

4735

2011-2012 Regular Sessions

I N   S E N A T E

April 18, 2011

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Introduced by Sen. DeFRANCISCO -- read twice and ordered printed, and  
when printed to be committed to the Committee on Insurance

AN ACT to amend the insurance law, in relation to unfair claim settle-  
ment practices

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEM-  
BLY, DO ENACT AS FOLLOWS:

1     Section 1. The insurance law is amended by adding a new section 2601-a  
2     to read as follows:  
3     S 2601-A. UNFAIR CLAIM SETTLEMENT PRACTICES; CIVIL REMEDY. (A) AN  
4     INSURER DOING BUSINESS IN THIS STATE SHALL BE LIABLE TO THE HOLDER OF A  
5     POLICY ISSUED OR RENEWED PURSUANT TO ARTICLE THIRTY-FOUR OF THIS CHAPTER  
6     FOR DAMAGES AS PROVIDED IN THIS SECTION UPON SUCH POLICY HOLDER PROVING  
7     BY A PREPONDERANCE OF THE EVIDENCE THAT SUCH INSURER'S REFUSAL TO PAY OR  
8     UNREASONABLE DELAY IN PAYMENT TO THE POLICY HOLDER OF AMOUNTS CLAIMED TO  
9     BE DUE UNDER A POLICY WAS NOT SUBSTANTIALLY JUSTIFIED. AN INSURER IS  
10    NOT SUBSTANTIALLY JUSTIFIED IN REFUSING TO PAY OR IN UNREASONABLY DELAY-  
11    ING PAYMENT WHEN THE INSURER:  
12    (1) INTENTIONALLY, RECKLESSLY OR BY GROSS NEGLIGENCE FAILED TO PROVIDE  
13    THE POLICY HOLDER WITH ACCURATE INFORMATION CONCERNING POLICY PROVISIONS  
14    RELATING TO THE COVERAGE AT ISSUE;  
15    (2) FAILED TO EFFECTUATE IN GOOD FAITH A PROMPT, FAIR AND EQUITABLE  
16    SETTLEMENT OF A CLAIM SUBMITTED BY SUCH POLICY HOLDER IN WHICH LIABILITY  
17    OF SUCH INSURER TO SUCH POLICY HOLDER WAS REASONABLY CLEAR;  
18    (3) FAILED TO PROVIDE A WRITTEN DENIAL OF A POLICY HOLDER'S CLAIM WITH  
19    A FULL AND COMPLETE EXPLANATION OF SUCH DENIAL, INCLUDING REFERENCES TO  
20    SPECIFIC POLICY PROVISIONS WHEREVER POSSIBLE;  
21    (4) FAILED TO MAKE A FINAL DETERMINATION AND NOTIFY THE POLICY HOLDER  
22    IN WRITING OF ITS POSITION ON BOTH LIABILITY FOR, AND THE INSURER'S  
23    VALUATION OF, A CLAIM WITHIN SIX MONTHS OF THE DATE ON WHICH IT RECEIVED  
24    ACTUAL OR CONSTRUCTIVE NOTICE OF THE LOSS UPON WHICH THE CLAIM IS BASED;  
25    OR

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets  
[ ] is old law to be omitted.

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1 (5) FAILED TO ACT IN GOOD FAITH BY COMPELLING POLICY HOLDER TO INSTI-  
2 TUTE SUIT TO RECOVER AMOUNTS DUE UNDER ITS POLICY BY OFFERING SUBSTAN-  
3 TIALY LESS THAN THE AMOUNTS ULTIMATELY RECOVERED IN SUIT BROUGHT BY  
4 SUCH POLICY HOLDER.

5 (B) ANY POLICY HOLDER WHO ESTABLISHES LIABILITY PURSUANT TO SUBSECTION  
6 (A) OF THIS SECTION SHALL BE ENTITLED TO RECOVER, IN ADDITION TO AMOUNTS  
7 DUE UNDER THE POLICY, INTEREST, COSTS, AND DISBURSEMENTS, COMPENSATORY  
8 DAMAGES AND REASONABLE ATTORNEYS' FEES INCURRED BY THE POLICY HOLDER  
9 FROM THE DATE OF THE LOSS, IN RECOVERING MONIES DUE PURSUANT TO THE  
10 TERMS OF THE POLICY.

11 (C) ANY POLICY HOLDER MAY RECOVER DAMAGES FROM AN INSURER DOING BUSI-  
12 NESS IN THIS STATE PURSUANT TO THIS SECTION EITHER AS PART OF AN ACTION  
13 TO RECOVER UNDER THE TERMS OF AN INSURANCE POLICY OR IN A SEPARATE  
14 ACTION.

15 (D) IN ANY TRIAL OF A CAUSE OF ACTION ASSERTED AGAINST AN INSURER  
16 PURSUANT TO THIS SECTION, EVIDENCE OF SETTLEMENT DISCUSSIONS WRITTEN AND  
17 VERBAL OFFERS TO COMPROMISE AND OTHER EVIDENCE RELATING TO THE CLAIMS  
18 PROCESS SHALL BE ADMISSIBLE. IF CAUSES OF ACTION RELATING TO LIABILITY  
19 OF THE INSURER UNDER THE POLICY AND UNDER THIS SECTION ARE ALLEGED IN  
20 THE SAME ACTION, THE COURT MAY BIFURCATE THE TRIAL OF ISSUES SO AS TO  
21 AVOID PREJUDICE TO THE INSURER ON THE ISSUE OF LIABILITY UNDER THE POLI-  
22 CY AND FACILITATE ADMISSIBILITY OF EVIDENCE ON THE CAUSES OF ACTION  
23 ASSERTED PURSUANT TO THIS SECTION.

24 (E) ALL AMOUNTS RECOVERED FROM AN INSURER AS ACTUAL DAMAGES AND  
25 REASONABLE ATTORNEYS' FEES IN ANY ACTION AUTHORIZED IN THIS SECTION  
26 SHALL BE EXCLUDED BY THE INSURER IN ITS DETERMINATIONS OF THE PREMIUMS  
27 IT WILL CHARGE ALL POLICY HOLDERS ON ALL POLICIES ISSUED BY IT.

28 S 2. This act shall take effect on the first of January next succeed-  
29 ing the date on which it shall have become a law, and shall apply to all  
30 acts and omissions by insurers occurring on or after such effective  
31 date.