STATE OF NEW YORK

6216--A

2019-2020 Regular Sessions

IN SENATE

May 23, 2019

Introduced by Sens. BAILEY, SKOUFIS -- read twice and ordered printed, and when printed to be committed to the Committee on Insurance -- recommitted to the Committee on Insurance in accordance with Senate Rule 6, sec. 8 -- 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:

Section 1. The insurance law is amended by adding a new section 2601-a to read as follows:

§ 2601-a. Unfair claim settlement practices; civil remedy. (a) The holder of a policy issued or renewed pursuant to article thirty-four of this chapter shall have a private right of action against any insurer doing business in this state for damages as provided in this section upon such policyholder proving by a preponderance of the evidence that such insurer's refusal to pay or unreasonable delay in payment to the policyholder of amounts claimed to be due under a policy was not reasonably justified. An insurer is not reasonably justified in refusing to pay or in unreasonably delaying payment when the insurer:

(1) failed to provide the policyholder with accurate information concerning policy provisions relating to the coverage at issue;

(2) failed to effectuate a prompt and fair settlement of a claim or any portion thereof, and the insurer failed to reasonably accord at least equal or more favorable consideration to its insured interest as it did to its own interests, and thereby exposed the insured to a judgment in excess of the policy limits;

(3) failed to provide a timely written denial of a policyholder's claim with a full and complete explanation of such denial, including references to specific policy provisions wherever possible;

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

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(4) failed to make a final determination and notify the policyholder in writing of its position on both liability for and the insurer's valuation of a claim within six months of the date on which it received actual or constructive notice of the loss upon which the claim is based;

(5) failed to act in good faith by compelling a policyholder to institute suit to recover amounts due under its policy by offering substantially less than the amounts ultimately recovered in suit brought by such policyholder;

(6) failed to advise a policyholder that a claim may exceed policy limits, that counsel assigned by the insurer may be subject to a conflict of interest, or that the policyholder may retain independent counsel;

(7) failed to provide, on request of the policyholder or their representative, all reports, letters or other documentation arising from the investigation of a claim and evaluating liability for or valuation of such claim;

(8) refused to pay a claim without conducting a reasonable investigation;

(9) negotiated or settled a claim directly with a policyholder known to be represented by an attorney without the attorney's knowledge or consent. The provisions of this paragraph shall not be deemed to prohibit routine inquiries to a policyholder to obtain details concerning the claim;

(10) failed to pay on one or more elements of a claim where a preponderance of the evidence establishes the claim as to liability notwithstanding the existence of disputes as to other elements of the claim where such payment can be made without prejudice to either party; or

(11) acted in violation of section two thousand six hundred one of this article or any regulation promulgated pursuant thereto.

(b) Any policyholder who establishes liability pursuant to subsection (a) of this section shall be entitled to recover, in addition to amounts due under the policy, interest, costs and disbursements, compensatory damages, consequential damages, and reasonable attorneys' fees incurred by the policyholder from the date of the loss, in recovering monies due pursuant to the terms of the policy, as well as such additional punitive damages as the court may allow. For purposes of this section, it shall be presumed that consequential damages were within the contemplation of the parties at the time of contracting.

(c) Any policyholder may recover damages from an insurer doing business in this state pursuant to this section either as part of an action to recover under the terms of an insurance policy or in a separate action.

(d) In any trial of a cause of action asserted against an insurer pursuant to this section, evidence of settlement discussions written and verbal offers to compromise and other evidence relating to the claims process shall be admissible. If causes of action relating to liability of the insurer under the policy and under this section are alleged in the same action, the court may bifurcate the trial of issues so as to avoid prejudice to the insurer on the issue of liability under the policy and facilitate admissibility of evidence on the causes of action asserted pursuant to this section.

(e) All amounts recovered from an insurer as damages and reasonable attorneys' fees in any action authorized in this section shall be excluded by the insurer in its determinations of the premiums it will charge all policyholders on all policies issued by it.

(f) Nothing in this section shall be construed to limit a policyholder's right to a trial by jury for any claims arising under this section.

(g) An action may also be maintained by the persons identified in paragraphs one, two and three of subsection (b) of section three thousand four hundred twenty of this chapter against an insurer to recover damages including compensatory damages, punitive damages as the court may allow, and interest measured from the time of failure to offer a fair and reasonable settlement in accordance with this section, from such insurer to the full extent of the judgment against the insured, not limited to the policy limits and not subject to the limitations and conditions of paragraph two of subsection (a) of section three thousand four hundred twenty of this chapter, where a preponderance of the evidence establishes that the insurer failed to effectuate a prompt and fair settlement of a claim or any portion thereof, and where under the totality of the facts and circumstances related to the claim, the insurer failed to reasonably accord at least equal or more favorable consideration to its insured's interests as it did to its own interests, and thereby exposed the insured to a judgment in excess of the policy limits.

(h) The rights enumerated in this section are not the exclusive remedies available to the policyholder and do not preclude any common law claims or other statutory claims that may exist or rise.

§ 2. Section 3425 of the insurance law is amended by adding a new subsection (t) to read as follows:

(t) No insurer shall refuse to issue or renew a covered policy solely on the ground that the policyholder has brought an action pursuant to section two thousand six hundred one-a of this chapter.

§ 3. Paragraph 4 of subsection (a) of section 2601 of the insurance law, as amended by chapter 547 of the laws of 1997, is amended to read as follows:

(4) [~~not attempting in good faith~~] where the insurer failed to effectuate a prompt[~~,~~] and fair [~~and equitable settlements~~] settlement of [~~claims submitted in which liability has become reasonably clear~~] a claim or any portion thereof, and the insurer failed to reasonably accord at least equal or more favorable consideration to its insured's interests as it did to it own interests, and thereby exposed the insured to a judgment in excess of the policy limits, except where there is a reasonable basis supported by specific information available for review by the department that the claimant has caused the loss to occur by arson. After receiving a properly executed proof of loss, the insurer shall advise the claimant of acceptance or denial of the claim within thirty working days;

§ 4. This act shall take effect on the first of January next succeeding the date on which it shall have become a law, and shall apply to all acts and omissions by insurers occurring on or after such effective date.