

4049--B

2015-2016 Regular Sessions

I N S E N A T E

February 26, 2015

Introduced by Sen. LANZA -- read twice and ordered printed, and when printed to be committed to the Committee on Insurance -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

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 ARTICLE THIRTY-FOUR OF
5 THIS CHAPTER SHALL HAVE A PRIVATE RIGHT OF ACTION AGAINST ANY INSURER
6 DOING BUSINESS IN THIS STATE FOR DAMAGES AS PROVIDED IN THIS SECTION
7 UPON SUCH POLICYHOLDER PROVING BY A PREPONDERANCE OF THE EVIDENCE THAT
8 SUCH INSURER'S REFUSAL TO PAY OR UNREASONABLE DELAY IN PAYMENT TO THE
9 POLICYHOLDER OF AMOUNTS CLAIMED TO BE DUE UNDER A POLICY WAS NOT
10 SUBSTANTIALLY JUSTIFIED. AN INSURER IS NOT SUBSTANTIALLY JUSTIFIED IN
11 REFUSING TO PAY OR IN UNREASONABLY 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-

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

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1 ATION OF A CLAIM WITHIN SIX MONTHS OF THE DATE ON WHICH IT RECEIVED
2 ACTUAL OR CONSTRUCTIVE NOTICE OF THE LOSS UPON WHICH THE CLAIM IS BASED;

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

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

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

15 (8) REFUSED TO PAY A CLAIM WITHOUT CONDUCTING A REASONABLE INVESTI-
16 GATION;

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

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

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

28 (B) ANY POLICYHOLDER WHO ESTABLISHES LIABILITY PURSUANT TO SUBSECTION
29 (A) OF THIS SECTION SHALL BE ENTITLED TO RECOVER, IN ADDITION TO AMOUNTS
30 DUE UNDER THE POLICY, INTEREST, COSTS AND DISBURSEMENTS, COMPENSATORY
31 DAMAGES, AND REASONABLE ATTORNEYS' FEES INCURRED BY THE POLICYHOLDER
32 FROM THE DATE OF THE LOSS, IN RECOVERING MONIES DUE PURSUANT TO THE
33 TERMS OF THE POLICY, AS WELL AS SUCH ADDITIONAL PUNITIVE DAMAGES AS THE
34 COURT MAY ALLOW ON A SHOWING THAT THE ACTS GIVING RISE TO LIABILITY
35 OCCUR WITH SUCH FREQUENCY AS TO INDICATE A GENERAL BUSINESS PRACTICE.

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.