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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **2389**

March 29, 2007

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The bill was read for the first time and referred to the Committee on Public Safety and Civil Justice

May 16, 2007

By motion, recalled and re-referred to the Committee on Rules and Legislative Administration

1.1 A bill for an act
1.2 relating to civil actions; requiring insurers to act in good faith in connection with
1.3 claims practices; requiring a report; proposing coding for new law in Minnesota
1.4 Statutes, chapter 604.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[604.18] GOOD FAITH INSURANCE PRACTICES.**

1.7 Subdivision 1. Required conduct. (a) An insurer shall act in good faith in
1.8 connection with any matter involving a claim under an insurance policy.

1.9 (b) An insurer does not act in good faith if the insurer delays or denies benefits
1.10 offered or paid without an objectively reasonable basis for its offer, delay, or denial. An
1.11 insurer also does not act in good faith if the insurer engages in any fraud, false pretense,
1.12 false promise, misrepresentation, misleading statement, or deceptive practice that others
1.13 rely on in connection with any matter involving a claim under an insurance policy.

1.14 (c) For purposes of this section:

1.15 (1) "insurance policy" means an insurance policy or contract issued, executed,
1.16 renewed, maintained, or delivered in this state, other than a workers' compensation
1.17 insurance policy or contract or other policy or contract of a health carrier as defined in
1.18 section 62A.011; and

1.19 (2) "insurer" means an insurance company: (i) incorporated or organized in this
1.20 state; or (ii) admitted to do business in this state but not incorporated or organized in
1.21 this state. The term does not include a political subdivision providing self-insurance or
1.22 establishing a pool under section 471.981, subdivision 3.

2.1 Subd. 2. **Penalties and remedies.** A person violating subdivision 1 is acting against
2.2 the public interest and is liable to the injured party for costs, damages, and reasonable
2.3 attorney fees.

2.4 Subd. 3. **Insurance producers; liability limited.** A licensed insurance producer
2.5 is not liable under this section for errors, acts, or omissions attributed to the insurer that
2.6 appointed the producer to transact business on its behalf, except to the extent the producer
2.7 has caused or contributed to the error, act, or omission.

2.8 Subd. 4. **Report to commissioner.** An insurer shall promptly report to the
2.9 commissioner of commerce the date and disposition of every settlement and award against
2.10 the insurer for a violation of subdivision 1.

2.11 **EFFECTIVE DATE.** This section is effective August 1, 2007, and applies to causes
2.12 of action commenced on or after that date.

2.13 Sec. 2. **REPORT.**

2.14 The commissioner of commerce shall monitor compliance with the good faith
2.15 obligations of insurers imposed by Minnesota Statutes, section 604.18 and prepare a
2.16 compliance report and submit it to the house and senate standing committees with
2.17 jurisdiction over insurance matters on January 1 of each year. The commissioner shall
2.18 also submit a copy of the report to the state court administrator to assist the administrator
2.19 in monitoring the impact on the state court system of the enactment of Minnesota
2.20 Statutes, section 604.18. The report must also include the information received by the
2.21 commissioner under Minnesota Statutes, section 604.18, subdivision 3.