

INTERIM STUDY PROPOSAL 2023-087

1
2 State of Arkansas
3 94th General Assembly
4 Regular Session, 2023
5

A Bill

ANS/ANS
SENATE BILL

6 By: Senator Hill

7 Filed with: Senate Committee on Insurance and Commerce
8 pursuant to A.C.A. §10-3-217.

For An Act To Be Entitled

9
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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Subtitle

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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.

1 Referred by Senator Hill

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3 Prepared by: ANS/ANS

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