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FREEADVICE : insurer's bad faith

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IF MY INSURANCE COMPANY DENIES MY CLAIM, DO I HAVE ANY RIGHTS?

Absolutely Yes. If an insurance company fails or refuses to honor its contract and pay a valid claim, you have the right to bring a [civil action](#) for damages against that insurance company. In addition to suing for a "breach of contract", you might be able to bring a "tort" claim seeking damages based upon the insurer's "bad faith" handling of the claim.

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DOES THIS APPLY ONLY TO CERTAIN TYPES OF INSURANCE CLAIMS?

No. The unsupported denial of any insurance claim (including claims under policies covering, auto, disability, life, health and property -- such as homeowners or casualty claims) may subject the insurer to damages that go far beyond the amount the company should have paid under the insurance policy in a [civil action](#).

DO DAMAGES FOR AN INSURER'S BAD FAITH GO BEYOND WHAT I WOULD BE ENTITLED TO UNDER THE CONTRACT?

Yes. In addition to what the insurer owes you under the policy (plus interest), if the denial can be shown to have been "unreasonable," you might also recover "consequential damages" (monies you had to pay out-of-pocket because of the denial), and "extra-contractual damages" to compensate for mental and emotional distress, and, in some cases, "punitive" or "exemplary damages" designed to punish the insurer and deter it and its employees from wrongfully denying similar claims in the future.

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CAN I RECOVER THESE "EXTRA-CONTRACTUAL DAMAGES" IN EVERY CASE WHERE BENEFITS HAVE BEEN DENIED?

No. Again, the denial by the insurer must be shown to have been **unreasonable**. A legitimate dispute or disagreement over coverage or benefits will likely not give rise to a bad faith claim. Further, in order to recover punitive damages, one must show that the insurer has acted with "oppression, fraud or malice" and, indeed, that its conduct was "despicable". (These are difficult standards to reach.)

IN GENERAL, WHAT OBLIGATION DOES THE INSURANCE COMPANY OWE TO ME REGARDING MY CLAIM?

In most states your insurance company has a duty to handle your claim promptly, reasonably and in "good faith."

WHAT DOES THE DUTY OF "GOOD FAITH" INVOLVE?

The duty of "good faith and fair dealing" basically means that your insurance company must

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- adjust your claim (either pay it or deny it) within a reasonably prompt time,
- must cooperate with you regarding the claim (timely respond to your letters and phone calls),
- must tell you in writing precisely **why** it is denying the claim specifying each contract term or provision upon which it relies,
- must attempt to find a basis to **pay** the claim rather than find reasons to **deny** it, and
- must (as the duty itself states) "play fair" with you.

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