

# HOUSE BILL 861

C4  
HB 762/11 – ECM

2lr0402

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By: **Delegate Braveboy**

Introduced and read first time: February 9, 2012

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Unfair Claim Settlement Practices – Refusal to Pay a Claim**

3 FOR the purpose of altering the circumstances under which it is an unfair claim  
4 settlement practice and a violation of certain provisions of law for an insurer,  
5 nonprofit health service plan, or health maintenance organization to refuse to  
6 pay a claim; and generally relating to unfair claim settlement practices under  
7 insurance law.

8 BY repealing and reenacting, without amendments,  
9 Article – Health – General  
10 Section 19–706(g)  
11 Annotated Code of Maryland  
12 (2009 Replacement Volume and 2011 Supplement)

13 BY repealing and reenacting, with amendments,  
14 Article – Insurance  
15 Section 27–303  
16 Annotated Code of Maryland  
17 (2011 Replacement Volume)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
19 MARYLAND, That the Laws of Maryland read as follows:

20 **Article – Health – General**

21 19–706.

22 (g) The provisions of § 27–504 and Title 27, Subtitle 3 of the Insurance  
23 Article shall apply to health maintenance organizations.

24 **Article – Insurance**

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 27–303.

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

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

6 (2) **UNREASONABLY** refuse to pay a claim [for an arbitrary or  
7 capricious reason] based on all available information **FROM THE INSURED OR ANY**  
8 **OTHER SOURCE**;

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

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

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

16 (6) fail to provide promptly on request a reasonable explanation of the  
17 basis for a denial of a claim;

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

20 (8) fail to comply with the provisions of Title 15, Subtitle 10A of this  
21 article; or

22 (9) fail to act in good faith, as defined under § 27–1001 of this title, in  
23 settling a first–party claim under a policy of property and casualty insurance.

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
25 October 1, 2012.