The Reporter Dispatch

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Saturday, May24, 1997

Business

State senator renews push for insurance legislation

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A bill to let New York insurance policyholders recover attorney fees if they successfully sue their insurance carriers "is long past due" but its passage this year is not certain, a state lawmaker from Westchester said.

"It's a tough lift," said State Sen. Guy Velella, R-Yonkers, who heads the Senate Insurance Committee and is a co-sponsor of the measure. "I'm trying to push hard for it."

The proposed legislation would apply to automobile and homeowner policies. It would also require insurance companies to pay punitive damages in some cases.

Proponents say the bill would level the playing field between insurance companies and policyholders when companies show "bad faith" or unreasonable denial of a claim.

Velella said this week he could not quantify the number of such cases but said it's "fairly widespread throughout the industry."

Under current New York law, policyholders can sue their carriers for breach of contract if, say, their house burns down and the carrier fails to pay the full amount they're entitled to receive.

But few people have the money to go to court, said Martin Goldstein of Bedford, executive director of Citizens Against Unfair Insurance Practices, a statewide, 400-member consumer lobbying group. And should the policyholder win, Goldstein said, one-third of the settlement goes to attorneys.

"Right now, every policyholder in New York State faces emotional and financial havoc because insurance companies can literally deny all or part of a claim with impunity," he said.

At an Albany rally early this month, Goldstein told of an upstate Chenango County family with four young children whose house burned down. Local firefighters said the fire was accidental, Goldstein said, but their insurance company refused to pay the family's $121,000 claim,

After several months, the couple had to hire an attorney and the carrier agreed to settle for about $71,700. After paying legal fees, the couple cleared about $47,000.

He also accused insurance company lobbyists of distorting the true intent of the bill.

The lobbyists, however, dispute Goldstein. They say the companies are fair to consumers, that carriers have had to pay significant fines for bad faith actions and that the bill would only benefit trial lawyers.

"We have the best consumer protections of any state in the union," said Bernard Bourdeau, president of the New York State Insurance Association. "This is a giveaway to the personal-injury lawyers and nothing else."

Goldstein also faulted the New York State Insurance Department for not protecting policyholders, partly because it cannot address "questions of fact" such as the replacement cost for items such as tables and chairs. Also, it has too few people to handle complaints.

Insurance Department spokesman John Calagna said the department is adequately staffed and that it recovers money for thousands of consumers each year.

The measure has passed the Assembly for more than 11 years, including this year by a 131 to 13 vote. It is now in the Senate Rules Committee for further debate.