

2015-2016 Regular Sessions

I N A S S E M B L Y

(PREFILED)

January 7, 2015

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

AN ACT to amend the insurance law, in relation to unfair claim settlement practices

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, 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) THE  
4 HOLDER OF A POLICY ISSUED OR RENEWED PURSUANT TO THIS CHAPTER SHALL HAVE  
5 A PRIVATE RIGHT OF ACTION AGAINST ANY INSURER DOING BUSINESS IN THIS  
6 STATE FOR DAMAGES AS PROVIDED IN THIS SECTION UPON SUCH POLICYHOLDER  
7 PROVING BY A PREPONDERANCE OF THE EVIDENCE THAT SUCH INSURER'S REFUSAL  
8 TO PAY OR UNREASONABLE DELAY IN PAYMENT TO THE POLICYHOLDER OF AMOUNTS  
9 CLAIMED TO BE DUE UNDER A POLICY WAS NOT SUBSTANTIALLY JUSTIFIED. AN  
10 INSURER IS NOT SUBSTANTIALLY JUSTIFIED IN REFUSING TO PAY OR IN UNREA-  
11 SONABLY DELAYING PAYMENT WHEN THE INSURER:

12 (1) FAILED TO PROVIDE THE POLICYHOLDER WITH ACCURATE INFORMATION  
13 CONCERNING POLICY PROVISIONS RELATING TO THE COVERAGE AT ISSUE;

14 (2) FAILED TO EFFECTUATE IN GOOD FAITH A PROMPT, FAIR AND EQUITABLE  
15 SETTLEMENT OF A CLAIM SUBMITTED BY SUCH POLICYHOLDER IN WHICH LIABILITY  
16 OF SUCH INSURER TO SUCH POLICYHOLDER WAS REASONABLY CLEAR;

17 (3) FAILED TO PROVIDE A WRITTEN DENIAL OF A POLICYHOLDER'S CLAIM WITH  
18 A FULL AND COMPLETE EXPLANATION OF SUCH DENIAL, INCLUDING REFERENCES TO  
19 SPECIFIC POLICY PROVISIONS WHEREVER POSSIBLE;

20 (4) FAILED TO MAKE A FINAL DETERMINATION AND NOTIFY THE POLICYHOLDER  
21 IN WRITING OF ITS POSITION ON BOTH LIABILITY FOR AND THE INSURER'S VALU-  
22 ATION OF A CLAIM WITHIN SIX MONTHS OF THE DATE ON WHICH IT RECEIVED  
23 ACTUAL OR CONSTRUCTIVE NOTICE OF THE LOSS UPON WHICH THE CLAIM IS BASED;

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 A POLICYHOLDER 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 POLICYHOLDER;

5 (6) FAILED TO ADVISE A POLICYHOLDER THAT A CLAIM MAY EXCEED POLICY  
6 LIMITS, THAT COUNSEL ASSIGNED BY THE INSURER MAY BE SUBJECT TO A  
7 CONFLICT OF INTEREST, OR THAT THE POLICYHOLDER MAY RETAIN INDEPENDENT  
8 COUNSEL;

9 (7) FAILED TO PROVIDE, ON REQUEST OF THE POLICYHOLDER OR THEIR REPRE-  
10 SENTATIVE, ALL REPORTS, LETTERS OR OTHER DOCUMENTATION ARISING FROM THE  
11 INVESTIGATION OF A CLAIM AND EVALUATING LIABILITY FOR OR VALUATION OF  
12 SUCH CLAIM;

13 (8) REFUSED TO PAY A CLAIM WITHOUT CONDUCTING A REASONABLE INVESTI-  
14 GATION;

15 (9) NEGOTIATED OR SETTLED A CLAIM DIRECTLY WITH A POLICYHOLDER KNOWN  
16 TO BE REPRESENTED BY AN ATTORNEY WITHOUT THE ATTORNEY'S KNOWLEDGE OR  
17 CONSENT. THE PROVISIONS OF THIS PARAGRAPH SHALL NOT BE DEEMED TO PROHIB-  
18 IT ROUTINE INQUIRIES TO A POLICYHOLDER TO OBTAIN DETAILS CONCERNING THE  
19 CLAIM;

20 (10) FAILED TO PAY ON ONE OR MORE ELEMENTS OF A CLAIM WHERE THERE IS  
21 NO DISPUTE AS TO LIABILITY NOTWITHSTANDING THE EXISTENCE OF DISPUTES AS  
22 TO OTHER ELEMENTS OF THE CLAIM WHERE SUCH PAYMENT CAN BE MADE WITHOUT  
23 PREJUDICE TO EITHER PARTY; OR

24 (11) ACTED IN VIOLATION OF SECTION TWO THOUSAND SIX HUNDRED ONE OF  
25 THIS ARTICLE OR ANY REGULATION PROMULGATED PURSUANT THERETO.

26 (B) ANY POLICYHOLDER WHO ESTABLISHES LIABILITY PURSUANT TO SUBSECTION  
27 (A) OF THIS SECTION SHALL BE ENTITLED TO RECOVER, IN ADDITION TO AMOUNTS  
28 DUE UNDER THE POLICY, INTEREST, COSTS AND DISBURSEMENTS:

29 (1) COMPENSATORY DAMAGES EQUAL TO THREE TIMES THE ACTUAL DAMAGES;

30 (2) SUCH ADDITIONAL PUNITIVE DAMAGES AS THE COURT MAY ALLOW, ON A  
31 SHOWING THAT THE ACTS GIVING RISE TO LIABILITY OCCUR WITH SUCH FREQUENCY  
32 AS TO INDICATE A GENERAL BUSINESS PRACTICE; AND

33 (3) REASONABLE ATTORNEYS' FEES INCURRED BY THE POLICYHOLDER FROM THE  
34 DATE OF THE LOSS, IN RECOVERING MONIES DUE PURSUANT TO THE TERMS OF THE  
35 POLICY.

36 (C) ANY POLICYHOLDER MAY RECOVER DAMAGES FROM AN INSURER DOING BUSI-  
37 NESS IN THIS STATE PURSUANT TO THIS SECTION EITHER AS PART OF AN ACTION  
38 TO RECOVER UNDER THE TERMS OF AN INSURANCE POLICY OR IN A SEPARATE  
39 ACTION.

40 (D) IN ANY TRIAL OF A CAUSE OF ACTION ASSERTED AGAINST AN INSURER  
41 PURSUANT TO THIS SECTION, EVIDENCE OF SETTLEMENT DISCUSSIONS WRITTEN AND  
42 VERBAL OFFERS TO COMPROMISE AND OTHER EVIDENCE RELATING TO THE CLAIMS  
43 PROCESS SHALL BE ADMISSIBLE. IF CAUSES OF ACTION RELATING TO LIABILITY  
44 OF THE INSURER UNDER THE POLICY AND UNDER THIS SECTION ARE ALLEGED IN  
45 THE SAME ACTION, THE COURT MAY BIFURCATE THE TRIAL OF ISSUES SO AS TO  
46 AVOID PREJUDICE TO THE INSURER ON THE ISSUE OF LIABILITY UNDER THE POLI-  
47 CY AND FACILITATE ADMISSIBILITY OF EVIDENCE ON THE CAUSES OF ACTION  
48 ASSERTED PURSUANT TO THIS SECTION.

49 (E) ALL AMOUNTS RECOVERED FROM AN INSURER AS DAMAGES AND REASONABLE  
50 ATTORNEYS' FEES IN ANY ACTION AUTHORIZED IN THIS SECTION SHALL BE  
51 EXCLUDED BY THE INSURER IN ITS DETERMINATIONS OF THE PREMIUMS IT WILL  
52 CHARGE ALL POLICYHOLDERS ON ALL POLICIES ISSUED BY IT.

53 (F) NOTHING IN THIS SECTION SHALL BE CONSTRUED TO LIMIT A  
54 POLICYHOLDER'S RIGHT TO A TRIAL BY JURY FOR ANY CLAIMS ARISING UNDER  
55 THIS SECTION.

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