



**Bulletin B.5.28**  
**Equitable Payment of Claims Resulting from Natural Disasters**

**I. Background and Purpose**

The purpose of this bulletin is to provide guidance to insurers of property destroyed by catastrophic natural disasters.

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

**II. Applicability and Scope**

This bulletin is intended for all regulated insurance entities issuing dwelling fire or homeowner insurance policies in the areas affected catastrophic natural disasters.

**III. Division Position**

The Colorado climate is such that wildfires, tornados and other natural disasters can devastate a community without warning. The Division recognizes that insurance companies work diligently to determine values and pay coverage benefits to the policyholders of damaged or totaled properties. However, natural disasters present additional challenges and limitations, which are unpredictable. The availability of contractors and materials as well as inclement weather restrictions may prevent homeowners from beginning the rebuilding process. Additionally, traditional methods of determining the cost to rebuild may not be adequate to fully address special characteristics of the location or architecture of these properties.

Therefore, following a natural disaster event the Division encourages insurance companies consider the following:

- While some insurance contracts offer more, most standard homeowner contracts include twelve (12) months, or 30 percent of Dwelling Coverage, for Additional Living Expense coverage. The Division expects full transparency and disclosure with regard to the extent of available coverage. If a policyholder appears to reach his/her coverage limit the insurer should provide adequate and timely information before coverage ceases.
- Any policyholder with replacement cost provisions is entitled to complete repairs to the property and replace contents. If the policyholder has made a good faith effort to adhere to the policy provisions and has requested an extension within the applicable time period, the insurance company should consider a reasonable extension of time to allow the policyholder, with a replacement cost provision, to receive benefits of replacement cost coverage value of the covered damage that has been repaired or replaced, without reduction due to depreciation.
- Settlement of claims shall be handled in accordance with Colorado insurance regulation 5-1-14. Provided the insured has complied with the terms and conditions of the policy contract, the insurer shall make reasonable attempts to settle the claims promptly, allowing policyholders to rebuild their dwellings, other structures and replace personal property in a timely manner.

- While the use of an estimating program may be a tool in determining the cost of rebuilding a dwelling, the insurer should consider other factors that may not be included in the estimating program. Specifically, the slope of land, building grade of the dwelling and availability of labor and materials, generally, will impact the actual cost to rebuild. An insurer's refusal to consider additional information related to the cost to rebuild a particular dwelling may constitute a violation of § 10-3-1104 (1)(h)(IV), C.R.S.
- Section 10-4-120 (3), C.R.S. requires insurers pay the prevailing competitive market price for the geographic area in which the loss occurred.

#### **IV. Additional Division Resources**

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#### **V. History**

- Issued January 31, 2011
- Amended June 20, 2012