

# BULLETIN 357

## Coercive Claim Settlement Activity

At a recent public hearing of the Joint Standing Committee on Insurance and Financial Services of the Maine Legislature, witnesses testified to incidents in which automobile liability insurers sent claims adjusters to obtain statements, information, and/or settlements from hospitalized accident victims, some of whom were in pain, not fully conscious, and/or medicated (*e.g.*, with morphine drips altering their mental capacity).

Such coercive claim handling activities violate Maine law. On the part of an insurer, they constitute conduct that is hazardous or injurious to the public, in violation of 24-A M.R.S.A. § 417(2)(A). On the part of an adjuster, they constitute coercive and dishonest practices and demonstrate incompetence and untrustworthiness, in violation of 24-A M.R.S.A. §§ 1417, 1420-K(1)(H), and 1472. The potential penalties for these violations include cease and desist orders, civil penalties of up to \$15,000 per violation by an insurer or \$5000 per violation by an individual, and license suspension or revocation.

Insurers are also reminded that while they have the right and responsibility to contest claims legitimately in dispute, this does not include the right to take unfair advantage of claimants who are in a vulnerable situation, as in the cases described earlier, nor to wear claimants down by delaying payments that are not reasonably in dispute. Such business practices, which compel insureds or third-party claimants to file suit in order to get full payment of the amount to which they are entitled, are grounds for suspension or revocation of an insurer's license under 24-A M.R.S.A. § 417(2)(B).

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