

Second Regular Session  
Sixty-sixth General Assembly  
STATE OF COLORADO

**REREVISED**

*This Version Includes All Amendments  
Adopted in the Second House*

LLS NO. 08-1003.02 Kristen Forrestal

**HOUSE BILL 08-1407**

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**HOUSE SPONSORSHIP**

**Romanoff,**

**SENATE SPONSORSHIP**

**Gordon,**

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**House Committees**

Business Affairs and Labor  
Appropriations

**Senate Committees**

State, Veterans & Military Affairs  
Appropriations

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**A BILL FOR AN ACT**

101 **CONCERNING STRENGTHENING PENALTIES FOR THE UNREASONABLE**  
102 **CONDUCT OF AN INSURANCE CARRIER, AND MAKING AN**  
103 **APPROPRIATION IN CONNECTION THEREWITH.**

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**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)*

Increases the penalties that the insurance commissioner may impose for the violation of any law, rule, or order of the commissioner. Prohibits an insurer from unreasonably delaying or denying a claim for payment of benefits by a claimant. Creates a cause of action for a claimant who is unreasonably denied insurance benefits. Allows a claimant to recover 2 times the actual damages sustained.

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  
May 6, 2008

SENATE  
Amended 2nd Reading  
May 5, 2008

HOUSE  
3rd Reading Unamended  
April 30, 2008

HOUSE  
Amended 2nd Reading  
April 29, 2008

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

2           **SECTION 1.** 10-1-205 (3) (d), Colorado Revised Statutes, is  
3 amended to read:

4           **10-1-205. Financial examination reports.** (3) Within thirty days  
5 after the end of the period allowed for the receipt of written submissions  
6 or rebuttals, the commissioner shall fully consider and review the report,  
7 any written submissions or rebuttals, and any relevant portions of the  
8 examiner's work papers and shall enter an order that does one or more of  
9 the following:

10           (d) May impose a monetary penalty of not more than ~~one~~ **THREE**  
11 thousand dollars for every act in violation of any law, rule, or prior lawful  
12 order of the commissioner described in the report of examination, but not  
13 to exceed an aggregate penalty of ~~ten~~ **THIRTY** thousand dollars unless the  
14 company knew or reasonably should have known that its conduct was in  
15 violation of any law, rule, or prior lawful order of the commissioner, in  
16 which case the penalty shall not be more than ~~ten~~ **THIRTY** thousand dollars  
17 for every act or violation, but not to exceed an aggregate penalty of ~~one~~  
18 **SEVEN** hundred fifty thousand dollars ~~in any six-month period~~ ANNUALLY.

19           **SECTION 2.** 10-2-804 (4), Colorado Revised Statutes, is  
20 amended to read:

21           **10-2-804. Investigation by commissioner.** (4) In addition to or  
22 in lieu of any applicable denial, suspension, or revocation of an insurance  
23 producer license, any person who violates any provision of this article  
24 may, after hearing, be subject to any remedy or civil penalty of not more  
25 than ~~one~~ **THREE** thousand dollars for each such violation.

26           **SECTION 3.** 10-3-1108 (1) (a), Colorado Revised Statutes, is

1 amended to read:

2 **10-3-1108. Orders.** (1) If, after a hearing conducted under  
3 section 10-3-1107, the commissioner determines that the person charged  
4 has engaged in an unfair method of competition or an unfair or deceptive  
5 act or practice or has violated any other provision of this title or any rule  
6 or lawful order of the commissioner, the commissioner shall reduce the  
7 findings to writing and shall issue and cause to be served on such person  
8 a copy of such findings and an order requiring such person to cease and  
9 desist from engaging in such method of competition, act, practice, or  
10 violation, and, except in the case of an act or practice that is not a  
11 violation of any specific provision of this title or any specific rule or  
12 lawful order of the commissioner, the commissioner may, at his or her  
13 discretion, order any one or more of the following:

14 (a) Payment of a monetary penalty of not more than ~~one~~ **THREE**  
15 thousand dollars for each ~~and every~~ act or violation but not to exceed an  
16 aggregate penalty of ~~ten~~ **THIRTY** thousand dollars, unless such person,  
17 being an insurer, knew or reasonably should have known he OR SHE was  
18 in violation of this part 11, in which case the penalty shall not be more  
19 than ~~ten~~ **THIRTY** thousand dollars for each ~~and every~~ act or violation, but  
20 not to exceed an aggregate penalty of ~~one~~ **SEVEN** hundred fifty thousand  
21 dollars ~~in any six-month period~~ **ANNUALLY**;

22 **SECTION 4.** 10-3-1114, Colorado Revised Statutes, is amended  
23 to read:

24 **10-3-1114. Construction of part 11.** EXCEPT AS PROVIDED IN  
25 SECTIONS 10-3-1115 AND 10-3-1116, nothing in this part 11 shall be  
26 construed to create a private cause of action based on alleged violations  
27 of this part 11 or to abrogate any common law contract or tort cause of

1 action.

2 **SECTION 5.** Part 11 of article 3 of title 10, Colorado Revised  
3 Statutes, is amended BY THE ADDITION OF THE FOLLOWING NEW  
4 SECTIONS to read:

5 **10-3-1115. Improper denial of claims - prohibited - definitions**

6 - **severability.** (1) (a) A PERSON ENGAGED IN THE BUSINESS OF  
7 INSURANCE SHALL NOT UNREASONABLY DELAY OR DENY PAYMENT OF A  
8 CLAIM FOR BENEFITS OWED TO OR ON BEHALF OF ANY FIRST-PARTY  
9 CLAIMANT. ■

10 (b) FOR THE PURPOSES OF THIS SECTION AND SECTION 10-3-1116:

11 (I) "FIRST-PARTY CLAIMANT" MEANS AN INDIVIDUAL,  
12 CORPORATION, ASSOCIATION, PARTNERSHIP, OR OTHER LEGAL ENTITY  
13 ASSERTING AN ENTITLEMENT TO BENEFITS OWED DIRECTLY TO OR ON  
14 BEHALF OF AN INSURED UNDER AN INSURANCE POLICY. "FIRST-PARTY  
15 CLAIMANT" INCLUDES A PUBLIC ENTITY THAT HAS PAID A CLAIM FOR  
16 BENEFITS DUE TO AN INSURER'S UNREASONABLE DELAY OR DENIAL OF THE  
17 CLAIM.

18 (II) "FIRST-PARTY CLAIMANT" DOES NOT INCLUDE:

19 (A) A NONPARTICIPATING PROVIDER PERFORMING SERVICES; OR

20 (B) A PERSON ASSERTING A CLAIM AGAINST AN INSURED UNDER A  
21 LIABILITY POLICY.

22 (2) NOTWITHSTANDING SECTION 10-3-1113(3), FOR THE PURPOSES  
23 OF AN ACTION BROUGHT PURSUANT TO THIS SECTION AND SECTION  
24 10-3-1116, AN INSURER'S DELAY OR DENIAL WAS UNREASONABLE IF THE  
25 INSURER DELAYED OR DENIED AUTHORIZING PAYMENT OF A COVERED  
26 BENEFIT WITHOUT A REASONABLE BASIS FOR THAT ACTION.

27 (3) IF ANY PROVISION OF THIS SECTION OR ITS APPLICATION TO ANY

1 PERSON OR CIRCUMSTANCE IS HELD ILLEGAL, INVALID, OR  
2 UNENFORCEABLE, NO OTHER PROVISIONS OR APPLICATIONS OF THIS  
3 SECTION SHALL BE AFFECTED THAT CAN BE GIVEN EFFECT WITHOUT THE  
4 ILLEGAL, INVALID, OR UNENFORCEABLE PROVISION OR APPLICATION, AND  
5 TO THIS END THE PROVISIONS OF THIS SECTION ARE SEVERABLE.

6 (4) THE GENERAL ASSEMBLY DECLARES THAT THIS SECTION IS A  
7 LAW REGULATING INSURANCE.

8 (5) THIS SECTION AND SECTION 10-3-1116 SHALL NOT APPLY TO  
9 INSURANCE ISSUED IN COMPLIANCE WITH THE "WORKERS' COMPENSATION  
10 ACT OF COLORADO", ARTICLES 40 TO 47 OF TITLE 8, C.R.S.

11 (6) THIS SECTION AND SECTION 10-3-1116 SHALL NOT APPLY TO  
12 TITLE INSURANCE ISSUED PURSUANT TO ARTICLE 11 OF THIS TITLE OR TO  
13 LIFE INSURANCE ISSUED PURSUANT TO ARTICLE 7 OF THIS TITLE.

14 **10-3-1116. Remedies for unreasonable delay or denial of**  
15 **benefits - required contract provision - frivolous actions -**  
16 **severability.** (1) A FIRST-PARTY CLAIMANT AS DEFINED IN SECTION  
17 10-3-1115, WHOSE CLAIM FOR PAYMENT OF BENEFITS HAS BEEN  
18 UNREASONABLY DELAYED OR DENIED MAY BRING AN ACTION IN A  
19 DISTRICT COURT TO RECOVER REASONABLE ATTORNEY FEES AND COURT  
20 COSTS AND TWO TIMES THE COVERED BENEFIT.

21 (2) AN INSURANCE POLICY, INSURANCE CONTRACT, OR PLAN,  
22 THAT IS ISSUED IN THIS STATE THAT OFFERS HEALTH OR DISABILITY  
23 BENEFITS SHALL NOT CONTAIN A PROVISION PURPORTING TO RESERVE  
24 DISCRETION TO THE INSURER, PLAN ADMINISTRATOR, OR CLAIM  
25 ADMINISTRATOR TO INTERPRET THE TERMS OF THE POLICY, CONTRACT, OR  
26 PLAN OR TO DETERMINE ELIGIBILITY FOR BENEFITS.

27 (3) AN INSURANCE POLICY, INSURANCE CONTRACT, OR PLAN,

1 THAT IS ISSUED IN THIS STATE SHALL PROVIDE THAT A PERSON WHO  
2 CLAIMS HEALTH, LIFE, OR DISABILITY BENEFITS, WHOSE CLAIM HAS BEEN  
3 DENIED IN WHOLE OR IN PART, AND WHO HAS EXHAUSTED HIS OR HER  
4 ADMINISTRATIVE REMEDIES, SHALL BE ENTITLED TO HAVE HIS OR HER  
5 CLAIM REVIEWED DE NOVO IN ANY COURT WITH JURISDICTION AND TO A  
6 TRIAL BY JURY.

7 (4) THE ACTION AUTHORIZED IN THIS SECTION IS IN ADDITION TO,  
8 AND DOES NOT LIMIT OR AFFECT, OTHER ACTIONS AVAILABLE BY STATUTE  
9 OR COMMON LAW, NOW OR IN THE FUTURE. DAMAGES AWARDED  
10 PURSUANT TO THIS SECTION SHALL NOT BE RECOVERABLE IN ANY OTHER  
11 ACTION OR CLAIM.

12 (5) IF THE COURT FINDS THAT AN ACTION BROUGHT PURSUANT TO  
13 THIS SECTION WAS FRIVOLOUS AS PROVIDED IN ARTICLE 17 OF TITLE 13,  
14 C.R.S., THE COURT SHALL AWARD COSTS AND ATTORNEY FEES TO THE  
15 DEFENDANT IN THE ACTION.

16 (6) IF ANY PROVISION OF THIS SECTION OR ITS APPLICATION TO ANY  
17 PERSON OR CIRCUMSTANCE IS HELD ILLEGAL, INVALID, OR  
18 UNENFORCEABLE, NO OTHER PROVISIONS OR APPLICATIONS OF THIS  
19 SECTION SHALL BE AFFECTED THAT CAN BE GIVEN EFFECT WITHOUT THE  
20 ILLEGAL, INVALID, OR UNENFORCEABLE PROVISION OR APPLICATION, AND  
21 TO THIS END THE PROVISIONS OF THIS SECTION ARE SEVERABLE.

22 (7) THE GENERAL ASSEMBLY DECLARES THAT THIS SECTION IS A  
23 LAW REGULATING INSURANCE.

24 **SECTION 6.** 10-3-105 (4) (c), Colorado Revised Statutes, as  
25 enacted by House Bill 08-1228, enacted at the Second Regular Session of  
26 the Sixty-sixth General Assembly, is amended to read:

27 **10-3-105. Certificate of authority to do business - companies**

1 **prohibited - definitions.** (4) (c) For the purposes of this subsection (4),  
2 "restitution" means benefits or moneys owed due to the regulated entity's  
3 violation of this title, INCLUDING, BUT NOT LIMITED TO, COSTS AND  
4 EXPENSES FOR LOST TIME FROM WORK AND ATTORNEY FEES.

5 **SECTION 7.** 10-16-106.5 (5) (b), Colorado Revised Statutes, is  
6 amended to read:

7 **10-16-106.5. Prompt payment of claims - legislative**  
8 **declaration.** (5) (b) A carrier that fails to pay, deny, or settle a claim in  
9 accordance with subsection (4) of this section within ninety days after  
10 receiving the claim shall pay to the insured or health care provider, with  
11 proper assignment, a penalty in an amount equal to ~~ten~~ TWENTY percent  
12 of the total amount ultimately allowed on the claim. Such penalty shall  
13 be imposed on the ninety-first day after receipt of the claim by the carrier.  
14 IF A CARRIER DENIES A CLAIM IN ACCORDANCE WITH SUBSECTION (4) OF  
15 THIS SECTION WITHIN NINETY DAYS AFTER RECEIVING THE CLAIM AND THE  
16 DENIAL IS DETERMINED TO BE UNREASONABLE PURSUANT A CIVIL ACTION  
17 IN ACCORDANCE WITH SECTION 10-3-1116, THE CARRIER SHALL PAY THE  
18 PENALTY IN THIS PARAGRAPH (b) TO THE INSURED OR TO THE ASSIGNEE.

19 **SECTION 8. Appropriation - adjustments to the 2008 long**  
20 **bill.** For the implementation of this act, appropriations made in the  
21 annual general appropriation act for the fiscal year beginning July 1,  
22 2008, shall be adjusted as follows: to the department of health care policy  
23 and financing, division of medical services premiums, for medical  
24 services premiums, is decreased by two hundred seventy-seven thousand  
25 seven hundred eighty dollars (\$277,780). Of said sum, one hundred  
26 thirty-eight thousand eight hundred ninety dollars (\$138,890) shall be  
27 from the general fund and one hundred thirty-eight thousand eight

1 hundred ninety dollars (\$138,890) shall be from federal funds.

2           **SECTION 9. Effective date.** This act shall take effect at 12:01  
3 a.m. on the day following the expiration of the ninety-day period after  
4 final adjournment of the general assembly that is allowed for submitting  
5 a referendum petition pursuant to article V, section 1 (3) of the state  
6 constitution, (August 6, 2008, if adjournment sine die is on May 7, 2008);  
7 except that, if a referendum petition is filed against this act or an item,  
8 section, or part of this act within such period, then the act, item, section,  
9 or part, if approved by the people, shall take effect on the date of the  
10 official declaration of the vote thereon by proclamation of the governor.