

BAD FAITH BLOG

Kentucky Federal Court Bifurcates Coverage Claims from Claims of Bad Faith

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Dippin' Dots wanted coverage for spoliation of its ice cream that resulted from a power outage. Travelers denied coverage and Dippin' Dots sued Travelers for both the \$750,000 value of the spoiled ice cream and for bad faith based on Travelers' handling of this property damage claim.

Dippin' Dots, LLC v. Travelers Property Casualty Co. of America

Travelers moved to bifurcate the trial of the liability and first party bad faith counts, and the Court granted Travelers' request finding that judicial economy would be advanced by the bifurcation. Importantly, the Court also stayed discovery on the bad faith issues until the contract claim was decided. Notably, Kentucky state courts routinely grant these bifurcation motions, per the opinion.

Given that contract claims for coverage are often decided based on stipulated facts or simple affidavits, getting the court to decide the coverage issue before the bad faith issue will allow a quick determination of coverage without the significant expense of preparing the bad faith case. That expense will only occur when there is a finding of coverage.