

7828

2013-2014 Regular Sessions

I N   A S S E M B L Y

June 5, 2013

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Introduced by M. of A. WEINSTEIN -- read once and referred to the  
Committee on Judiciary

AN ACT to amend the general obligations law, in relation to protecting  
parties to the settlement of a tort claim from certain unwarranted  
lien, reimbursement and subrogation claims

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

1     Section 1. Legislative intent. The legislature finds that the resol-  
2     ution and settlement of certain types of claims have been impeded as a  
3     result of health insurers' attempts to intervene into pending liti-  
4     gation, as well as similar attempts to institute subrogation and  
5     reimbursement actions against litigants. As a result, settlement of  
6     claims made by accident victims and others are imperiled and prevented,  
7     thus causing undue burdens and pressures upon the court system. In addi-  
8     tion, defendants in such actions are being subjected to claims made by  
9     health insurers, exposing them to additional liability.  
10    Chapter 494 of the laws of 2009 was enacted to add a new subdivision 4  
11    to section 5-101 of the general obligations law and to add a new section  
12    5-335 of the general obligations law "in relation to protecting parties  
13    to the settlement of a tort claim from certain unwarranted lien,  
14    reimbursement and subrogation claims". However, one federal court, the  
15    United States District Court for the Eastern District of New York, in  
16    Wurtz v. Rawlings Co., LLC, 2013 WL1248631 (E.D.N.Y), has held that this  
17    legislation was preempted to the extent it applies to any insured  
18    employee benefit plan covered by the Employee Retirement Income Security  
19    Act of 1974, as amended (ERISA). The instant legislation is intended to  
20    make clear the original purpose of sections 5-101 and 5-335 of the  
21    general obligations law which is to ensure that insurers will not be  
22    able to claim or access any monies paid in settlement of a tort claim  
23    whether by way of a lien, a reimbursement claim, subrogation, or other-  
24    wise so that the burden of payment for health care services, disability

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

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1 payments, lost wage payments or any other benefits for the victims of  
2 torts will be borne by the insurer and not any party to a settlement of  
3 such a victim's tort claim. This law is specifically directed toward  
4 entities engaged in providing health insurance, thus falling under the  
5 "savings" clause contained in ERISA, which reserves to the states the  
6 right and the ability to regulate insurance.

7 S 2. Subdivision 4 of section 5-101 of the general obligations law, as  
8 added by section 7 of part F of chapter 494 of the laws of 2009, is  
9 amended to read as follows:

10 4. As used in section 5-335 of this article, the term ["benefit  
11 provider"] "INSURER" means any [insurer, health maintenance organiza-  
12 tion, health benefit plan, preferred provider organization, employee  
13 benefit plan] INSURANCE COMPANY or other entity which provides for  
14 payment or reimbursement of health care expenses, health care services,  
15 disability payments, lost wage payments or any other benefits under a  
16 policy of insurance or AN INSURANCE contract with an individual or  
17 group.

18 S 3. Section 5-335 of the general obligations law, as added by section  
19 8 of part F of chapter 494 of the laws of 2009, is amended to read as  
20 follows:

21 S 5-335. Limitation of [non-statutory] reimbursement and subrogation  
22 claims in personal injury and wrongful death actions. (a) When a [plain-  
23 tiff] PERSON settles [with] A CLAIM, WHETHER IN LITIGATION OR OTHERWISE,  
24 AGAINST one or more [defendants in an action] OTHER PERSONS for personal  
25 injuries, medical, dental, or podiatric malpractice, or wrongful death,  
26 it shall be conclusively presumed that the settlement does not include  
27 any compensation for the cost of health care services, loss of earnings  
28 or other economic loss to the extent those losses or expenses have been  
29 or are obligated to be paid or reimbursed by [a benefit provider, except  
30 for those payments as to which there is a statutory right of reimburse-  
31 ment] AN INSURER. By entering into any such settlement, a [plaintiff]  
32 PERSON shall not be deemed to have taken an action in derogation of any  
33 [nonstatutory] right of any [benefit provider] INSURER that paid or is  
34 obligated to pay those losses or expenses; nor shall a [plaintiff's]  
35 PERSON'S entry into such settlement constitute a violation of any  
36 contract between the [plaintiff] PERSON and such [benefit provider]  
37 INSURER.

38 [Except where there is a statutory right of reimbursement, no party]  
39 NO PERSON entering into such a settlement shall be subject to a subroga-  
40 tion claim or claim for reimbursement by [a benefit provider] AN INSURER  
41 and [a benefit provider] AN INSURER shall have no lien or right of  
42 subrogation or reimbursement against any such settling [party] PERSON OR  
43 ANY OTHER PARTY TO SUCH A SETTLEMENT, with respect to those losses or  
44 expenses that have been or are obligated to be paid or reimbursed by  
45 said [benefit provider] INSURER.

46 (b) This section shall not apply to a subrogation claim for recovery  
47 of additional first-party benefits provided pursuant to article fifty-  
48 one of the insurance law. The term "additional first-party benefits", as  
49 used in this subdivision, shall have the same meaning given it in  
50 section 65-1.3 of title 11 of the codes, rules and regulations of the  
51 state of New York as of the effective date of this statute.

52 (C) THIS SECTION SHALL NOT APPLY TO A SUBROGATION OR REIMBURSEMENT  
53 CLAIM FOR RECOVERY OF BENEFITS PROVIDED BY MEDICARE OR MEDICAID OR  
54 PURSUANT TO A POLICY OF INSURANCE OR AN INSURANCE CONTRACT PROVIDING  
55 WORKERS' COMPENSATION BENEFITS.

1       S   4.   This   act   shall   take   effect   immediately   and   shall   apply   to   all  
2   settlements entered into on or after November 12, 2009.