

Insurer Misconduct with Respect to Two Claims Insufficient for Cause of Action under Connecticut Unfair Insurance Practices Act

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In an unreported decision, a Connecticut trial court has ruled that allegations of multiple acts of insurer misconduct arising out of the handling of two separate claims by the same policyholder under the same insurance policy do not allege a "general business practice" capable of sustaining a cause of action under the Connecticut Unfair Trade Practices Act. *Southridge Capital Mgmt., LLC v. Twin City Fire Ins. Co.*, 2004 WL 2397300 (Conn. Super. Ct. Sept. 27, 2004).

The policyholder alleged that, in response to two claims under the same policy, the insurer failed to respond promptly in writing to the policyholder's claim notices, denied coverage for spurious reasons and later changed its reasons for denying coverage. The policyholder sought damages under the Connecticut Unfair Trade Practices Act, which permits a cause of action based on a violation of Section 38a-816(6) of the Connecticut Unfair Insurance Practices Act (CUIPA). CUIPA permits a policyholder to bring a claim against an insurer where the insurer has engaged in unfair claim settlement practices with sufficient frequency to constitute a "general business practice."

Citing *Lees v. Middlesex Ins. Co.*, 229 Conn. 842 (1994), the court found that the policyholder's allegations were insufficient to sustain a cause of action based on a "general business practice." The *Lees* court had held that isolated instances of alleged insurer misconduct are exempt from coverage under the CUIPA. Considering dictionary definitions, the *Lees* court had noted that "general" is defined as "prevalent, usual or widespread," while "practice" means "performance or application habitually engaged in, or repeated or customary action." The present court found that the policyholder's allegations were akin to the "isolated incidents" exempted from CUIPA coverage by *Lees*. The court explained that "[t]wo incidences of alleged insurer misconduct concerning the same policy of insurance and the same insured do not present facts that fit the definition of 'a general business practice' as discussed in *Lees*."

The court distinguished the present case from cases in which insurer misconduct with respect to other insureds is also alleged. Such allegations may be sufficient to sustain a cause of action based upon a CUIPA violation. The court also noted that where individual claims relate to a single incident, the mishandling of even several policies and different claims by the insurer does not constitute a "general business practice."

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