

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 814 (Delegate Elliott)

Economic Matters

**Unfair Claim Settlement Practices -
Liability of Insurer for Costs and Damages**

This bill provides that an insurer or nonprofit health service plan, in a civil action, is liable for actual economic damages, reasonable litigation costs and attorney fees and, if the violation meets specified criteria, punitive damages equaling the greater of \$100,000 or twice the amount of actual economic damages. Practices giving rise to a cause of action include misrepresenting pertinent facts or policy provisions, refusing to pay a claim for an arbitrary or capricious reason, commencing groundless litigation against the insured, asserting a baseless defense in litigation brought by the insured, and interference with the insured's right to collect insurance proceeds.

The bill is effective June 1, 2000.

Fiscal Summary

State Effect: Insurers could pass on the increase in litigation costs to insureds in the form of higher premiums, although it is assumed that any such increase would be negligible. Minimal increase in general fund revenues from the 2% premium tax to the extent rates are raised. Special fund revenues would increase to the extent that insurers pay the \$125 rate and form filing fee imposed by the Maryland Insurance Administration. No impact on expenditures.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Current Law: The Insurance Commissioner may require restitution and impose a penalty for unfair claim settlement practices. Actions between an insured and an insurer are governed by contract law.

Additional Information

Prior Introductions: A substantially similar bill was introduced in the 1999 session as HB 833 and received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 15, 2000
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