

STATE OF COLORADO

DEPARTMENT OF REGULATORY AGENCIES

DIVISION OF INSURANCE

1560 Broadway, Suite 850
Denver, Colorado 80202



Bulletin No. B-5.4

Notice of the Provisions Pertaining to the Payment of Claims for the Repair of Damaged Property

I. Background and Purpose

The purpose of this bulletin is to provide insurance companies and their agents with a written summary of information that they must provide to a beneficiary or claimant to comply with the terms, § 10-4-120, C.R.S.. This bulletin replaces bulletin 11-03 in its entirety.

Bulletins are the Division's interpretation 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 insurance companies and their agents that issue or renew a policy that insures real or personal property

III. Division Position

Under §10-4-120, C.R.S. insurers are required to make certain oral or written disclosures to beneficiaries or claimants. Insurers may comply with this requirement by providing beneficiaries or claimants the information contained in attachment A.

IV. Additional Division Resources

For More Information

Colorado Division of Insurance
ICARE - Property and Casualty Section
1560 Broadway, Suite 850
Denver, CO 80202
Tel. 303-894-7499
Internet: <http://www.dora.state.co.us/insurance>

V. History:

- Originally issued as bulletin 11-03, December 11, 2003.
- Reissued May 8, 2007.
- Reissued September 1, 2007.

Attachment A to Bulletin B-5.4

Summary of § 10-4-120, Colorado Revised Statutes

The law prohibits an insurance company or its agent from

- Requiring that appraisals or repairs to the real or personal property be made or not be made by a specific repair business
- Representing to a claimant that the use of or the failure to use a particular repair business may result in nonpayment or delayed payment
- Coercing, intimidating, threatening, or inducing by incentive, a beneficiary or claimant to use a particular business for repairs except that an inducement by incentive does not include Warranty or Guaranty of repairs
- Contracting with a person to manage, handle, or arrange repair work for the insurer on the condition a business does claims work at a price established by the insurer and the person retains a percentage of any compensation paid by the insurer
- Using disincentives to discourage a beneficiary or claimant from using a repair business, not including warranty or guaranty repairs
- Soliciting or accepting a referral fee in exchange for referring the beneficiary or claimant to a repair business
- Requiring the beneficiary or claimant to travel an unreasonable distance to choose a repair business
- Misinforming a beneficiary or claimant to induce the use of a particular repair business and
- Requiring a third-party claimant to have repairs done by a particular repair business

The law requires an insurance company or its agent to:

- **Inform the beneficiary or claimant that they may select any repair business of their choosing**
- Supply the beneficiary or claimant with a copy of the estimate upon which a settlement is based, when partial losses are settled based on an estimate prepared by or for the insurance company
- Confirm that any estimate prepared by or for the insurer to repair damages that are visible or evident at the time of inspection is adequate to restore the real or personal property within a reasonable time to its condition before the loss, in accordance with applicable policy provisions
- Pay for repair services and products based on the prevailing competitive price
- Assume all reasonable costs sufficient to pay for the beneficiary's or claimant's repairs less any applicable deductible or reduction for comparative negligence
- Furnish the notice required by §10-4-120 C.R.S. to the beneficiary or claimant for each claim
- Promptly pay the cost of the real or personal property repair less the deductible according to the terms of the insurance policy at no less than the prevailing competitive market price in the same geographic area
- Disclose any ownership interest in, or affiliation with, a recommended repair business