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2001 Regular Session 1lr0150 CF 1lr0105

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

Introduced and read first time: January 17, 2001

Assigned to: Economic Matters

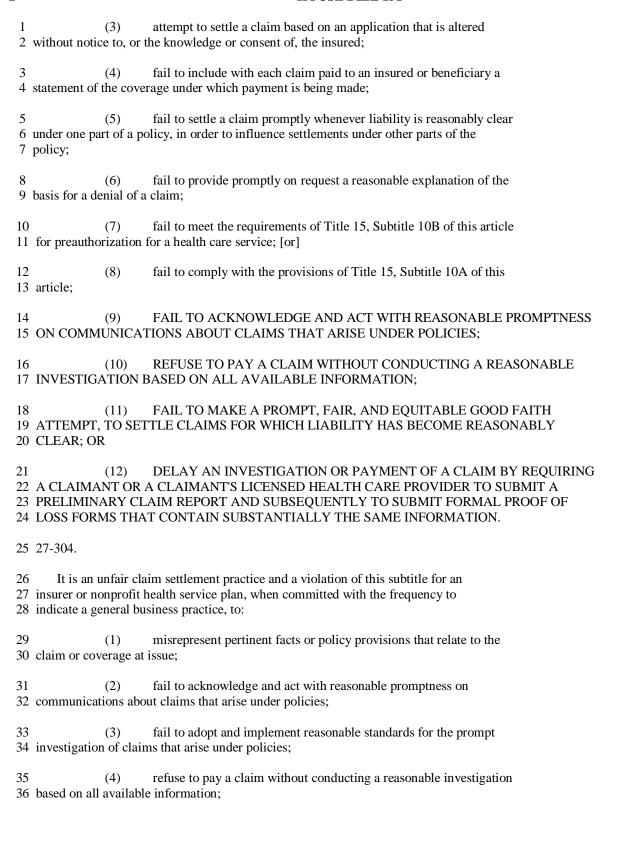
A BILL ENTITLED

Insurance - Unfair Claim Settlement Practices

1	AN ACT concerning	

- 3 FOR the purpose of establishing certain practices by insurers as unfair claim 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;

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- 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.