

Statement

Insurance Association of Connecticut

Judiciary Committee

March 16, 2007

HB 6065, An Act Concerning Unfair Claim Settlement Practices Under The Connecticut Unfair Insurance Practices Act

The Insurance Association of Connecticut is adamantly opposed to HB 6065, An Act Concerning Unfair Claim Settlement Practices Under The Connecticut Unfair Insurance Practices Act (CUIPA).

HB 6065 would permit parties to prevail in unfair claims practice lawsuits without alleging, and proving, that an insurer's conduct constitutes a "general business practice." Absent a "general business practice" requirement, any simple claim settlement dispute could be transformed into a CUIPA claim, subjecting insurers to limitless litigation and potential liability for punitive damages and attorneys fees.

Connecticut's long standing CUIPA law is patterned after the NAIC Model Act which requires a finding to sustain a claim that an insurer acted with such frequency to indicate a general business practice. The vast majority of states have adopted the general business practice standard. Such a standard has also been upheld by the courts which have consistently ruled that single isolated acts of questionable insurance practices do not rise to the level contemplated by and punishable under CUIPA.

A claim brought pursuant to a CUIPA action may give rise to a Connecticut Unfair Trade Practices Act (CUTPA) claim. If a party alleges and proves that an insurer violated CUIPA, that party then can look to CUTPA to recover damages, including punitive damages. Unnecessarily altering the CUIPA standard would subject insurers to limitless CUIPA claims for such things as isolated clerical errors and simple human mistakes exposing insurers to double and treble damages.

Amending CUIPA to provide a cause of action for any single simple mistake will not only unnecessarily submit insurers to potential unlimited litigation, it shall also put an undue burden on the Insurance Department who must investigate each CUIPA allegation.

The original intent of CUIPA has been and remains that a standard of practice must be proven to sustain a claim. In 1955 when the original act was adopted, it was described to impact deceptive acts and practices. And, in 1973, when the act underwent a major overhaul, and touted as a "monumental piece of consumer legislation" the mandate that the alleged misdeed must be performed with such frequency as to indicate a general business practice" was maintained as an essential element of CUIPA.

There is no demonstrated need why what has been solid law for over half a century, and throughout the country, must be changed.

The IAC urges rejection of HB 6065.