

I. IS THAT COVERED?

What is “bad faith” conduct by an insurer?

You’ve probably heard the phrase “bad faith” used in reference to insurance company conduct. But, what does this mean?

Pennsylvania courts define “bad faith” as a frivolous or unfounded refusal to pay money owed under a policy, or to defend you in a lawsuit covered by your policy. Mere negligent conduct is not enough. The insurer must have acted unreasonably, recklessly, or intentionally, and essentially know that its conduct was improper.

Some examples of bad faith conduct are failing to pay a legitimate claim and making you hire a lawyer and file suit to get your money; failing to pay a claim asserted against you within the policy limits of your coverage and needlessly risking your personal assets; and even using the court system to make spurious arguments to delay payment of a legitimate claim. Examples of bad faith conduct are as numerous as the creative ways that some insurers use to deny paying legitimate claims.

Many claims denied by insurers are simply not covered under the policy, or the insurer and the insured have a good faith dispute about such coverage. This is not bad faith conduct.

If you or someone you know has an insurance dispute, or you have further questions about “bad faith,” please call the Insurance Group at SAS.

The SAS Insurance Group helps clients understand their insurance coverage, submit claims and, where appropriate, sues insurance companies for failing to honor legitimate claims.