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2   State of Arkansas

3   94th General Assembly   A Bill   ANS/ANS

4   Regular Session, 2023   SENATE BILL

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6   By: Senator Hill

7   Filed with: Senate Committee on Insurance and Commerce

8   pursuant to A.C.A. §10-3-217.

9   **For An Act To Be Entitled**

10   AN ACT TO CREATE STANDARDS FOR THE PROMPT, FAIR, AND

11   EQUITABLE SETTLEMENT OF CLAIMS; TO MODIFY FIRE AND

12   EXTENDED COVERAGE-TYPE INSURANCE POLICIES WITH

13   REPLACEMENT COST COVERAGE; AND FOR OTHER PURPOSES.

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16   **Subtitle**

17   TO CREATE STANDARDS FOR THE PROMPT, FAIR,

18   AND EQUITABLE SETTLEMENT OF CLAIMS; AND

19   TO MODIFY FIRE AND EXTENDED COVERAGE-TYPE

20   INSURANCE POLICIES WITH REPLACEMENT COST

21   COVERAGE.

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24   BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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26   SECTION 1. Arkansas Code Title 23, Chapter 66, Subchapter 2, is

27   amended to add an additional section to read as follows:

28   23-66-217. Standards for prompt, fair, and equitable settlements

29   applicable to fire and extended coverage-type insurance policies with

30   replacement cost coverage.

31   (a) When an insurance policy provides for the adjustment and

32   settlement of first-party losses based on replacement cost, the following

33   shall apply:

34   (1)(A) When a loss requires repair or replacement of an item or

35   part, any consequential physical damage incurred in making the repair or

1   replacement not otherwise excluded by the insurance policy shall be included

2   in the loss.

3   (B) The insured under subdivision (a)(1)(A) of this

4   section shall not have to pay for betterment or any other cost except for the

5   applicable deductible; and

6   (2)(A) When a loss requires replacement of items and the

7   replaced items do not match in quality, color, or size, the insurer shall

8   replace all items in the area so as to conform to a reasonably uniform

9   appearance.

10   (B) Subdivision (a)(2)(A) of this section applies to

11   interior and exterior losses.

12   (C) The insured under subdivision (a)(2)(A) of this

13   section shall not bear any cost over the applicable deductible, if any.

14   (b)(1)(A) When the insurance policy provides for the adjustment and

15   settlement of losses on an actual cash value basis on residential fire and

16   extended coverage, the insurer shall determine actual cash value of a loss

17   under subsection (a) of this section as the replacement cost of property at

18   time of loss, less depreciation, if any.

19   (B) Upon the insured's request, the insurer shall provide

20   a copy of the claim file worksheets detailing all deductions for

21   depreciation.

22   (2)(A) In cases in which the insured's interest is limited

23   because the property has nominal or no economic value or a value

24   disproportionate to replacement cost, less depreciation, the determination of

25   actual cash value as stated in subdivision (b)(1) of this section is not

26   required.

27   (B) In cases under subdivision (b)(2)(A) of this section,

28   the insurer shall provide, upon the insured's request, a written explanation

29   of the basis for limiting the amount of recovery along with the amount

30   payable under the policy.

31   (c) The Insurance Commissioner shall establish standards for the

32   prompt, fair, and equitable settlements of a claim for fire and extended

33   coverage-type insurance policies with replacement cost coverage under Rule 43

34   promulgated by the State Insurance Department.

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1   Referred by Senator Hill

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3   Prepared by: ANS/ANS

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