



Bad Faith Reform

Allows Insurance Companies to Refuse Payment on Claims

The Florida bad faith law has not caused any type of flood of litigation; in fact, there were fewer than 5 reported bad faith cases lost by insurers in the entire state of Florida in 2013 and even fewer than that in 2014. Past proposed legislation allow insurance companies to act in bad faith with impunity! Instead of promoting settlements and protecting policyholders, they allow insurance companies to gamble at the policyholder's expense. If these bills become law, insurance companies will be able to refuse reasonable settlements, force policyholders into expensive litigation, only to abandon them if there is an unfavorable result. These bills should **NOT** be supported because:

- They are harmful to Florida policyholders. Insurance companies have a responsibility to act in good faith--promptly investigate, evaluate, and settle all reasonable claims, when possible, within policy limits. The proposals let insurance companies off the hook, erodes protection for the policyholders, and encourages insurer gamesmanship by allowing them to get immunity by making a policy limits offer, no matter how ridiculous the terms of the offer.
- They require that the injured victim must provide the insurer with a notice of loss before bringing a bad faith claim. The language, however, does not explain or provide a definition of "notice of loss." This is inconsistent with the directions many insurers give, that claims may, and in some cases MUST be reported through 1-800 numbers, online, or through agents. Legislation also fails to explain what information is required in the notice of loss. The vagueness in the statute will lead to more litigation further wasting judicial resources.
- They provide a 45-day safe harbor to insurance companies AFTER they receive the "notice of loss" allowing them to ignore claims until then. This encourages the insurance company to act in bad faith until it has been given a "notice of loss" by the injured victim. A 45 day safe harbor is terrible for any business and will deter job growth and kill jobs. Companies cannot afford to be exposed and unprotected for any period of time.
- The legislation would also allow insurance companies to be immune from bad faith by offering the policy limits on the 45th day and revoking it on the 46th day.
- When insurance companies act in bad faith, the consequences are dire. When they shirk on their responsibilities to their policyholders, good people—including small business owners who have responsibly paid their deductibles—can end up bankrupt, foreclosed upon and forced to terminate their employees, increasing unemployment.

These bills are bad for business, bad for Floridians, and reward unscrupulous behavior.