

BAD FAITH BLOG

No Release? No Problem! Montana Supreme Court holds settling for policy limits without obtaining a release did not breach a duty to the insured

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Addressing a certified questions from the U.S. District Court for the District of Montana, the Montana Supreme Court noted the insured's liability was fairly clear and insurers face a dilemma in balancing duties in such cases to the insured and to injured third-party claimants. The Court further noted that under Montana law, insurers are obligated to pay an injured third-party's medical expenses prior to final settlement when the insured's liability is clear.

When an injured party's total damages, including general damages reasonably show to have been caused by the insured's conduct, are reasonably proven to exceed policy limits, the Court held the insurer is not required to obtain a release for its insured before tendering those limits to the injured party. The Court reasoned that when the monetary consequences of an insured's tortious conduct undisputedly exceed policy limits, and liability is clear, the only incentive for the injured third-party claimant to settle for policy limits and provide the insured with an absolute release is some form of coerced economic necessity. Finally, the Court noted that because the insurer offered to continue to defend the insured even after settling for its limits, the insured received the benefit of its insurance contract even though the insured had rejected the defense.

Case citation: *High Country Paving Inc. v. United Fire and Casualty Co.* 398 Mont. 191 (2019)