



To: DEPARTMENT OF REGULATORY AGENCIES
Division of Insurance

From: United Policyholders, a 501(c)3 national non-profit insurance consumer organization

Re: Comments on DRAFT Proposed New Regulation 5-2-XX
CONCERNING EXTENSION OF POLICYHOLDER BENEFITS IN THE EVENT OF A
CATASTROPHIC DISASTER

Date: November 3, 2021

United Policyholders respectfully submits the following comments in support of the above referenced proposed new regulation. This regulation will help remedy two problems that chronically challenge disaster-impacted households: Running out of benefits for temporary housing, and not being able to replace destroyed assets within the time periods set by insurers.

The proposed regulation recognizes the reality that the time frames in residential property insurance policies are frequently not realistic when a catastrophic event impacts multiple properties in a given region at the same time. In those circumstances, there are not enough available local builders, subcontractors or reasonably priced construction materials to meet the sudden demand. Building departments get overwhelmed and the demand for applications, inspections and permits strain their resources. There are delays associated with loss valuation, insurance adjusting and claim settlement negotiations. Adjusters rotate in and out of claims and while there can be legitimate reasons why that happens (they need to return home where they've come from out of the area), it tends to cause delays in communications, approvals and funds disbursement. None of these factors are within the control of the loss victim/policyholder.

Although Colorado law requires insurers to *offer* a minimum of two years of benefits to cover temporary/additional/loss of use living expenses¹ at the point of sale, one year remains the standard unless the policyholder understood and accepted the offer to purchase. Many Colorado homeowners' policies only provide those benefits for 12 months and for wildfire-impacted households that is not enough time. Some policies provide a stated dollar limit on ALE, others a dollar *and* time limit.

¹ Insurers use varying terms for this category of benefits. For simplicity we'll refer to it as ALE.

Most households are still negotiating with their insurers over the value of their losses and benefits owed throughout the first year after the loss, and until they know the amount of their dwelling settlement and their rebuild budget, they can't even begin their project, let alone move back into a rebuilt home.

Given the chronic labor shortages and construction material price spikes that plague wildfire impacted regions, it's relatively rare that a post fire rebuild can be completed within 24 months, let alone 12. Extensions of ALE benefits are very often required and requested but insurers rarely grant them willingly and it often takes intervention from a DOI or an attorney to secure one.

Because so many people run out of ALE benefits before they're able to replace their home, United Policyholders' Claim Help Library offers a template for requesting extensions:

<https://uphelp.org/claim-guidance-publications/sample-letter-requesting-extensions-of-policy-deadlines/>

For the same reasons that require extensions of benefits for temporary living expenses, It is frequently impossible for wildfire-impacted households to complete repairs or replace their homes and possessions within a year from the date of loss, yet many policies contain a 12 month limit for collecting full replacement value reimbursement above actual cash value.

With regard to furniture and household items, one can't replace them until one has a replacement home to put them in. With regard to a dwelling, for the above-stated reasons, many people cannot complete reconstruction or even repairs in 365 after their loss.

Virtually all disaster victims need every available dollar of insurance benefits to restore their assets and quality of life. Where a consumer has paid for insurance protection, they should be able to access the full value of that protection and not be forced to leave money on the table due to insurer-set deadlines and delays beyond their control.

For these reasons, we commend the Division of Insurance for issuing this proposed regulation and fully support its adoption.

Respectfully submitted,

A handwritten signature in black ink that reads "Amy Bach". The signature is fluid and cursive, with the first name "Amy" and the last name "Bach" clearly legible.

Amy Bach, Co-Founder and Executive Director, United Policyholders