy provision:

- "Extended Replacement-Cost Coverage" equal to at least twenty percent of the dwelling limit;
- "Law and Ordinance Coverage" at a minimum of ten percent of the dwelling limit; and
- "Additional Living Expense Coverage" (ALE) for a total of twenty-four (24) months.

If, at renewal, the policy does not include the maximum benefit provided by this statute, the insurer shall offer the opportunity to purchase the above listed coverages. The offer shall clearly

explain the purpose, terms, and cost of each of these additional coverages, as well as any policy limitations. The insurance producer or representative of the insurer should maintain, in its records, documentation of any coverage rejection.

Effective January 1, 2014 Section 10-4-110.8(6)(b), C.R.S. requires insurers to offer a total of twenty-four (24) months of ALE coverage. This requirement does not apply if a homeowner's insurance replacement cost policy already includes *at least* twenty-four (24) months ALE coverage. A policy that includes a percentage cap or a coverage limitation does not provide *at least* twenty-four (24) months of ALE and may be considered a non-complying offer of coverage.

The referenced statute does not bar the insurer from providing greater benefits.

IV. Additional Division Resources

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V. History

- Originally Issued August 15, 2013