/* Here is the full text of the California Unfair Insurance Practices Act (Insurance Code, Division 1, Article 6.5 Unfair Practices) concerning "bad faith", the failure to properly handle claims. Many states including Colorado, Florida, Idaho, Indiana, Maryland, New Jersey, Oklahoma, Tennessee as examples, follow this basic model. These statutes provide a weapon for the policy holder against a company not properly handling claims. The exact way that these rights are enforced changes from state to state. In general, the statute will allow the insurance department and in some case, the policyholder the right to call the bad faith to the attention of the insurance company, and then to administratively proceed or proceed in court. */

Section 790.03 Prohibited acts

The following are hereby defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance.....

(h) Knowingly committing or performing with such frequency as to indicate a general business practice any of the following unfair claims settlement practices:

/* Most states' bad faith laws require that the company have committed the wrong several times. However, many state laws also provide that if the standards which are listed are not followed in even on case, the policy holder may have special remedies.*/

(1) Misrepresenting to claimants pertinent facts or insurance policy provisions relating to any coverages at issue.

(2) Failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.

(3) Failing to adopt and implement reasonable standards for the prompt investigation and processing of claims arising out of insurance policies.

/* This is the key to most cases. The insuror is too slow in paying clearly held claims. It requires first that the insuror set a standard and then that the insuror follow through on it. */

(4) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss requirements have been completed and submitted by the insured.

(5) Not attempting in good faith to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear.

/* Many of the statutes also provide that the insuror must pay the claims as if it were only concerned for the rights of the insured, not it own pocket book. */

(6) Compelling insureds to institute litigation to recover amounts dues under an insurance policy by offering substantially less than the amounts ultimately recovered in actions brought by the insureds, when the insureds have made claims for amounts reasonably similar to the amounts ultimately recovered.

(7) Attempting to settle a claim by an insured for less than the amount which a reasonable man would have believed he was entitled by reference to written or printed advertising material

accompanying or made part of an application.

(8) Attempting to settle claims on the basis of an application which was altered without notice to, or knowledge or consent of, the insured his or her representative, agent or broker.

(9) Failing, after payment of a claim, to inform insureds or beneficiaries, upon request by them, of the coverage under which payment has been made.

(10) Making known to insureds or claimants a practice of the insurer of appealing from arbitration awards in favor of insureds or claimants for the purpose of compelling them to accept settlements or compromises less than the amount awarded in arbitration.

(11) Delaying the investigation or payment of claims by requiring an insured, claimant, or the physician of either, to submit a preliminary claim report, and then requiring the subsequent submission of formal proof of loss forms, both of which submissions contain substantially the same information.

(12) Failing to settle claims promptly, where liability has become apparent, under one portion of the insurance policy coverage in order to influence settlements, under other portions of the insurance policy coverage.

/* This can come into play in automobile accidents. The typical automobile insurance policy insures for medical payments, bodily injury and comprehensive (collision) coverage. Therefore the company must for example, pay for the collision damage even though the medical payments liability is in dispute.*/

(13) Failing to provide promptly a reasonable explanation of the basis relied on in the insurance policy, in relation to facts or applicable law, for the denial of a claim or for the offer of a compromise settlement.

/* Therefore, this gives the insured the right to demand that the company explain why it is offering a specific amount.*/

(14) Directly advising a claimant not to obtain the services of an attorney.

(15) Misleading a claimant as to the applicable statute of limitations.

(16) Delaying the payment of provision of hospital, medical, or surgical benefits for services provides with respect to acquire immune deficiency syndrome or AIDS-related complex for more than 60 days after the insurer has received a claim for those benefits, where the delay in claim payment is for the purpose of investigation whether the condition preexisted the coverage. However, this 60-day period shall not include any time during which the insurer is awaiting a response for relevant medical information from a health care provider.