

**Second Regular Session
Sixty-seventh General Assembly
STATE OF COLORADO**

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 10-0386.01 Christy Chase

SENATE BILL 10-076

SENATE SPONSORSHIP

Carroll M.,

HOUSE SPONSORSHIP

Primavera,

Senate Committees
Health and Human Services

House Committees
Judiciary

A BILL FOR AN ACT

101 **CONCERNING UNREASONABLE INSURANCE CLAIMS SETTLEMENT**
102 **PRACTICES.**

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>.)

Section 1 of the bill defines as an unfair claim settlement practice and a deceptive act or practice in the business of insurance the practice of providing compensation to induce or encourage the decision to deny or delay resolution of a claim or to cancel or rescind an insurance policy. In civil actions in which a jury is to determine whether an insurer's delay or

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.*

SENATE
3rd Reading Unamended
March 9, 2010

SENATE
Amended 2nd Reading
March 8, 2010

denial of a claim was reasonable, **section 2** of the bill allows the court to instruct the jury that the willful payment of a financial incentive is prohibited and may be considered if the prohibited conduct caused or contributed to the delay or denial and the claimant's injury, damage, or loss.

Section 3 of the bill establishes a presumption of unreasonableness when a claim for benefits is denied or delayed and the person who makes the decision to delay or deny payment of the claim receives any personal financial incentive, including compensation, to deny or delay the claim.

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

SECTION 1. 10-3-1104 (1), Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW PARAGRAPH, to read:

10-3-1104. Unfair methods of competition and unfair or deceptive acts or practices. (1) The following are defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(hh) UNFAIR COMPENSATION PRACTICES: BASING THE COMPENSATION OF CLAIMS EMPLOYEES OR CONTRACTED CLAIMS PERSONNEL, INCLUDING COMPENSATION IN THE FORM OF PERFORMANCE BONUSES OR INCENTIVES, ON ANY OF THE FOLLOWING:

(I) THE NUMBER OF POLICIES CANCELED;

(II) THE NUMBER OF TIMES COVERAGE IS DENIED;

(III) THE USE OF A QUOTA LIMITING OR RESTRICTING THE NUMBER OR VOLUME OF CLAIMS; OR

(IV) THE USE OF AN ARBITRARY QUOTA OR CAP LIMITING OR RESTRICTING THE AMOUNT OF CLAIMS PAYMENTS WITHOUT DUE CONSIDERATION OF THE MERITS OF THE CLAIM.

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SECTION 2. Safety clause. The general assembly hereby finds,

- 1 determines, and declares that this act is necessary for the immediate
- 2 preservation of the public peace, health, and safety.