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New Jersey Insurance Fair Conduct Act, Establishing Private Cause of Action for Bad Faith, Signed by Governor Phil Murphy

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The New Jersey Insurance Fair Conduct Act (Senate Bill 1559), which establishes a private cause of action for first-party claimants regarding certain unfair or unreasonable practices by their insurer, was signed into law by Governor Phil Murphy on January 18, 2022. The bill establishes a private cause of action for first-party claimants regarding unfair or unreasonable practices by their insurer in the event of a motor vehicle accident injury entitling the claimant to uninsured or underinsured motorist coverage.

Under the bill, a claimant can file suit against its automobile insurer for "(1) an unreasonable delay or unreasonable denial of a claim for payment of benefits under an insurance policy; or (2) any violation of the provisions of section 4 of P.L.1947, c.379 (C.17:29B-4)." The term "unreasonable" is not defined in the bill and is thus open to interpretation by the courts and will be contested by litigants. Until case law firmly establishes the test for unreasonableness, we expect that parties will submit widely varying interpretations of the term for the courts' consideration.

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