

HOUSE BILL ANALYSIS

HB 1651

Title: *An act relating to insurance liability.*

Brief Description: *Regulating insurance liability.*

Sponsors: *Representatives Hurst, Barlean, Campbell, Cody, Sullivan, Keiser, Constantine, Hatfield, McIntire, Santos and Conway.*

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Meeting Date: February 16, 1999

Bill Analysis Prepared by: Charlie Gavigan (786-7340)

Background: Insurance companies are regulated by state law and the Office of the Insurance Commissioner. State law defines several practices that are considered unfair or deceptive acts by insurance companies. The Insurance Commissioner, by rule, defines several other practices as unfair or deceptive, and requires insurance companies to acknowledge pertinent communications, promptly investigate claims, and promptly and fairly settle certain automobile claims.

Generally, an insurance company must acknowledge a claim within 10 working days, and complete the investigation of the claim within 30 days unless the investigation cannot reasonably be completed within such time. An insurer has 15 working days after receiving necessary documentation regarding proof of loss to complete the claims; if more time is needed, the insurer must notify the claimant of this fact.

Summary of Bill: An insurance company may not unreasonably deny a claim for coverage and payment of benefits. Several acts by insurance companies regarding the settlement and payment of insurance claims are deemed unreasonable. These include: (1) misrepresenting a pertinent fact or policy provision; (2) failing to acknowledge and act promptly on communications with respect to claims; (3) failing to promptly investigate claims; (4) denying a claim without investigating it; (5) failing to affirm or deny a claim within a reasonable time; (6) failing to pay a claim within a reasonable time when it is reasonably clear that coverage exists, or forcing the insured person to initiate litigation under these circumstances; and (7) failing to pay under one portion of a policy where liability is clear to influence a settlement under other provisions of the policy.

An insured person may bring an action against an insurance company in superior court to recover damages for acting unreasonably in processing a claim, including attorneys' fees, and may be awarded up to treble damages if the trier of fact finds the insurance company acted unreasonably.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Rulemaking Authority: Not addressed.