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**By: Delegates Pendergrass, Goldwater, and Exum**

Introduced and read first time: January 22, 1997

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Unfair Claims Settlement Practices**

3 FOR the purpose of establishing that the commission of certain acts by an insurer or  
4 nonprofit health service plan with respect to a specific claim constitutes unfair  
5 claims settlement practices; making commission of the acts with respect to a specific  
6 claim a violation of the insurance laws; and authorizing the Insurance  
7 Commissioner to impose certain penalties.

8 BY repealing and reenacting, with amendments,

9 Article - Insurance

10 Section 27-303

11 Annotated Code of Maryland

12 (1995 Volume and 1996 Supplement)

13 (As enacted by Chapter \_\_\_\_\_ (H.B. 11) of the Acts of the General Assembly of 1997)

14 BY repealing and reenacting, without amendments,

15 Article - Insurance

16 Section 27-305(a) and (c)

17 Annotated Code of Maryland

18 (1995 Volume and 1996 Supplement)

19 (As enacted by Chapter \_\_\_\_\_ (H.B. 11) of the Acts of the General Assembly of 1997)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

21 MARYLAND, That the Laws of Maryland read as follows:

22 **Article - Insurance**

23 27-303.

24 It is an unfair claim settlement practice and a violation of this subtitle for an insurer  
25 or nonprofit health service plan to:

26 (1) misrepresent pertinent facts or policy provisions that relate to the claim  
27 or coverage at issue;

28 (2) refuse to pay a claim for an arbitrary or capricious reason based on all  
29 available information;

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1 (3) attempt to settle a claim based on an application that is altered without  
2 notice to, or the knowledge or consent of, the insured;

3 (4) fail to include with each claim paid to an insured or beneficiary a  
4 statement of the coverage under which payment is being made;

5 (5) fail to settle a claim promptly whenever liability is reasonably clear  
6 under one part of a policy, in order to influence settlements under other parts of the  
7 policy;

8 (6) fail to provide promptly on request a reasonable explanation of the basis  
9 for a denial of a claim; [or]

10 (7) fail to meet the requirements of Title 19, Subtitle 13 of the Health -  
11 General Article for preauthorization for a health care service;

12 (8) REFUSE TO PAY A CLAIM WITHOUT CONDUCTING A REASONABLE  
13 INVESTIGATION BASED ON ALL AVAILABLE INFORMATION;

14 (9) FAIL TO AFFIRM OR DENY COVERAGE OF CLAIMS WITHIN A  
15 REASONABLE TIME AFTER PROOF OF LOSS STATEMENTS HAVE BEEN COMPLETED;  
16 OR

17 (10) FAIL TO MAKE A PROMPT, FAIR, AND EQUITABLE GOOD FAITH  
18 ATTEMPT TO SETTLE CLAIMS FOR WHICH LIABILITY HAS BECOME REASONABLY  
19 CLEAR.

20 27-305.

21 (a) The Commissioner may impose a penalty not exceeding \$500 for each  
22 violation of § 27-303 of this subtitle or a regulation adopted under § 27-303 of this  
23 subtitle.

24 (c) (1) On finding a violation of this subtitle, the Commissioner may require an  
25 insurer or nonprofit health service plan to make restitution to each claimant who has  
26 suffered actual economic damage because of the violation.

27 (2) Restitution may not exceed the amount of actual economic damage  
28 sustained, subject to the limits of any applicable policy.

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
30 October 1, 1997.