

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, 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 replacement-cost homeowner's insurance policies to Colorado residents.

III. Division Position

An insurer issuing or renewing a replacement-cost homeowner's insurance policy shall give the consumer the opportunity to purchase, at a minimum, each of the following coverage 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 equal to ten percent of the dwelling limit; and
- Additional Living Expense (ALE) coverage for a total of twenty-four (24) months.

If, at renewal, the policy does not include the benefits required provided by § 10-4-110.8(6)(a) and (b) C.R.S., the insurer shall make available to the policyholder the opportunity to purchase the above listed coverages. The information provided to the policyholder must 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 to show the policyholder was made aware of such coverage options.



Pursuant to § 10-4-110.8 (6) (b), C.R.S., all homeowner's insurance replacement-cost policies for a dwelling must include, at a minimum, twelve months ALE coverage, subject to the other provisions of the policy. The other provisions of the policy cannot include a coverage limit or percentage cap, but may specify a reasonable standard of living limit, and may include loss conditions, such as the dwelling has become uninhabitable and the damages are the result of a covered peril.

Insurers must offer the policyholder the opportunity to purchase 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. If a policy includes twenty-four (24) months of ALE coverage with a coverage limit or percentage cap there must also be an option available to purchase twenty-four (24) months of ALE coverage with no coverage limit or percentage cap, but may specify a reasonable standard of living limit and may include loss conditions such as the dwelling has become uninhabitable and the damages are the result of a covered peril.

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

IV. Additional Division Resources

A. For More Information

Colorado Division of Insurance
Property Casualty & Title
Consumer Services
1560 Broadway, Suite 850
Denver, CO 80202
Tel. 303-894-7490 Toll-free (in state): 800-930-3745
Internet: www.dora.colorado.gov/insurance

V. History

- Originally Issued August 15, 2013
- Reissued November 27, 2013
- Reissued November 22, 2017
- Reissued January 1, 2019