

Middle District Finds No Bad Faith for Genuine Disputes of Non-Material Facts

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The Middle District of Pennsylvania recently granted an insurer’s partial motion for summary judgment and dismissed an insured’s bad faith claim after finding that, while there were several genuine disputed facts, they were not material to the bad faith claim. The Court additionally found that it was not unreasonable for the insurer to deny the claim based on the findings of its investigation. *Andrews v. Brethren Mut. Ins. Co.*, 2023 WL 2666855 (M.D. Pa. Mar. 28, 2023).

In *Andrews*, the insured purchased a commercial property, and the insurer issued a policy to the insured with a coverage limit of \$2,865,000. Approximately four months after the property was purchased, a fire occurred at the property, and the insured filed a claim with the insurer. After conducting an investigation, the insurer declined coverage and voided the policy, citing evidence that the fire was set intentionally by the insured or by another acting at the insured’s direction. The insured subsequently sued the insurer for breach of contract and insurance bad faith. The insurer moved for partial summary judgment on the bad faith claim.

The Court granted the insurer’s motion after finding that there were no genuine dispute of material facts as to the bad faith claim. While the Court identified several disputed facts—why flammable liquid was in the property’s stairwell, whether the policy’s high coverage amount provided the insured with a financial motive, and whether the loss of tenants provided a financial motive—these disputes, while genuine, were not material facts that would affect the outcome of the bad faith claim. The Court stated that “in order for a fact to affect the outcome of [the insured’s] bad faith claim, it would have to lead a reasonable jury to conclude that [the insurer] did not have a reasonable basis for denying benefits under the Policy and that it knew or recklessly disregarded its lack of reasonable basis in denying the claim.”

The Court concluded that the insurer’s conduct “does not resemble that of insurers who acted in bad faith.” In so finding, the Court noted that the insurer’s investigation took place during the months immediately following the fire and was conducted by third-party investigators. The Court further found that the insurer’s findings were supported by photos of the property, interviews and examinations under oath, and reports of a private investigator. Based on its investigation, the insurer concluded that the fire had been intentionally set, and the Court found that “there is nothing in the record—certainly nothing clear and convincing—to indicate that it was unreasonable for [the insurer] to rely on that supported conclusion.”

The Court reiterated the bad faith standard, stating that “an insurance company can make mistakes, behave negligently, or exercise bad judgment without reaching the very high standard of conduct required for bad faith.” The Court concluded that even if a reasonable jury disagreed with the insurer on every disputed fact, that same jury could find that it was perfectly reasonable for the insurer to deny the claim based on the findings of its investigation.

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