

A Bill for an Act Relating to Unfair Claim Settlement Practices by Insurers.
Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Chapter 431, Hawaii Revised Statutes, is amended by adding a new section to read:

“Sec. 431- Unfair claim settlement practices. (a) No insurer doing business in this State shall engage in unfair claim settlement practices. Any of the following acts by an insurer, if committed without just cause and performed with such frequency as to indicate a general business practice, shall constitute unfair claim settlement practices:

- (1) Misrepresenting to claimants pertinent facts or policy provisions relating to coverages at issue;
- (2) Failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies;
- (3) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies;
- (4) Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims submitted in which liability has become reasonably clear; or
- (5) Compelling policyholders to institute suits to recover amounts due under its policies by offering substantially less than the amounts ultimately recovered in suits brought by them.

“(b) Evidence as to numbers and types of complaints to the insurance commissioner against an insurer, and said insurance commissioner’s complaint experience with other insurers writing similar lines of insurance, shall be admissible in an administrative or judicial proceeding brought under the chapter; provided no insurer shall be deemed in violation of this section solely by reason of the numbers and types of such complaints.

“(c) If it is found, after notice and an opportunity to be heard, that an insurer has violated this section, each instance of noncompliance may be treated as a separate violation of this section for the purposes of section 431-17.”

SECTION 2. This Act shall take effect September 1, 1972 and shall be applicable to all acts by insurers occurring thereafter.

(Approved May 30, 1972.)