



COLORADO

Department of
Regulatory Agencies

Division of Insurance

Bulletin No. B-5.42

Concerning Extension of Policyholder Benefits in the Event of a Catastrophic Disaster

I. Background and Purpose

The Division is aware that some policyholders may not have the ability to complete the rebuild of a total loss home due to a wildfire within the insurer's policy timelines despite the insured acting in good faith and with reasonable diligence. The purpose of this Bulletin is to inform insurers of the Division's position concerning delays in claim handling for policyholders who have suffered a total loss during, and directly related to, a catastrophic disaster, which may further delay rebuilding of the property.

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 insurers issuing homeowner insurance policies in Colorado that have total loss claims resulting from any catastrophic disaster, as defined in Section 10-2-103(1), C.R.S. This Bulletin solely applies to policy timelines that restrict the recovery of Additional Living Expenses (ALE) and Replacement Cost benefits.

III. Division Position

In the event of a catastrophic disaster, an insurer shall act in good faith and shall consider any adverse circumstances beyond the insured's control that may require maintaining and extending certain policyholder benefits beyond those afforded by the timelines provided in the underlying insurance policy.

In determining whether certain policyholder benefits should be extended, the insurer shall take into account all of the circumstances affecting the claim including those not directly caused by the catastrophic disaster. Such circumstances include, but are not limited to, seasonal weather issues, labor and material shortages, and insurer delays in providing estimates and actual cash value payments.

If the insurer has caused delays in providing the initial estimate of damages and/or the actual cash value payment, the Division directs the insurer to act in good faith and toll the time period that the policyholder can recover ALE benefits and collect recoverable depreciation by a time period equivalent to the delayed action by the insurer.

IV. History

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