

1 HB362
2 155128-3
3 By Representative Scott
4 RFD: Ways and Means Education
5 First Read: 30-JAN-14

1 replacement cost and shall be insured for no less than 80
2 percent of its actual cash value. Replacement cost coverage
3 may be provided with an amount of insurance as agreed upon by
4 the proper insuring authority and the risk manager based upon
5 a written statement of values. Replacement cost shall be the
6 cost to repair or replace property with comparable materials
7 of like kind and quality by generally accepted construction
8 methods or technology to serve the same function as the lost
9 or damaged property. ~~Actual cash value shall be replacement~~
10 ~~cost less depreciation~~. No payment for a loss shall exceed the
11 limit of the policy.

12 "(b) The officer or person having charge by law of
13 insuring any public building, contents, machinery, and
14 equipment shall annually certify to the Department of Finance
15 the description and the value of all buildings, contents,
16 machinery and equipment under his supervision or control on
17 forms prescribed by the department for the purpose of showing
18 the character of the risk and determining the rate of premium.
19 No coverage shall be issued unless such certificate is on file
20 in the office of the Department of Finance or the director has
21 waived, in writing, the filing of the same.

22 "(c) Buildings, contents, machinery, and equipment
23 owned by any county, city, or school district and used for
24 school purposes or under control of a board of education may
25 be insured under ~~the provisions of~~ this chapter. The risk
26 manager, upon review and approval by the Finance Director,
27 shall develop a program of coverage under the State Insurance

1 Fund which provides, within reasonable limitations, for the
2 use of gap coverage and gap plus coverage, to provide proceeds
3 sufficient to allow a school building that has suffered an 80
4 percent or greater loss as a result of a covered peril to be
5 reconstructed with materials superior to its original
6 construction and in an increased size, if appropriate, based
7 upon current construction standards and occupancy. The risk
8 manager shall draft rules, guidelines, limitations, and
9 coverage endorsements under which this program shall operate,
10 and shall determine actuarially sound premiums to assess
11 covered entities.

12 Additional premiums required for gap and gap plus
13 coverage for participating systems shall be paid annually from
14 the Public School Fund to the Department of Finance, Division
15 of Risk Management. Distribution of the remaining Public
16 School funds shall be pursuant to Section 16-13-234.

17 Gap coverage and gap plus coverage shall be
18 mandatory for K-12 systems with buildings that qualify under
19 the terms of this program.

20 "(1) For the purposes of this subsection, gap
21 coverage is coverage that allows for improved construction
22 type from an ISO of 1, 2, or 3 to an ISO of 4; allows for
23 additional square footage in preapproved incremental amounts;
24 and requires that building damages must exceed 80 percent or
25 greater of the insured school building value as determined by
26 State Insurance Fund adjusters, engineers, and other experts.

1 For purposes of this subsection, the following construction
2 ISO designations apply:

3 "a. An ISO of 1 is a frame.

4 "b. An ISO of 2 is masonry and wood roof supports or
5 trusses, or both.

6 "c. An ISO of 3 is pre-engineered metal.

7 "d. An ISO of 4 is a steel frame and roof supports
8 with a masonry exterior.

9 "e. An ISO of 5 is a protected steel frame with a
10 masonry exterior.

11 "f. An ISO of 6 is a reinforced concrete.

12 "(2) For the purposes of this subsection, gap plus
13 coverage is coverage that allows the insured to select amounts
14 of insurance for normally uncovered expenses including, but
15 not limited to, a new preparation site if the building is not
16 rebuilt on the same foundation, underground wiring, plumbing,
17 paving, and other expenses. Gap plus coverage requires that
18 building damages must exceed 80 percent of the insured school
19 building value as determined by State Insurance Fund
20 adjusters, engineers, and other experts. Gap plus coverage
21 also requires that the maximum amount of coverage allowed for
22 gap plus is 10 percent of the insured value of the destroyed
23 building.

24 "(d) The Department of Finance may cause to be
25 surveyed, annually, if practicable, all public property coming
26 within the provisions of this chapter, and the officer or
27 person in charge of the public property shall receive a copy

1 of such report. A survey shall be an examination of property
2 for physical discrepancies, construction characteristics,
3 usage, or occupancy.

4 "(e) Notwithstanding any law to the contrary, the
5 Department of Finance in adjusting a loss ~~may~~, at its option,
6 may assume title, ownership, and possession of any insured
7 item, including building materials, fixtures, furniture,
8 machinery, and equipment, for which insured value has been
9 paid, and may arrange for the salvage and sale thereof in
10 whatever manner is deemed most advantageous to the State
11 Insurance Fund, to which all sale proceeds shall be deposited.
12 Alternatively, the Department of Finance may deduct the
13 salvage value of the insured item from the payment to the
14 owner of insurance proceeds arising from the loss of the
15 insured item."

16 Section 2. This act shall become effective on the
17 first day of the third month following its passage and
18 approval by the Governor, or its otherwise becoming law.

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House of Representatives

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ferred to the House of Representa-
tives committee on Ways and Means
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Yeas 99, Nays 0, Abstains 0

Jeff Woodard
Clerk