



**Colorado Defense Lawyers Association**  
The Civil Defense Bar

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**Colorado's Spike in Automobile Insurance Rates Explained:  
Appeals Court Decision Changed the Insurance Payments Scheme**

Recent press has highlighted the sharp rise in Colorado's auto insurance rates and the impact those increases are having on consumers, but those stories have not addressed the real reason behind those increases: a 2015 Colorado Court of Appeals decision that dramatically changed how auto insurers must pay benefits under uninsured and underinsured (UIM) policies.

As explained in an article published in the online Denver Law Review, the *Fisher v. State Farm Mutual Automobile Insurance Company* case was decided in 2015 by the Colorado Court of Appeals but is currently under review by the Colorado Supreme Court. The Court's decision will have a major impact on everyday Coloradans – and their pocketbooks – because it could either correct the problem or pave the way for continuing rate hikes in the future.

What is UIM Insurance? Evan Stephenson, a member of the Colorado Defense Lawyer's Association ("CDLA"), wrote the article and explained that UIM insurance protects a consumer who incurs damages in an accident that was caused by an uninsured or underinsured driver. "UIM insurance allows the injured party to make a claim against his or her own insurance company to receive the same payment he or she would have recovered from the at-fault driver if the driver had carried adequate liability insurance," Stephenson says.

Prior to the *Fisher* decision, insurance companies could pay out UIM claims in a single sum, pursuant to a settlement or judgment. Post-*Fisher*, however, insurance companies must make piecemeal payments for medical costs as they are incurred. "The new scheme requires auto insurers to pay covered medical expenses like a health insurer," Stephenson explains, "but provides none of the safeguards against runaway costs that health insurers enjoy." That means higher costs for the auto insurance companies that are passed on to consumers in the form of higher insurance premiums.

Statistics from the Colorado Division of Insurance described in the article bear that out. According to publicly available data from seven of the top 10 insurers in Colorado for whom public data could be gathered, in the fifteen months after the *Fisher* decision, UIM rates increased on average by 17.94 percent. The smallest increase was 6.5 percent, but the remainder of companies had increases in the double digits, and one insurer's rates increased by a whopping 31.2 percent. The increases in overall auto insurance rates for the same period and for the same insurers increased an average of only 6.28 percent in comparison. "The magnitude of these differences points to a UIM-specific cause, and the only credible explanation is *Fisher*," Stephenson says. "These data indicate that Fisher has caused a dramatic UIM rate spike within a short time period."

The *Fisher* article can be found at <http://www.denverlawreview.org/dlr-onlinearticle/2017/4/5/will-the-colorado-supreme-court-prevent-a-potential-statewid.html>.

For more information, please see the contact information below.

**CONTACT INFORMATION:**

Media Contact:

Stephanie Reedy

CDLA Communications Committee

[reedy@wtotrial.com](mailto:reedy@wtotrial.com)

(303) 244-1982

The Colorado Defense Lawyers Association is a nonprofit association of nearly 800 members that supports and serves the interests of lawyers principally involved in the defense of civil litigation. CDLA works to enhance the skills of the state's civil defense lawyers, promote professionalism and civility among all lawyers, and to improve the civil justice system.