

1 SENATE BILL NO. 165

2 INTRODUCED BY B. USHER

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4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A DUTY OF COOPERATION OF AN INSURED
5 OR A THIRD-PARTY CLAIMANT TOWARD AN INSURER WHEN DEALING WITH CLAIMS AND SEEKING
6 RECOVERY OF BENEFITS UNDER AN INSURANCE POLICY; PROVIDING THAT A BREACH OF THE
7 DUTY MAY BE ASSERTED BY AN INSURER AS AN AFFIRMATIVE DEFENSE TO ANY CAUSE OF ACTION
8 AGAINST AN INSURER UNDER SECTION 33-18-242, MCA, OR COMMENCED BY AN INSURED OR
9 CLAIMANT THAT ALLEGES THE INSURER'S BREACH OF CONTRACT OR THE INSURER'S BREACH OF
10 THE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING; ALLOWING AN INSURER TO
11 INTRODUCE EVIDENCE CONCERNING AN INSURED'S OR THIRD-PARTY CLAIMANT'S CONDUCT IN
12 ANY CAUSE OF ACTION AGAINST AN INSURER UNDER SECTION 33-18-242, MCA, OR THAT ALLEGES
13 THE INSURER'S BREACH OF CONTRACT OR THE INSURER'S BREACH OF THE IMPLIED COVENANT
14 OF GOOD FAITH AND FAIR DEALING; AMENDING SECTION 33-18-242, MCA; AND PROVIDING AN
15 IMMEDIATE EFFECTIVE DATE."

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17 WHEREAS, it is the public policy of this state that, when liability is reasonably clear and insurance
18 coverage exists, the prompt, fair, and equitable settlement of insurance claims are encouraged as beneficial to
19 claimants, policyholders, insurers, and all citizens of this state; and

20 WHEREAS, this public policy benefits the citizens of this state because it promotes prompt, fair, and
21 equitable settlements of insurance claims and reduces the nature, extent, and duration of costly litigation in the
22 courts of this state; and

23 WHEREAS, this public policy is not promoted when an insured or a third-party claimant fails to act fairly
24 toward an insurer and fails to cooperate when making, reporting, presenting, or delivering insurance claims or
25 settlement demands to insurers; and

26 WHEREAS, it is the public policy of this state that both insured policyholders and insurers doing
27 business in this state are entitled to a fair and reasonable opportunity to fairly investigate and evaluate
28 insurance claims based on reasonably available and supporting documents, records, and information regarding

1 the insurance claim.

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3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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5 NEW SECTION. **Section 1. Insured and third-party claimant's duties -- affirmative defense.** (1)

6 An insured or a claimant shall cooperate with an insurer with respect to an insurance claim or cause of action
7 made or asserted against an insured, insurer, or both, or reported or delivered to an insurer under an insurance
8 policy issued by the insurer. The duty to cooperate includes, in addition to other duties specified in the
9 insurance policy, the duty to comply with the reasonable requests of the insurer in the investigation and
10 handling of the insurance claim.

11 (2) An insured or a claimant shall deliver claim information to the insurer to allow the insurer a fair
12 and reasonable opportunity to investigate and evaluate each claim made against an insured, insurer, or both, or
13 reported or delivered to an insurer under an insurance policy issued by the insurer.

14 (3) A breach of any of the duties of an insured or claimant set forth in this section does not create
15 a separate or independent cause of action against an insured or claimant, but the breach of a duty may be:

16 (a) considered as evidence regarding whether the insurer had an opportunity to conduct a
17 reasonable investigation based on the reasonably available claim information and whether the insurer had a
18 reasonable basis in law or in fact for contesting the claim or the amount of the claim; and

19 (b) asserted by an insurer as an affirmative defense to a cause of action commenced by an
20 insured or claimant under 33-18-242 or commenced by an insured or claimant that alleges the insurer's breach
21 of contract or the insurer's breach of the implied covenant of good faith and fair dealing.

22 (4) An insurer may introduce any evidence otherwise admissible in a civil action in the state
23 regarding the actions, inactions, and other conduct of an insured or claimant in a civil action commenced by an
24 insured or claimant with respect to a claim or cause of action under 33-18-242 or commenced by an insured or
25 claimant that alleges the insurer's breach of contract or the insurer's breach of the implied covenant of good
26 faith and fair dealing.

27 (5) For the purposes of this section, the following definitions apply:

28 (a) (i) "Claim information" means documents, records, or information created, maintained, or

1 stored in a media format that is reasonably available to an insured or claimant and that relates to, establishes,
2 or proves:

3 (A) damages of any kind or nature relating to the claim or cause of action against the insured,
4 insurer, or both; and

5 (B) the liability of the insured, insurer, or both to pay, satisfy, or otherwise compensate for the
6 damages as provided in subsection (5)(a)(i)(A).

7 (ii) The term includes information that is reasonably available to an insured or a third-party
8 claimant only if the claim information is in the possession of the insured or third-party claimant, or their
9 representatives or attorneys, or if the claim information can be reasonably obtained by the insured or third-party
10 claimant on request.

11 (b) "Claimant" means a third-party claimant making, alleging, or pursuing an insurance claim or
12 cause of action against an insured for damages, or against an insurer pursuant to 33-18-242, together with and
13 including an attorney or any other authorized representative acting for or on behalf of the third-party claimant or
14 any assignee of a third-party claimant.

15 (c) "Insured" means an insured individual or entity insured under an insurance policy against
16 whom a third-party claimant is making, alleging, or pursuing an insurance claim or cause of action for damages,
17 or an insured individual or entity making, alleging, or pursuing a claim or cause of action arising from or related
18 in any manner to the insurance policy issued by the insurer to the insured, together with and including an
19 attorney or any other authorized representative acting for or on behalf of an insured or any assignee of an
20 insured.

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22 **Section 2.** Section 33-18-242, MCA, is amended to read:

23 **"33-18-242. Independent cause of action -- burden of proof.** (1) An insured or a third-party
24 claimant has an independent cause of action against an insurer for actual damages caused by the insurer's
25 violation of ~~subsection (1), (4), (5), (6), (9), or (13) of 33-18-201~~ (1), (4), (5), (6), (9), or (13).

26 (2) In an action under this section, a plaintiff is not required to prove that the violations were of
27 such frequency as to indicate a general business practice.

28 (3) An insured who has suffered damages as a result of the handling of an insurance claim may

1 bring an action against the insurer for breach of the insurance contract, for fraud, or pursuant to this section, but
 2 not under any other theory or cause of action. An insured may not bring an action for bad faith in connection
 3 with the handling of an insurance claim.

4 (4) A third-party claimant who has suffered damages as a result of the handling of an insurance
 5 claim may bring an action for fraud or pursuant to this section, but not under any other theory or cause of
 6 action. A third-party claimant may not bring an action for bad faith in connection with the handling of an
 7 insurance claim.

8 ~~(4)(5)~~ In an action under this section, the court or jury may award such damages as were proximately
 9 caused by the violation of ~~subsection (1), (4), (5), (6), (9), or (13) of 33-18-201(1), (4), (5), (6), (9), or (13).~~
 10 Exemplary damages may also be assessed in accordance with 27-1-221.

11 ~~(5)(6)~~ An insurer may not be held liable under this section if the insurer had a reasonable basis in law
 12 or in fact for contesting the claim or the amount of the claim, whichever is in issue.

13 ~~(6)(7)~~ (a) An insured may file an action under this section, together with any other cause of action the
 14 insured has against the insurer. Actions may be bifurcated for trial where justice so requires.

15 (b) A third-party claimant may not file an action under this section until after the underlying claim
 16 has been settled or a judgment entered in favor of the claimant on the underlying claim.

17 ~~(7)(8)~~ The period prescribed for commencement of an action under this section is:

18 (a) for an insured, within 2 years from the date of the violation of 33-18-201; and

19 (b) for a third-party claimant, within 1 year from the date of the settlement of or the entry of
 20 judgment on the underlying claim.

21 ~~(8)(9)~~ As used in this section, an insurer includes a person, firm, or corporation utilizing self-insurance
 22 to pay claims made against them."

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 24 **NEW SECTION. Section 2. Codification instruction.** [Section 1] is intended to be codified as an
 25 integral part of Title 33, chapter 18, part 2, and the provisions of Title 33, chapter 18, part 2, apply to [section 1].

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 27 **NEW SECTION. Section 3. Saving clause.** [This act] does not affect rights and duties that matured,
 28 penalties that were incurred, or proceedings that were begun before [the effective date of this act].

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2 NEW SECTION. **Section 4. Effective date.** [This act] is effective on passage and approval.

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