

HB 31 -- RESERVATION OF RIGHTS

SPONSOR: Gosen

This bill allows an insurer to provide an insured person with a statement of reservation of rights which gives reasons why the insurer is not required to defend or indemnify the insured individual without the possibility that the statement would be used in a civil action to show proof of a breach of duty on the part of the insurer.

An insurer must have an opportunity to defend or decline to defend an insured individual with whom it has a contract in an action against the individual leading to a claim against the insurer. A creditor must show that the insurer had the opportunity in order to collect a garnishment against the insurer.

An insurer cannot be forced to enter into a contract to limit recovery between its insured and a third party who has an unliquidated damage claim against the insured.