

BAD FAITH BLOG

Bad Faith Claims Are Not Covered by Re-Insurance

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United States Fidelity & Guaranty Company (USF&G) sued its re-insurers, including American Re-Insurance Company, seeking to recover “a share of the nearly billion dollars it paid in settling asbestos claims.” An earlier summary judgment motion had been appealed to, ruled upon, and remanded by the highest court in New York after finding a fact issue remained whether “USF&G, in allocating the settlement amount, reasonably attributed nothing to the so called ‘bad faith’ claims made against it. ...” On remand the re-insurers sought to put on evidence of the reasonableness of the allocation of all settlement dollars. The trial court denied that motion, a ruling affirmed on appeal. The re-insurers could challenge at trial USF&G’s zero dollar allocation to bad faith claims and whether USF&G had given unreasonable values to certain classes of asbestos injury (“lung cancer asbestosis, pleural thickening and ‘other cancers’”). In other words, the trial was to be limited to determining whether those classes of asbestos claims had been “inflated by USF&G,” and whether part of those values should have been attributed to bad faith claims. The trial was not to determine any other reasonableness issues.

By Anthony L. Martin

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