Unofficial Copy C4

14 BY repealing and reenacting, without amendments,15 Article - Insurance

1998 Regular Session (8lr2708)

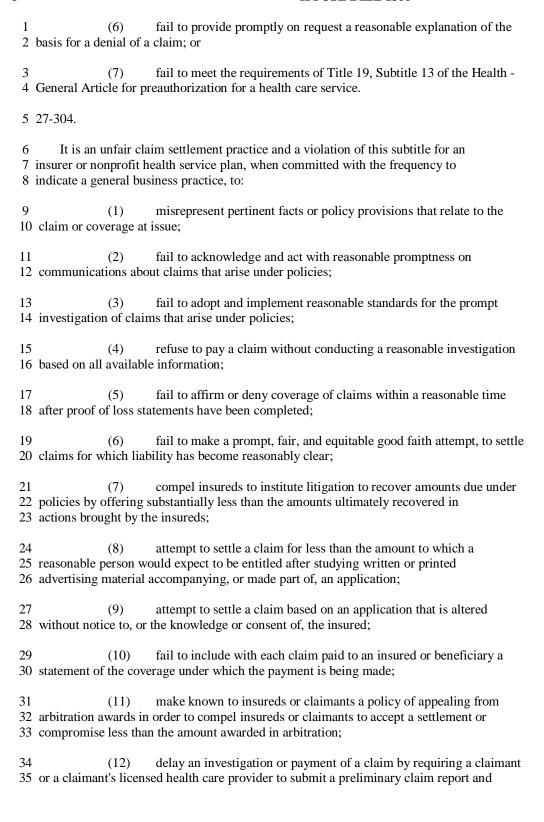
ENROLLED BILL

-- Economic Matters/Finance --

Intro	oduced by Delegate Love	
	Read and Examined by Proofreaders:	
		Proofreader.
Seale	ed with the Great Seal and presented to the Governor, for his approval thisday of at o'clock,M.	Proofreader.
		Speaker.
	CHAPTER	
1 4	AN ACT concerning	
2	Insurance - Penalties	
3 I 4 5 6 7 8	FOR the purpose of altering certain penalties that may be imposed on insurers for committing an unfair claims settlement practice and for committing an unfair claims settlement practice as a general business practice; requiring the Insurance Commissioner to adopt certain regulations; and generally relating to altering certain penalties that may be imposed on insurers for certain unfair claims settlement practices.	
9 1 10 11 12 13	BY repealing and reenacting, with amendments, Article - Insurance Section 4-113(d) and (e) and 27-305 Annotated Code of Maryland (1997 Volume)	

1 2 3	Section 27-303 and 27-304 Annotated Code of Maryland (1997 Volume)
4 5	SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:
6	Article - Insurance
7	4-113.
8 9	(d) Instead of or in addition to suspending or revoking a certificate of authority, the Commissioner may:
	(1) impose on the holder a penalty of not less than \$100 but not [exceeding \$50,000] MORE THAN \$250,000 \$125,000 for each violation of this article; and
13 14	(2) require the holder to make restitution to any person who has suffered financial injury because of the violation of this article.
15	(e) The Commissioner shall adopt regulations to:
16 17	(1) ESTABLISH STANDARDS FOR THE IMPOSITION OF A PENALTY UNDER SUBSECTION (D) OF THIS SECTION; AND
18	(2) carry out the provisions of subsection (b)(11) of this section.
19	27-303.
20 21	It is an unfair claim settlement practice and a violation of this subtitle for an insurer or nonprofit health service plan to:
22 23	(1) misrepresent pertinent facts or policy provisions that relate to the claim or coverage at issue;
24 25	(2) refuse to pay a claim for an arbitrary or capricious reason based on all available information;
26 27	(3) attempt to settle a claim based on an application that is altered without notice to, or the knowledge or consent of, the insured;
28 29	(4) fail to include with each claim paid to an insured or beneficiary a statement of the coverage under which payment is being made;
	(5) fail to settle a claim promptly whenever liability is reasonably clear under one part of a policy, in order to influence settlements under other parts of the policy;

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- 1 subsequently to submit formal proof of loss forms that contain substantially the same 2 information;
- 3 (13) fail to settle a claim promptly whenever liability is reasonably clear
- 4 under one part of a policy, in order to influence settlements under other parts of the
- 5 policy;
- 6 (14) fail to provide promptly a reasonable explanation of the basis for 7 denial of a claim or the offer of a compromise settlement; or
- 8 (15) fail to meet the requirements of Title 19, Subtitle 13 of the Health -
- 9 General Article for preauthorization for a health care service.
- 10 27-305.
- 11 (a) The Commissioner may impose a penalty not exceeding [\$500] \$5,000
- 12 \$2,500 for each violation of § 27-303 of this subtitle or a regulation adopted under §
- $\overline{27}$ -303 of this subtitle.
- 14 (b) The penalty for a violation of § 27-304 of this subtitle is as provided in §§
- 15 1-301, 4-113, 4-114, and 27-103 of this article.
- 16 (c) (1) On finding a violation of this subtitle, the Commissioner may require
- 17 an insurer or nonprofit health service plan to make restitution to each claimant who
- 18 has suffered actual economic damage because of the violation.
- 19 (2) Restitution may not exceed the amount of actual economic damage
- 20 sustained, subject to the limits of any applicable policy.
- 21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
- 22 October 1, 1998.