

### 10-4-120. Unfair or discriminatory trade practices - legislative declaration.

(1) (a) The general assembly determines that competition is fundamental to the free market system and that the unrestrained interaction of competitive forces will yield the best allocation of our economic resources, the lowest prices, the highest-quality commodities and services, and the best environment for democratic and social institutions. Therefore, the right of the individual to choose a repair business is a matter of statewide concern.

(b) The general assembly declares that the purposes of this section are to:

(I) Safeguard the public against monopolies, trusts, and market barriers;

(II) Foster and encourage competition by prohibiting unfair and discriminatory insurance practices that impede fair and honest competition;

(III) Ensure that all consumers benefit from competition and the expansion of choices in the marketplace; and

(IV) Enhance Colorado's economic development.

(c) This section shall be liberally construed so that its beneficial purposes may be served.

(2) An insurer or its agent that issues or renews a policy that insures real or personal property shall not:

(a) Directly or indirectly require that appraisals or repairs to the property be made or not be made by a specified repair business;

(b) Represent to a beneficiary or claimant who is making a claim under a policy that the use of, or the failure to use, a particular repair business may result in the nonpayment or delayed payment of a claim;

(c) Intimidate, coerce, threaten, or induce by incentive a beneficiary or claimant to use a particular repair business for repairs; except that an inducement by incentive does not include warranty or guaranty repairs;

(d) Contract with a person to manage, handle, or arrange insurance repair work or to act as an agent for the insurer if:

(I) The contract requires a particular repair business to do claims work for the insurer at a price established by the insurer; and

(II) The person retains a percentage of any compensation paid by the insurer;

(e) Use disincentives to discourage a beneficiary or claimant from using a particular repair business; except that a disincentive does not include warranty or guaranty repairs;

(f) Solicit or accept a referral fee or compensation in exchange for referring the beneficiary or claimant to a repair facility;

(g) Require the beneficiary or claimant to travel an unreasonable distance to choose a repair facility;

- (h) Misinform a beneficiary or claimant to induce the use of a particular repair business; or
  - (i) In the settlement of a liability claim by a third party against a beneficiary or claimant for property damage claimed by the third party, require a third-party claimant to have repairs done by a particular repair business.
- (3) An insurer or its agent that issues or renews a policy that insures real or personal property shall:
- (a) Supply the beneficiary or claimant with a copy of the estimate upon which the settlement is based, when partial losses are settled on the basis of an estimate prepared by or for the insurer;
  - (b) Require that any estimate prepared by or for the insurer covering damages that are visible or evident at the time of inspection is adequate to restore the property within a reasonable time to its condition before the loss, in accordance with applicable policy provisions;
  - (c) Pay for repair services and products based on a prevailing competitive price, as established by competitive bids, generally accepted insurer-based methodology, or market surveys that determine a fair and reasonable market price for similar services;
  - (d) Orally or in writing disclose to a beneficiary or claimant that the beneficiary or claimant may freely choose any repair business;
  - (e) Assume all reasonable costs sufficient to pay for the beneficiary's or claimant's repairs including materials or parts, less any applicable deductible or reduction for comparative negligence;
  - (f) Promptly pay the cost of property repair services and products from any repair facility location that is within a reasonable distance, less any applicable deductible amount payable by the beneficiary or claimant according to the terms of the insurance policy, at no less than the prevailing competitive market price in the same geographic area; and
  - (g) Disclose to the beneficiary or claimant any ownership interest in, or ownership by or through an affiliation with, a repair business recommended by the insurer when the recommendation is made.
- (4) An insurer is not required to furnish the notices required by this section more than once to each beneficiary or claimant for each claim.
- (5) A beneficiary, claimant, or repair business may submit a written, documented complaint to the commissioner alleging a violation of this section.
- (6) Notwithstanding any other provision of this section, an insurer or its agent shall inform the beneficiary or claimant that he or she may select any repair business of his or her choosing, and, if the insurer chooses, the insurer may also inform the beneficiary or claimant that the insurer can provide a list of repair businesses for the beneficiary or claimant to consider.

**Source: L. 2007:** Entire section added, p. 972, § 1, effective May 18.

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