

Statement

Insurance Association of Connecticut

Insurance and Real Estate Committee

March 11, 2014

HB 5247, An Act Concerning The Award Of Costs And Attorney's Fees In An Action Concerning A Homeowner's Insurance Policy

The Insurance Association of Connecticut, IAC, is opposed to HB 5247, An Act Concerning The Award Of Costs And Attorney's Fees In An Action Concerning A Homeowner's Insurance Policy as it is unduly vague and unnecessary.

HB 5247 unnecessarily mandates that an insurer pay attorney's fees and costs in every first party claim in which the insured prevails. It is unclear what "prevails" encompasses, but regardless such a proposal is contrary to the traditions of the American Judicial System. Insurers should be able to challenge questionable claims when there is a good faith basis for such a challenge. That ability allows insurers to keep claims costs down by challenging claims that raise legitimate questions, such as whether a loss falls within the policy language or is valid. Examining the validity of claims helps insurers maintain rates for all policyholders by weeding out the frivolous or meritless claims. HB 5247's mandate will discourage insurers from challenging questionable claims and may actually incentivize litigation. Plaintiffs may be encouraged to file suit, even on accepted claims, to generally inflate the cost of a claim under the threat of having to pay costs and fees. As such HB 5247 will result in needlessly inflating claims costs which will be borne by all policyholders.

If the purpose behind HB 5247 is to deter insurers from unnecessarily delaying or denying claims, there is already sufficient means to deter such behavior. There are provisions in the law with significant penalties that deter such activity, like the threat of a bad faith claim or the penalties that can be assessed by the Insurance Department.

The IAC urges your rejection of HB 5247.