

TABLE OF CONTENTS

Introduction	i
Chapter 1: Third-Party Claims: The <i>Tyger River</i> Doctrine	1
Chapter 2: First-Party Claims: <i>Nichols v. State Farm</i>	9
§ 2.1 District Court Cases Predicting <i>Nichols v. State Farm</i>	10
§ 2.2 <i>Nichols v. State Farm</i>	12
§ 2.3 Elements of Cause of Action for Insurance Bad Faith.....	14
§ 2.4 Does a First-Party Claim Lie in Contract or in Tort?.....	15
Chapter 3: Bad-Faith Processing of Insurance Claim	21
§ 3.1 Breach of Express Contractual Provision Not Required for Bad-Faith Tort Claim.....	21
§ 3.2 Unreasonable Policy Interpretation.....	25
§ 3.3 Reasonableness of Investigation of Claim.....	26
§ 3.4 Time Demands.....	28
§ 3.4.1 Appropriate Deadline in Time Demand.....	28
§ 3.4.2 Unambiguous Terms of Time Demand.....	30
§ 3.5 Insured’s Obligation to Give Notice of Claim and Cooperate.....	31
Chapter 4: Wrongful Refusal to Defend or Indemnify	33
§ 4.1 Duty to Defend Separate from Duty to Indemnify.....	33
§ 4.2 Insurer’s Wrongful Refusal to Defend: Breach of Contract or Tort?.....	35

Table of Contents

§ 4.3 Liability for Excess Judgment After Wrongful Denial of Coverage and Refusal to Defend.....41

§ 4.4 Liability for Excess Default Judgment After Negligent Failure to Defend.....45

Chapter 5: An Insurer’s Incorrect Valuation of a Claim.....47

§ 5.1 Valuation of Third-Party Claims.....48

§ 5.2 Valuation of First-Party Claims.....54

Chapter 6: Standing to Bring Claim Against Insurer.....59

Chapter 7: Assignment of Third-Party Claims.....65

§ 7.1 Initial Recognition of Assignability by the District Court.....66

§ 7.2 Effectiveness of Anti-Assignment Clauses in Insurance Policies.....69

§ 7.3 Effect of Collusion on Assignability of Claim.....70

§ 7.4 Judicial Assignment of Claims Against Insurer.....78

Chapter 8: No Cause of Action for Statutory Bad Faith.....83

§ 8.1 No Right of Action Pursuant to the Claims Practices Act.....83

§ 8.2 No Right of Action Pursuant to the Insurance Trade Practices Act.....87

§ 8.3 No Right of Action Pursuant to the Insurance Adjusters Licensing Statute.....87

Chapter 9: No Separate Cause of Action for Negligence (Probably).....89

Chapter 10: No Bad-Faith Claim Against Workers’ Compensation Insurance Carrier.....	95
Chapter 11: UM and UIM Claims.....	97
§ 11.1 Right of Action Against UM/UIM Carrier.....	97
§ 11.2 When Is a Claim of UM/UIM Bad Faith Ripe?.....	100
§ 11.3 Severance of UM/UIM Bad-Faith Action from Underlying Action Against At-Fault Driver.....	106
Chapter 12: Damages.....	109
§ 12.1 Damages Personal to the Injured Third Party Are Not Recoverable.....	110
§ 12.2 Emotional Distress.....	111
§ 12.3 Punitive Damages.....	112
§ 12.4 Statutory Attorney Fees.....	116
Chapter 13: Developing the Claim of Third-Party Insurance Bad Faith.....	119
§ 13.1 Smoot Letters.....	119
§ 13.2 Negotiating the Bad-Faith Claim Prior to Judgment Against the Insured.....	122
§ 13.3 Procuring the Assignment After Entry of Judgment.....	123
Chapter 14: The Insurance Defense Client: Navigating Ethics Throughout the Representation.....	125
§ 14.1 Introduction.....	125
§ 14.2 Basic Principles and Beginning of the Representation of the Insured/Client.....	127

Table of Contents

§ 14.2.1	Initial Meetings with Insurance-Defense Counsel.....	128
§ 14.2.2	Communication with Client/Insured and Insurer.....	130
§ 14.2.3	Addressing the Existence of Any Coverage Limitation.....	131
§ 14.2.4	Insured/Client May Always Retain Personal Counsel.....	132
§ 14.2.5	The Unfindable/Absent Client.....	132
§ 14.3	Staying in Your Lane When Disputes Arise Between Insurer and Insured.....	133
§ 14.3.1	Coverage Issues and Disputes.....	134
§ 14.3.1.1	Depositions.....	135
§ 14.3.1.2	Mediation.....	136
§ 14.3.2	Settlement/Consent to Settle.....	137
§ 14.3.3	<i>Tyger River</i> and Bad-Faith Claims.....	138
§ 14.3.4	A Note on Assignments of Bad-Faith Claims.....	141
§ 14.3.5	Globally Resolving the Case.....	142
Chapter 15:	Commencing the Action for Insurance Bad Faith.....	145
§ 15.1	Identifying the Correct Insurer.....	145
§ 15.2	Federal vs. State Court.....	146
§ 15.3	Service of Process.....	146

Chapter 16: Discovery Issues	149
§ 16.1 Claim File.....	150
§ 16.2 File Documents Generated After Date of Insurer’s Alleged Bad Faith.....	150
§ 16.3 Reserves Set by Insurer in Underlying Litigation.....	152
§ 16.4 Reinsurance.....	155
§ 16.5 Claims Manual.....	155
§ 16.6 Underwriting Materials.....	156
§ 16.7 Insurer’s Communications with Coverage Counsel: At-Issue Exception to Privilege.....	157
§ 16.8 Work-Product Protection.....	159
Chapter 17: Use of Expert Witnesses	161
Table of Authorities	165
Index	181