

SENATE BILL REPORT

SB 5736

As of February 22, 1999

Title: An act relating to insurance liability.

Brief Description: Regulating insurance liability.

Sponsors: Senators Prentice, Winsley, Heavey, Shin and Fairley.

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 2/23/99.

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Staff: Catherine Mele (786-7470)

Background: Insurance companies are regulated by state law and the Office of the Insurance Commissioner. State law defines several practices as unfair and deceptive acts by insurance companies. In addition to state laws, the Insurance Commissioner by rule defines some practices as unfair or deceptive. For example an insurance company cannot misrepresent policy provisions, fail to acknowledge pertinent communications, or fail to promptly investigate claims.

If an insurance company engages in an unfair or deceptive act or practice, the Insurance Commissioner may order the company to cease and desist. If the company violates the cease and desist order, the commissioner may fine the company up to \$250 for each violation. In addition, an injured party may bring a private action in court.

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, but are not limited to: (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) failing to pay 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 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 may bring an action against an insurance company in superior court to recover damages for acting unreasonably in processing a claim. If the trier of fact finds the insurer acted unreasonably the injured party must be awarded reasonable attorneys' fees and costs. In addition, the superior court must increase the total award of damages to an amount not to exceed three times the actual damages.

Appropriation: None.

Fiscal Note: Not requested.

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