

1 ENGROSSED HOUSE
2 BILL NO. 2144

3 By: Kannady, Deck, Pae,
4 Schreiber, Rosecrants,
5 Provenzano, Moore, Harris,
Miller, Roe, Humphrey,
Ranson, Townley, Pfeiffer,
Caldwell (Chad), Cantrell,
Turner, Marti, George, and
Manger of the House

6 and

7 Weaver of the Senate

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9
10 An Act relating to insurance; creating the Insurance
11 Consumers Protection Act; providing definitions;
12 creating a statutory cause of action; clarifying
determination of reasonableness and necessity;
13 providing who may bring action; declaring certain
policy, contract, or plan provisions void; clarifying
there is no requirement to exhaust administrative
remedies; directing that claimants are entitled to
trial by jury; clarifying issues of bad faith are
question of fact; creating a statutory cause of
action against certain bad faith insurers; clarifying
duty of good faith and fair dealing is nondelegable;
providing when a cause of action for bad faith shall
lie; providing for damages; permitting punitive
damages; providing categories; directing jury to base
award on certain factors; limiting certain punitive
damages; clarifying considerations and defenses;
clarifying that causes of actions in act do not limit
other actions; providing for codification; and
providing an effective date.

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22 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

1 SECTION 1. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 1119 of Title 12, unless there
3 is created a duplication in numbering, reads as follows:

4 This act shall be known and may be cited as the "Insurance
5 Consumers Protection Act".

6 SECTION 2. NEW LAW A new section of law to be codified
7 in the Oklahoma Statutes as Section 1119.1 of Title 12, unless there
8 is created a duplication in numbering, reads as follows:

9 As used in the Insurance Consumers Protection Act:

10 1. "Bad faith" means conduct of an insurer that violates its
11 duty or duties of good faith and fair dealing to a first-party
12 claimant or third-party beneficiary by acts including but not
13 limited to unreasonably or untimely refusing to pay or tender the
14 proper benefits for a valid claim under the insurance policy. This
15 duty of good faith and fair dealing is contained in every insurance
16 contract and is a nondelegable duty;

17 2. "First-party claimant" means an individual corporation,
18 association, partnership, or other legal entity asserting an
19 entitlement to benefits owed directly to or on behalf of an insured
20 under an insurance policy. First-party claimants include a public
21 entity that has paid a claim for benefits dues to an insurer's
22 unreasonable delay or denial of the claim;

1 3. "Insurance" is a contract whereby one undertakes to
2 indemnify another or to pay a specified amount upon determinable
3 contingencies;

4 4. "Insurer" means every person engaged in the business of
5 making, selling, or binding contracts of insurance or indemnity in
6 Oklahoma, except for independent insurance agents and captive
7 insurance agents that market for only one insurer. A nonprofit
8 hospital service and medical indemnity corporation is an insurer
9 within the meaning of this act. The term insurer does not include
10 burial associations;

11 5. "Insured" means a person for whom the insurance policy is
12 written to protect;

13 6. "Issued in this state" refers to every health and disability
14 policy, insurance contract, insurance certificate, and insurance
15 agreement existing, offered, issued, delivered, or renewed in the
16 State of Oklahoma or providing health or disability benefits to a
17 resident or domiciliary of the State of Oklahoma and every employee
18 benefit plan covering a resident or domiciliary of the State of
19 Oklahoma, whether or not on behalf of an employer located or
20 domiciled in Oklahoma, on or after January 1, 2005, notwithstanding
21 any contractual or statutory choice-of-law provision to the
22 contrary;

1 7. "Person" means an individual, entity, company, insurer,
2 association, organization, society, reciprocal or inter-insurance
3 exchange, partnership, syndicate, business trust, or corporation;

4 8. "Prior authorization" or "pre-authorization" means the
5 review and approval by the insurer of treatment recommendations from
6 a health insurance policyholder's physician or the review by the
7 insured's agent experienced in remedying the type of casualty or
8 damage at issue; and

9 9. "Third-party beneficiary" means a person that receives
10 benefits from a contract between two other parties, one of which is
11 an insurer, even though they are not a party to the contract.

12 SECTION 3. NEW LAW A new section of law to be codified
13 in the Oklahoma Statutes as Section 1119.2 of Title 12, unless there
14 is created a duplication in numbering, reads as follows:

15 A. There is hereby created a statutory cause of action for an
16 insured under an insurance policy, as a first-party claimant, and
17 any third-party beneficiary to the contract of insurance between the
18 insurer and insured, to maintain an action in district court or any
19 court of competent jurisdiction for the bad faith refusal of or
20 untimely pre-authorization of benefits, and for payment of such
21 benefits.

22 B. Provided, however, the recommended treatment for which pre-
23 authorization or payment of benefits is sought shall be reasonable
24 and necessary for the person covered by the insurance policy. The

1 reasonableness and necessity of the recommended treatment shall be
2 determined by a jury.

3 C. Either the first-party claimant or third-party beneficiary
4 may prosecute a claim for bad faith created by this act.

5 D. An insurance policy, insurance contract, or plan that is
6 issued in this state shall not contain a provision purporting to
7 reserve discretion to the insurer, plan administrator, or claim
8 administrator to interpret the terms of the policy, contract, or
9 plan or to determine eligibility for benefits. If an insurance
10 policy, contract, or plan contains such a provision, the provision
11 is void.

12 E. There is no requirement to exhaust any administrative
13 remedies with the Oklahoma Insurance Department before filing an
14 action asserting a cause of action for bad faith in a district
15 court.

16 F. A claimant under this section is entitled to a trial by
17 jury.

18 G. The issue of bad faith is always a question of fact which
19 must be submitted to a jury pursuant to Section 6 of Article 2 of
20 the Oklahoma Constitution.

21 SECTION 4. NEW LAW A new section of law to be codified
22 in the Oklahoma Statutes as Section 1119.3 of Title 12, unless there
23 is created a duplication in numbering, reads as follows:
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1 A. There is hereby created a statutory cause of action against
2 an insurer, except pursuant to an insurance policy providing for
3 statutory workers' compensation benefits under the Administrative
4 Workers' Compensation Act in Title 85A of the Oklahoma Statutes or
5 the Workers' Compensation Code in Title 85 of the Oklahoma Statutes,
6 if the action or actions of the insurer is in bad faith as defined
7 by this act.

8 B. There is no requirement to exhaust any administrative
9 remedies with the Oklahoma Insurance Department before filing an
10 action asserting a cause of action for bad faith in a district
11 court.

12 C. A claimant under this section is entitled to a trial by
13 jury.

14 D. The issue of bad faith is always a question of fact which
15 must be submitted to a jury.

16 E. The duty of good faith and fair dealing is contained in
17 every insurance contract and is a nondelegable duty.

18 SECTION 5. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 1119.4 of Title 12, unless there
20 is created a duplication in numbering, reads as follows:

21 A cause of action for bad faith created by this act shall lie
22 if:

23 1. The insurer was required under the insurance policy to pay
24 the insured's claim;

1 2. The insurer's refusal to pay the claim was unreasonable or
2 untimely under the circumstances related to the claim;

3 3. The insurer had no reasonable basis for the refusal, or the
4 amount it offered to satisfy the claim was unreasonably low; or

5 4. The violation by the insurer of its duty of good faith and
6 fair dealing was the direct cause of the injury sustained by the
7 insured.

8 SECTION 6. NEW LAW A new section of law to be codified
9 in the Oklahoma Statutes as Section 1119.5 of Title 12, unless there
10 is created a duplication in numbering, reads as follows:

11 A. If the insurer violates its duty or duties of good faith and
12 fair dealing, the amount of damages shall be fixed as the amount of
13 money that will compensate a first-party claimant or third-party
14 beneficiary for any loss suffered as a result of the breach of the
15 duty of good faith and fair dealing.

16 B. In fixing the amount of damages, the jury may consider
17 financial losses, emotional distress, embarrassment, loss of
18 reputation, and mental pain and suffering.

19 C. The jury may award punitive damages for the sake of example
20 and by way of punishing the insurer based upon the following
21 factors, in accordance with Section 9.1 of Title 23 of the Oklahoma
22 Statutes:

23 1. The profitability of the misconduct to the insurer;

24 2. The duration of the misconduct and any concealment of it;

1 3. The attitude and conduct of the insurer upon discovery of
2 the bad faith action; and

3 4. The financial condition of the insurer.

4 D. Category I. Where the jury finds by clear and convincing
5 evidence that an insurer has recklessly disregarded its duty to deal
6 fairly and act in good faith with its insured; the jury, in a
7 separate proceeding conducted after the jury has made such finding
8 and awarded actual damages, may award punitive damages in an amount
9 not to exceed the greater of:

10 1. One Hundred Thousand Dollars (\$100,000.00); or

11 2. The amount of the actual damages awarded.

12 E. Category II. Where the jury finds by clear and convincing
13 evidence that:

14 1. An insurer has acted intentionally and with malice towards
15 others; or

16 2. An insurer has intentionally and with malice breached its
17 duty to deal fairly and act in good faith with its insured.

18 The jury, in a separate proceeding conducted after the jury has
19 made such finding and awarded actual damages, may award punitive
20 damages in an amount not to exceed the greatest of:

21 a. Five Hundred Thousand Dollars (\$500,000.00),

22 b. twice the amount of actual damages awarded, or

1 c. the increased financial benefit derived by the insurer
2 as a direct result of the conduct causing the injury
3 to the plaintiff and other persons or entities.

4 F. Category III. Where the jury finds by clear and convincing
5 evidence that:

6 1. An insurer has acted intentionally and with malice towards
7 others; or

8 2. An insurer has intentionally and with malice breached its
9 duty to deal fairly and act in good faith with its insured, and the
10 court finds, on the record and out of the presence of the jury, that
11 there is evidence beyond a reasonable doubt that the insurer acted
12 intentionally and with malice and engaged in conduct life-
13 threatening to humans, the jury, in a separate proceeding conducted
14 after the jury has made such finding and awarded actual damages, may
15 award punitive damages in any amount the jury deems appropriate,
16 without regard to the limitations set forth in subsections B and C
17 of this section. Any award of punitive damages under this
18 subsection awarded in any manner other than as required in this
19 subsection shall be void and reversible error.

20 G. In determining the amount, if any, of punitive damages to be
21 awarded under either subsection B, C, or D of this section, the jury
22 shall make the award based upon the factors set forth in subsection
23 A of this section.

1 H. Any award of punitive damages under this section awarded in
2 any manner other than as required in this section shall be void and
3 reversible error.

4 SECTION 7. NEW LAW A new section of law to be codified
5 in the Oklahoma Statutes as Section 1119.6 of Title 12, unless there
6 is created a duplication in numbering, reads as follows:

7 A cause of action for bad faith as provided for by this act
8 requires analysis of the insurer's action and not the interpretation
9 of any health insurance plan or how a health insurance plan relates
10 to the claim. Any insurance contract issued in this state that
11 offers health insurance benefits shall not contain a provision
12 purporting to reserve discretion to the insurer to interpret the
13 terms of the contract. If an insurance contract contains such a
14 provision, the provision is void. The interpretation of a health
15 insurance plan shall not be a defense to a bad faith cause of
16 action.

17 SECTION 8. NEW LAW A new section of law to be codified
18 in the Oklahoma Statutes as Section 1119.7 of Title 12, unless there
19 is created a duplication in numbering, reads as follows:

20 The causes of actions authorized in this act are in addition to,
21 and do not limit or affect, other actions available by statute or
22 common law, now or in the future. The statutory causes of action
23 created by this act are in addition to the common law bad faith
24 causes of action and in no way limit remedies or rights established

1 by common law for the cause of action for breach of the duty of good
2 faith and fair dealing under Oklahoma law.

3 SECTION 9. This act shall become effective November 1, 2025.

4 Passed the House of Representatives the 13th day of March, 2025.
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7 Presiding Officer of the House
8 of Representatives

9 Passed the Senate the _____ day of _____, 2025.
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12 Presiding Officer of the Senate
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