



General Assembly

January Session, 2003

Raised Bill No. 1015

LCO No. 3631

Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

**AN ACT REQUIRING NOTICE TO PERSONAL RISK POLICYHOLDERS
AND CLAIMANTS REGARDING SERVICES PROVIDED BY THE
INSURANCE DEPARTMENT.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2003*) Each insurer, or designee
2 of an insurer, that denies a claim under a personal risk insurance
3 policy issued in this state shall provide the insured and any other
4 claimant with written notice of the denial. The written notice shall
5 include: (1) A reasonable explanation of the factual or legal basis for
6 the denial of the claim; and (2) the following statement, which shall
7 appear in the final paragraph of the notice in not less than twelve point
8 type: "If you do not agree with this decision, you may contact the
9 Division of Consumer Affairs within the Insurance Department". The
10 notice shall include the address and toll-free telephone number for the
11 division and information on how to contact the division using
12 electronic mail and the Internet. As used in this section, "personal risk
13 insurance" means personal risk insurance, as defined in section 38a-663
14 of the general statutes.

15 Sec. 2. Subdivision (6) of section 38a-816 of the general statutes is

16 repealed and the following is substituted in lieu thereof (*Effective*
17 *October 1, 2003*):

18 (6) Unfair claim settlement practices. Committing or performing
19 with such frequency as to indicate a general business practice any of
20 the following: (a) Misrepresenting pertinent facts or insurance policy
21 provisions relating to coverages at issue; (b) failing to acknowledge
22 and act with reasonable promptness upon communications with
23 respect to claims arising under insurance policies; (c) failing to adopt
24 and implement reasonable standards for the prompt investigation of
25 claims arising under insurance policies; (d) refusing to pay claims
26 without conducting a reasonable investigation based upon all available
27 information; (e) failing to affirm or deny coverage of claims within a
28 reasonable time after proof of loss statements have been completed; (f)
29 not attempting in good faith to effectuate prompt, fair and equitable
30 settlements of claims in which liability has become reasonably clear;
31 (g) compelling insureds to institute litigation to recover amounts due
32 under an insurance policy by offering substantially less than the
33 amounts ultimately recovered in actions brought by such insureds; (h)
34 attempting to settle a claim for less than the amount to which a
35 reasonable [man] person would have believed [he] the person was
36 entitled by reference to written or printed advertising material
37 accompanying or made part of an application; (i) attempting to settle
38 claims on the basis of an application which was altered without notice
39 to, or knowledge or consent of the insured; (j) making claims payments
40 to insureds or beneficiaries not accompanied by statements setting
41 forth the coverage under which the payments are being made; (k)
42 making known to insureds or claimants a policy of appealing from
43 arbitration awards in favor of insureds or claimants for the purpose of
44 compelling them to accept settlements or compromises less than the
45 amount awarded in arbitration; (l) delaying the investigation or
46 payment of claims by requiring an insured, claimant, or the physician
47 of either to submit a preliminary claim report and then requiring the
48 subsequent submission of formal proof of loss forms, both of which
49 submissions contain substantially the same information; (m) failing to

50 promptly settle claims, where liability has become reasonably clear,
51 under one portion of the insurance policy coverage in order to
52 influence settlements under other portions of the insurance policy
53 coverage; (n) failing to promptly provide a reasonable explanation of
54 the basis in the insurance policy in relation to the facts or applicable
55 law for denial of a claim or for the offer of a compromise settlement;
56 (o) using as a basis for cash settlement with a first party automobile
57 insurance claimant an amount which is less than the amount which the
58 insurer would pay if repairs were made unless such amount is agreed
59 to by the insured or provided for by the insurance policy; (p) failing to
60 provide the notice required in section 1 of this act.

This act shall take effect as follows:	
Section 1	<i>October 1, 2003</i>
Sec. 2	<i>October 1, 2003</i>

Statement of Purpose:

To (1) require insurers who deny a claim under a personal risk insurance policy to provide notice to insureds and claimants that they may contact the Division of Consumer Affairs within the Insurance Department if they do not agree with decisions regarding their claims, and (2) establish that failure to provide such notice shall be an unfair insurance practice when done with such frequency as to indicate a general business practice.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]