

HB 1531 -- INTERPLEADING IN CIVIL PROCEEDINGS

SPONSOR: DeGroot

COMMITTEE ACTION: Voted "Do Pass" by the Special Committee on Litigation Reform by a vote of 6 to 3. Voted "Do Pass" by the Rules- Legislative Oversight Committee by a vote of 7 to 3.

This bill modifies the circumstance in which a party may be joined in a civil action. The bill clarifies that a plaintiff's insured may be joined as a defendant and required to interplead when the plaintiff may be exposed to multiple claims against the same insurance coverage. The bill further sets forth a procedure by which an insurer may timely deposit all applicable limits of coverage into court in an interpleader action, and will not be further liable for any amount in excess of its contractual limits of coverage so long as the insurer defends its insured from any further claim or lawsuit.

PROPOSERS: Supporters say that this bill will solve a problem created by case law in that an insurance company could be sued for bad faith and be required to pay a sum in excess of its policy limits. The bill allows an insurance company to use interpleader to fulfill its duty to defend the insured and to pay into court its policy limits. This prevents a "race to the courthouse" by multiple claimants who may deplete the available funds.

Testifying for the bill were Representative DeGroot; William Clayton Crawford, Shelton Insurance Company, Missouri Insurance Coalition; Property And Causality Insurance Association Of America; Missouri Insurance Coalition; State Farm, Aia; and Gamble & Schlemeier.

OPPOSERS: Those who oppose the bill say that the bill will not work as intended because the insurance company is not required to negotiate a release for its insured prior to interpleading the funds, and absolves the insurance company of any claim of bad faith to its insured.

Testifying against the bill were Aaron Widel Smith and Missouri Housing Authorities.