COLORADO
Department of Regulatory Agencies
Division of Insurance

Bulletin No. B-5.54

Division Position Requirement for Policyholders to Pay Auto Insurance Deductibles

I. Background and Purpose

The Division has become aware that certain auto repair shops in Colorado are advertising or engaging in practices that involve waiving insurance deductibles owed by policyholders in connection with covered auto damage claims. The purpose of this bulletin is to provide guidance to motor vehicle insurers regarding such practices.

Bulletins are the Division of Insurance's (Division) interpretations 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 applicable to property and casualty insurers that issue motor vehicle insurance policies and handle claims related to physical damage to vehicles.

III. Division Position

It has come to the Division's attention that some automobile repair shops may waive a customer's insurance deductible to secure their business and that some insurers, insurance producers, or insurer representatives may refer policyholders to such repair shops.

The deductible is the policyholder's contractual responsibility and must be paid by the policyholder. Encouraging or referring policyholders to auto repair shops that waive deductibles or fail to clearly communicate to policyholders that deductibles are policyholders' responsibilities, may amount to misrepresentation or fraud, and may lead to inflated repair costs, affecting claim costs and premiums for all consumers.

It is the Division's position that:

- Insurers must not participate in or condone arrangements in which a repair shop waives a policyholder's deductible.
- Insurers are responsible under § 10-3-131, C.R.S., for ensuring their contracted producers and representatives do not engage in or promote practices that result in the waiver of a deductible.
- Insurers should clearly communicate to policyholders that the deductible is their responsibility under the terms of the policy.
- If an insurer becomes aware that an auto repair shop has waived the deductible on a covered claim, the insurer must evaluate whether such conduct constitutes fraud or violates any provisions of Colorado law pursuant to §§ 10-1-128, and 10-4-1003 C.R.S.,

or the insurance contract and report such activity.

IV. Additional Resources

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V. History

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