

5715

2013-2014 Regular Sessions

I N S E N A T E

June 7, 2013

Introduced by Sen. BONACIC -- read twice and ordered printed, and when printed to be committed 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 ASSEMBLY, 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
25 payments, lost wage payments or any other benefits for the victims of
26 torts will be borne by the insurer and not any party to a settlement of
27 such a victim's tort claim. This law is specifically directed toward

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

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1 entities engaged in providing health insurance, thus falling under the
2 "savings" clause contained in ERISA, which reserves to the states the
3 right and the ability to regulate insurance.

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

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

15 S 3. Section 5-335 of the general obligations law, as added by section
16 8 of part F of chapter 494 of the laws of 2009, is amended to read as
17 follows:

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

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

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

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

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