

Unfair Claims Practice – Part 1

Requesting payment for a loss under your home, auto, boat or other policy is the major reason for having insurance. You've paid your premium with the assurance that, should an eligible loss occur, you or your property will be protected. Faithfully handling your premium payments gives you the expectation that your insurance company will perform. "Performance" of the insurance contract refers to the insurance company's obligation to investigate and, if applicable, pay for a loss. Loss payment includes taking care of expenses associated with settling a loss or handling the defense costs of a lawsuit.

In most instances, disputes with an insurance company are legitimate disagreements. Parties may, justifiably, hold different positions on whether a certain loss is covered or, if covered, the amount of the loss. It is unfortunate, but sometimes an insurance company may have an attitude toward paying claims that fails to meet your expectations. In fact, a company may actually deal with you unfairly. Your right to fair treatment is, generally, protected under state law. States agencies, typically via a special insurance or commerce division, are responsible for seeing that insurance companies and agents are true to the commitment represented by the insurance policy.

Most states actively enforce the requirement that insurers fairly settle valid claims against their policies. Insurance companies and agents operating within a state are also provided with complete information regarding unacceptable claims practices. A state's rules on settling claims are based on the National Association of Insurance Commissioners (NAIC) Unfair Trade Practices Model Act. The guidelines, developed from the original act and other regulations (which vary by state) are meant to shield you from practices that are misleading, unfair or deceptive.

For more information on such practices, please see part two of this article.

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