

Second Regular Session
Sixty-seventh General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 10-0459.01 Christy Chase

HOUSE BILL 10-1074

HOUSE SPONSORSHIP

Soper,

SENATE SPONSORSHIP

Hudak,

House Committees

Business Affairs and Labor

Senate Committees

A BILL FOR AN ACT

101 CONCERNING MEASURES TO PROTECT CONSUMERS WITH REGARD TO
102 AUTOMOBILE INSURANCE POLICIES.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries.>)

The bill proposes 3 measures to protect automobile insurance consumers. First, with regard to the repair of motor vehicles, current law allows the use of nonoriginal replacement crash parts that are not supplied by the motor vehicle's manufacturer but requires identification of the manufacturer of the parts and disclosure by the insurer. **Sections 1 and**

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

2 of the bill require that original equipment manufactured parts that are supplied by the manufacturer of the motor vehicle being repaired be used when repairing the motor vehicle if it has fewer than 10,000 miles and has been purchased within one year before the date of the loss.

Next, current law allows an insurer to determine the amount it will pay for repair services and products using competitive bids, generally accepted insurer-based methodology, or market surveys to determine a fair and reasonable market price for similar services. **Section 3** of the bill eliminates the ability of the insurer to use generally accepted insurer-based methodology and further requires automobile insurers to complete market surveys of motor vehicle repair businesses by January 1, 2011, and within each subsequent 3-year period thereafter and adjust market prices for repair services and products by region based on the market surveys. The commissioner of insurance (commissioner) is empowered to adopt rules as necessary to implement this requirement.

Finally, **section 4** of the bill allows the commissioner to adopt rules establishing a minimum threshold amount that an automobile insurer must pay under an automobile insurance policy in connection with a single accident for which the insured is at fault before the insurer can increase a premium for any coverage on the policy.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** 10-3-1303, Colorado Revised Statutes, is amended
3 BY THE ADDITION OF A NEW SUBSECTION to read:

4 **10-3-1303. Definitions.** As used in this part 13, unless the
5 context otherwise requires:

6 (2.5) "ORIGINAL EQUIPMENT MANUFACTURED PART" MEANS A
7 REPLACEMENT CRASH PART THAT IS SUPPLIED BY THE MANUFACTURER OF
8 THE MOTOR VEHICLE ON WHICH THE PART IS USED.

9 **SECTION 2.** 10-3-1304, Colorado Revised Statutes, is amended
10 to read:

11 **10-3-1304. Identification of nonoriginal parts - original parts**
12 **required for new vehicles.** (1) Any nonoriginal equipment replacement
13 crash part supplied for use in this state shall have the name or trademark
14 of the manufacturer affixed to or inscribed on it. Such name or trademark

1 shall be placed so as to be visible after installation of the part whenever
2 practicable.

3 (2) ORIGINAL EQUIPMENT MANUFACTURED PARTS SHALL BE USED
4 FOR ANY REPAIR OF A MOTOR VEHICLE THAT HAS FEWER THAN TEN
5 THOUSAND MILES AND HAS BEEN PURCHASED WITHIN ONE YEAR BEFORE
6 THE DATE OF THE LOSS NECESSITATING THE REPAIR.

7 **SECTION 3.** 10-4-120 (3) (c), Colorado Revised Statutes, is
8 amended to read:

9 **10-4-120. Unfair or discriminatory trade practices - legislative**
10 **declaration - rules.** (3) An insurer or its agent that issues or renews a
11 policy that insures real or personal property shall:

12 (c) (I) Pay for repair services and products based on a prevailing
13 competitive price, as established by competitive bids ~~generally accepted~~
14 ~~insurer-based methodology~~, or market surveys CONDUCTED AS REQUIRED
15 BY SUBPARAGRAPH (II) OF THIS PARAGRAPH (c) that determine a fair and
16 reasonable market price for similar services;

17 (II) BY JANUARY 1, 2011, AN INSURER SUBJECT TO PART 6 OF THIS
18 ARTICLE SHALL COMPLETE A MARKET SURVEY OF ALL COLORADO MOTOR
19 VEHICLE REPAIR BUSINESSES TO ESTABLISH A FAIR AND REASONABLE
20 MARKET PRICE FOR MOTOR VEHICLE REPAIR SERVICES AND PRODUCTS FOR
21 WHICH THE INSURER IS OBLIGATED TO PAY UNDER THIS PARAGRAPH (c).
22 THE INSURER SHALL CONDUCT A MARKET SURVEY WITHIN EACH
23 SUBSEQUENT THREE-YEAR PERIOD AND SHALL ADJUST THE MARKET PRICE
24 FOR REPAIR SERVICES BY REGION BASED ON THE MARKET SURVEY
25 RESULTS. THE COMMISSIONER MAY ADOPT RULES TO IMPLEMENT THIS
26 SUBPARAGRAPH (II).

27 **SECTION 4.** 10-4-628 (4), Colorado Revised Statutes, is

1 amended to read:

2 **10-4-628. Refusal to write - changes in - cancellation -**
3 **nonrenewal of policies prohibited - rules.** (4) The commissioner shall
4 promulgate rules to implement this section. THE RULES MAY ESTABLISH
5 A MINIMUM AMOUNT THAT AN INSURER MUST PAY UNDER A POLICY FOR A
6 SINGLE ACCIDENT FOR WHICH THE INSURED IS AT FAULT BEFORE THE
7 INSURER MAY INCREASE A PREMIUM FOR A COVERAGE ON THE POLICY.

8 **SECTION 5. Act subject to petition - effective date -**
9 **applicability.** (1) This act shall take effect at 12:01 a.m. on the day
10 following the expiration of the ninety-day period after final adjournment
11 of the general assembly (August 11, 2010, if adjournment sine die is on
12 May 12, 2010); except that, if a referendum petition is filed pursuant to
13 section 1 (3) of article V of the state constitution against this act or an
14 item, section, or part of this act within such period, then the act, item,
15 section, or part shall not take effect unless approved by the people at the
16 general election to be held in November 2010 and shall take effect on the
17 date of the official declaration of the vote thereon by the governor.

18 (2) This act shall apply to automobile insurance policies in effect
19 on or after the effective date of this act.