

SB 180 A STAFF MEASURE SUMMARY

House Committee On Business and Labor

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Meeting Dates: 5/5, 5/12

WHAT THE MEASURE DOES:

Requires insurer to give written notice of payment of third-party liability claim in amounts greater than \$5,000 at the time of payment if the claimant is a natural person, the insurer or insurer's agent or attorney delivers the payment to the claimant or claimant's attorney or agent, and the claimant or claimant's attorney has provided contact information or mailing address of claimant. Allows insurer to comply with notice requirement by sending claimant a copy of the cover letter on settlement payment that was sent to claimant's attorney. Specifies that requirement to provide notice does not create a defense for claimant's attorney to any cause of action based on the insurer's failure to provide notice or against insurer for failure to provide notice or create a defense for claimant's attorney based on insurer's failure to provide notice.

Fiscal: No impact

Revenue: No impact

Senate vote: 28-2 (Nays: Boquist, Heard)

ISSUES DISCUSSED:

- Notice requirement in 16 other states
- Reason threshold for notice is set at \$5,000
- Authority of Insurance Commissioner to enforce notice requirement
- Intent is to deter fraud

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

When a person brings a legal claim against another person represented by an attorney, the opposing party may not communicate directly with the person. The stream of communication is between the attorneys. In cases involving insurance settlements, a payment is issued by the insurer and sent to the person's attorney. The person may not know that a payment has been issued, creating an opportunity for a dishonest attorney to keep some or all of the payment.

Senate Bill 180 A requires an insurer to notify a claimant in writing at the time that the insurer issues a payment on a third-party liability claim when the payment is more than \$5,000, the claimant is a natural person, and the insurer or their agent or attorney is issuing the payment to the claimant or the claimant's attorney or agent. The insurer can comply with the notice requirement by providing the person with the cover letter that accompanied the settlement payment. Failure to give notice does not create a cause of action against an insurer or create a defense for the person's attorney.