

**ALABAMA DEPARTMENT OF INSURANCE
ADMINISTRATIVE CODE**

**CHAPTER 482-1-125
STANDARDS FOR PROPERTY/CASUALTY INSURANCE CLAIMS**

**482-1-125-.07 Standards For Prompt, Fair And Equitable
Settlements Applicable To All Insurers.**

(1) Within thirty (30) days, or the number of days specified in the policy, after receipt by the insurer of properly executed proofs of loss, the first party claimant shall be advised of the status of acceptance or denial of the claim by the insurer. No insurer shall deny a first party claim on the grounds of a specific policy provision, condition or exclusion unless reference to such provision, condition, or exclusion is included in the denial. The denial may be given to the first party claimant in writing, verbally or electronically (e-mail). If verbal, the file should clearly indicate the denial and reasons for the denial. If the denial is in writing or electronic (e-mail), the file should contain a copy of the denial letter or e-mail. If after the first party claim is denied, the first party claimant requests a written denial, a written denial shall be mailed within a reasonable time. Where there is a reasonable basis supported by specific information available for review by the insurance regulatory authority that the first party claimant has fraudulently caused or contributed to the loss, the insurer is relieved from the requirements of this paragraph; provided, however, that the first party claimant shall be advised of the acceptance or denial of the first party claim within a reasonable time or any time limit specified in the policy for full investigation after receipt by the insurer of a properly executed proof of loss.

(2) If the insurer needs more time to determine whether a first party claim should be accepted or denied, it shall so notify the first party claimant within thirty (30) days or the time period specified in the policy after receipt of the proofs of loss, giving the reasons more time is needed. If the investigation remains incomplete, the insurer shall, forty-five (45) days from the initial notification and every forty-five (45) days thereafter, notify the first party claimant in writing, verbally or electronically (e-mail) of the reasons additional time is needed for investigation. Where there is a reasonable basis supported by specific information available for review by the insurance regulatory authority for suspecting that the first party claimant has fraudulently caused or contributed to the loss, the insurer is relieved from the requirements of this paragraph; provided, however, that the claimant shall be advised of the acceptance or denial of the claim by the insurer within a reasonable time for full investigation after receipt by the insurer of a properly executed proof of loss. If the claim is in

litigation for any reason, the above notification guidelines will no longer apply to that particular claim.

(3) Insurers shall not refuse to adjust first party claims on the basis that responsibility for payment should be assumed by others except as may otherwise be provided by policy provisions, statute or case law.

(4) No insurer shall knowingly cease or prolong negotiations for settlement of a claim with the intention of allowing the statute of limitations to expire. On an unresolved claim affected by a statute of limitations, the insurer must give a first-party claimant who is not represented by counsel written notice of the expiration date, as it is understood by the insurer, of the statute of limitations and the effect of expiration of such limitations period. Said notice must be sent to any first-party claimant approximately forty-five (45) calendar days before the date on which said limitations period may expire.

(5) No insurer shall knowingly make false statements indicating that the rights of a third party claimant may be impaired if a form or release is not completed within a given period of time.

(6) The insurer shall tender payment within thirty (30) days or the time specified in the policy, after accepting liability, reaching an agreement on the amount of the claim and receipt of any documents necessary to consummate the settlement.

(7) No insurer shall request or require any insured to submit to a polygraph examination unless authorized under the applicable insurance contracts and state law.

(8) No insurer shall deny or fail to adjust an otherwise valid third-party claim because of the failure of the insured to cooperate unless the insurer proves the lack of cooperation is material, substantial, and to the prejudice of the insurer.

Author: Commissioner of Insurance

Statutory Authority: Code of Ala. 1975, §§27-2-17, 27-1-17, 27-1-19, 27-12-21, 27-12-24, 27-14-8, 27-14-11, 27-14-9.

History: New Rule: May 27, 2003; effective June 9, 2003. Filed with LRS May 30, 2003. Rule is not subject to the Alabama Administrative Procedure Act. **Amended:** August 8, 2019; effective January 1, 2020. Filed with LRS August 8, 2019. Rule is not subject to the Alabama Administrative Procedure Act. **Amended:** May 6, 2020; effective May 16, 2020. Published May 29, 2020 with LSA. Rule is not subject to the Alabama Administrative Procedure Act.