

HOUSE BILL 151

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2001 Regular Session
11r0150
CF 11r0105

By: **Chairman, Economic Matters Committee (Departmental - Insurance Administration, Maryland)**

Introduced and read first time: January 17, 2001

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Unfair Claim Settlement Practices**

3 FOR the purpose of establishing certain practices by insurers as unfair claim
4 settlement practices; and generally relating to unfair claim settlement practices.

5 BY repealing and reenacting, with amendments,

6 Article - Insurance

7 Section 27-303

8 Annotated Code of Maryland

9 (1997 Volume and 2000 Supplement)

10 BY repealing and reenacting, without amendments,

11 Article - Insurance

12 Section 27-304

13 Annotated Code of Maryland

14 (1997 Volume and 2000 Supplement)

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

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

17 **Article - Insurance**

18 27-303.

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

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

23 (2) refuse to pay ANY PART OF a claim for an arbitrary or capricious
24 reason based on all available information;

1 (3) attempt to settle a claim based on an application that is altered
2 without 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
9 basis for a denial of a claim;

10 (7) fail to meet the requirements of Title 15, Subtitle 10B of this article
11 for preauthorization for a health care service; [or]

12 (8) fail to comply with the provisions of Title 15, Subtitle 10A of this
13 article;

14 (9) FAIL TO ACKNOWLEDGE AND ACT WITH REASONABLE PROMPTNESS
15 ON COMMUNICATIONS ABOUT CLAIMS THAT ARISE UNDER POLICIES;

16 (10) REFUSE TO PAY A CLAIM WITHOUT CONDUCTING A REASONABLE
17 INVESTIGATION BASED ON ALL AVAILABLE INFORMATION;

18 (11) FAIL TO MAKE A PROMPT, FAIR, AND EQUITABLE GOOD FAITH
19 ATTEMPT, TO SETTLE CLAIMS FOR WHICH LIABILITY HAS BECOME REASONABLY
20 CLEAR; OR

21 (12) DELAY AN INVESTIGATION OR PAYMENT OF A CLAIM BY REQUIRING
22 A CLAIMANT OR A CLAIMANT'S LICENSED HEALTH CARE PROVIDER TO SUBMIT A
23 PRELIMINARY CLAIM REPORT AND SUBSEQUENTLY TO SUBMIT FORMAL PROOF OF
24 LOSS FORMS THAT CONTAIN SUBSTANTIALLY THE SAME INFORMATION.

25 27-304.

26 It is an unfair claim settlement practice and a violation of this subtitle for an
27 insurer or nonprofit health service plan, when committed with the frequency to
28 indicate a general business practice, to:

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

31 (2) fail to acknowledge and act with reasonable promptness on
32 communications about claims that arise under policies;

33 (3) fail to adopt and implement reasonable standards for the prompt
34 investigation of claims that arise under policies;

35 (4) refuse to pay a claim without conducting a reasonable investigation
36 based on all available information;

1 (5) fail to affirm or deny coverage of claims within a reasonable time
2 after proof of loss statements have been completed;

3 (6) fail to make a prompt, fair, and equitable good faith attempt, to settle
4 claims for which liability has become reasonably clear;

5 (7) compel insureds to institute litigation to recover amounts due under
6 policies by offering substantially less than the amounts ultimately recovered in
7 actions brought by the insureds;

8 (8) attempt to settle a claim for less than the amount to which a
9 reasonable person would expect to be entitled after studying written or printed
10 advertising material accompanying, or made part of, an application;

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

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

15 (11) make known to insureds or claimants a policy of appealing from
16 arbitration awards in order to compel insureds or claimants to accept a settlement or
17 compromise less than the amount awarded in arbitration;

18 (12) delay an investigation or payment of a claim by requiring a claimant
19 or a claimant's licensed health care provider to submit a preliminary claim report and
20 subsequently to submit formal proof of loss forms that contain substantially the same
21 information;

22 (13) fail to settle a claim promptly whenever liability is reasonably clear
23 under one part of a policy, in order to influence settlements under other parts of the
24 policy;

25 (14) fail to provide promptly a reasonable explanation of the basis for
26 denial of a claim or the offer of a compromise settlement;

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

29 (16) fail to meet the requirements of Title 15, Subtitle 10B of this article
30 for preauthorization for a health care service; or

31 (17) fail to comply with the provisions of Title 15, Subtitle 10A of this
32 article.

33 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
34 October 1, 2001.