

**NEW JERSEY INSURANCE
COVERAGE LITIGATION
2017**

A PRACTITIONER'S GUIDE

By:

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and

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Frank J. DeAngelis

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William D. Wilson

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DEDICATIONS

To Susan, Katie, Emma & Hanna

Love you more

Frank J. DeAngelis

DEDICATIONS

To Anna, Julia, Emily, and Grace. You still make it all worthwhile.

William D. Wilson

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INTRODUCTION

It has been a little over two years since the first edition of this book was published. In this second edition, we have added over seventy cases that have been decided since the first edition was published. In addition, we have added a new chapter that discusses the potential liability of insurance agents and brokers. As noted in the first edition, in this book we provide a broad overview of New Jersey insurance coverage litigation involving the enforcement and interpretation of insurance policies. An insurance policy is a contract and, therefore, the general law governing the enforcement and interpretation of contracts applies to insurance policies. Given their unique nature, however, courts have developed additional, specialized rules concerning the enforcement and interpretation of insurance policies. Most of those rules developed because for many years, courts treated insurance policies as contracts of adhesion. That is because the “typical” insured is not sophisticated when it comes to insurance issues and has little or no ability to negotiate the particular terms of the policy. Large commercial insureds, on the other hand, who generally are represented by sophisticated insurance brokers, have the ability to negotiate the terms of their policies. Consequently, the specialized rules of insurance contract construction may not apply to them.

Resolution of insurance coverage issues turns on the particular policy language at issue. Thus, it is critically important to read through and be familiar with each and every provision in an insurance contract before trying to ascertain whether coverage exists. Even small changes in wording can lead to widely varying results and insurers often modify the main policy form by way of declarations and endorsements. Likewise, the determination of the cause of the loss is instrumental in ascertaining whether any exclusions apply or, if a series of events led to the loss, whether the insured’s loss was the result of multiple occurrences and, if so, what the effect is on both coverage and the amount of recovery.

In a situation involving a fire that destroys a house the issues are fairly simple and straightforward. However, if a fire destroys a business, the issues may be much more complex, especially if the insured purchased business interruption insurance. In cases involving manmade disasters (such as the 9/11 terrorist attack) or natural disasters (such as Hurricane Katrina or Superstorm Sandy), determining what caused a particular insured’s loss, or the extent of the loss attributable to the disaster as opposed to other factors, can be factually very complex. Disputes

NEW JERSEY INSURANCE COVERAGE LITIGATION

also arise when there are issues as to the timing of a loss or injury. The date of injury in a garden-variety personal injury case generally is not difficult to pinpoint. Typically, an injury can be attributed to some easily identifiable accident or intentional act. However, in cases involving exposure to toxic substances such as lead or asbestos, it can be very difficult to pinpoint the date of injury. To complicate matters further, the date the injury is deemed to have occurred for insurance purposes typically depends, in the first instance, on whether a claim is being made under a first-party property policy or a third-party liability policy. Such losses also often present complex choice-of-law issues. We attempt in this book to address both fairly simple, straight-forward losses as well as large, complex losses.

Throughout this book, we cite to a number of unpublished decisions issued by New Jersey courts. Unfortunately, very few decisions – especially insurance decisions – are “officially” published. Practitioners should keep in mind that pursuant to Rule 1:36-3 of the New Jersey Rules of Court:

No unpublished opinion shall constitute precedent or be binding upon any court. Except for appellate opinions not approved for publication that have been reported in an authorized administrative law reporter, and except to the extent required by *res judicata*, collateral estoppel, the single controversy doctrine or any other similar principle of law, no unpublished opinion shall be cited by any court. No unpublished opinion shall be cited to any court by counsel unless the court and all other parties are served with a copy of the opinion and of all other relevant unpublished opinions known to counsel including those adverse to the position of the client.

This rule has been held to apply to unpublished decisions issued by other jurisdictions¹.

The unpublished decisions we cite were based on well-established principles of insurance law; they did not create “new” law by any means. We cite them because they illustrate how a New Jersey court is likely to apply the law to the facts before it. In addition, we note that while such decisions are not binding, courts often find such decisions persuasive and can rely on the reasoning of such decisions – without citing them -- in fashioning their own decisions.

Finally, we note that under New Jersey law, decisions by the Appellate Division, which is New Jersey’s intermediate appellate court, are binding on all lower courts². However, a decision

¹ *In re Bacharach*, 344 N.J. Super. 126, 133, 780 A.2d 579 (App. Div. 2001).

² *David v. Government Employees Ins.*, 360 N.J. Super. 127, 142, 821 A.2d 564 (App. Div.), *certif.*

by one panel of the Appellate Division is not binding on another panel. Thus, it is very possible for seemingly inconsistent decisions to be issued by the Appellate Division. In that event, a trial court may choose which decision to follow until there has been a definitive ruling by the New Jersey Supreme Court³.

denied, 178 N.J. 251, 837 A.2d 1094 (2003).

³ Comment 3.3 to Rule 1:35-3.

NEW JERSEY INSURANCE COVERAGE LITIGATION

TABLE OF CONTENTS

CHAPTER 1: INTERPRETATION OF INSURANCE POLICIES.....	1
A. The Plain and Ordinary Meaning.....	2
B. The Doctrine of Reasonable Expectations.....	9
1. Application to Clear and Unambiguous Language.....	10
2. Application to Ambiguous Policy Language.....	13
3. Significance of the Declarations Page.....	14
4. Application to Policy Exclusions.....	16
5. Application to Sophisticated Insureds.....	18
6. Other Factors to Be Considered.....	20
7. The Public Policy Exception.....	21
C. Contra Proferentum.....	24
D. Extrinsic Evidence.....	27
E. Waiver and Estoppel.....	31
1. Waiver.....	32
2. Estoppel.....	34
a. Assumption of Control of a Claim With Knowledge of a Basis to Deny Coverage.....	36
b. Failure to Timely Make a Coverage Determination.....	39
c. Failure to Advise an Insured of its Rights in Connection with Providing a Defense.....	40
d. Improper Denial of Coverage.....	43
3. Judicial Estoppel.....	45
4. Recovery of Attorney's Fees.....	45
F. Burden of Proof.....	49
G. Differences Between First-Party and Third-Party Coverage.....	52
H. Assignment of Insurance Policies and Claims.....	55
I. Choice of Law.....	59
1. General Overview of New Jersey Choice-of-Law Rules.....	61
2. Environmental Contamination Coverage Cases.....	65
3. Products Liability Claims.....	70
4. Personal Injury Claims.....	72
5. Multi-Layered Insurance Programs.....	76
6. Forum Selection/Choice-of-Law Clauses.....	76
J. Reformation.....	78
1. Fraud.....	79
2. Mutual Mistake.....	80
CHAPTER 2: LIMITATIONS ON COVERAGE.....	83
A. Insurable Interest.....	83
1. Insurable Interest in Property.....	84
2. Insurable Interest in Persons.....	93
B. The Principle of Indemnity.....	99
C. Contractual Limitation Periods.....	104

TABLE OF CONTENTS

1. Statutorily-Mandated Limitation Provisions.....	104
2. “Applicable Statute” Issues.....	107
3. Validity of Contractual Suit Limitations Clauses	108
D. Notice of Loss/Late Notice	120
E. Duty to Cooperate.....	126
1. Production of Documents and Other Information	128
2. Examination Under Oath (“EUO”).....	129
3. Proof of Loss.....	132
4. Assignment of Claims.....	133
5. When Compliance May Not Be Required	135
F. Misrepresentation and Fraud.....	136
1. Misrepresentations in an Application for Insurance	140
2. Misrepresentation in Connection With Adjustment of a Loss.....	143
3. Misrepresentation and Innocent Third-Parties.....	145
G. Other Insurance Provisions	150
H. Excess Policies.....	155
I. Coinsurance Provisions.....	157
J. No-Action Clauses	159
CHAPTER 3: CANCELLATION AND RENEWAL OF INSURANCE COVERAGE	161
A. Cancellation of Coverage.....	161
B. Renewal of Coverage.....	173
CHAPTER 4: FIRST-PARTY INSURANCE ISSUES.....	177
A. First-Party Insurance Coverage – An Overview.....	177
B. The Fortuity Doctrine	179
C. Number of Occurrences	186
D. Causation.....	196
E. Anti-Concurrent/Anti-Sequential Causation Clauses	198
F. Types of Damage Covered.....	203
1. Property Damage/Physical Loss or Damage.....	203
2. Property Damage/Relaxing the Standard.....	216
3. Loss of Income – Time Element Coverages	219
a. Business Interruption Coverage	219
i. General Coverage Requirements	220
ii. Period of Restoration	224
b. Contingent Business Interruption Coverage	228
c. Civil Authority Coverage.....	236
d. Ingress/Egress Coverage.....	247
e. Power Interruption Extensions of Coverage	249
4. Sue and Labor Coverage.....	258
G. Valuation of Losses.....	261
1. Actual Cash Value	262
2. Replacement Cost Coverage.....	265
H. Appraisal.....	268
I. Rights of Third Parties	271

NEW JERSEY INSURANCE COVERAGE LITIGATION

1. Mortgagees.....	271
2. Loss Payees.....	275
3. Additional Insureds.....	277
4. Innocent Co-Insureds.....	281
5. Mortgagors.....	285
J. Potential Coverage Defenses.....	286
1. Increase of Hazard.....	286
2. Misrepresentation and Fraud.....	295
3. Arson.....	299
4. Wear and Tear Exclusion.....	301
5. Ensuing Loss Exception.....	304
6. Flood Exclusions/Limitations.....	310
CHAPTER 5: THIRD-PARTY LIABILITY INSURANCE COVERAGE.....	320
A. Type of Losses Covered.....	320
B. Covered “Occurrences”.....	322
1. Definition of Occurrence.....	322
2. Date of Occurrence/Trigger of Coverage.....	322
3. Number of Occurrences.....	334
C. Allocation of Losses Under Multiple Policies: Owens-Illinois and Carter-Wallace.....	337
1. Determining Each Insurer’s Share of a Loss: Allocation.....	337
2. Contribution Among Insurers and Insolvent Insurers.....	348
3. Application of Deductibles and Self-Insured Retentions.....	352
4. Allocation of Defense Costs.....	354
5. Excess Insurers’ Ability to Contest Coverage.....	356
D. Burden of Proof: Expected or Intended.....	358
E. Type of Damages Covered.....	361
F. Duty to Defend/Duty to Indemnify.....	362
1. The Four Corners of the Complaint.....	365
2. Facts Outside the Complaint.....	366
3. Covered and Non-Covered Claims.....	371
4. Defense Based on Contractual Relationship.....	372
5. Multiple or Concurrent Causes.....	376
6. Conflicts of Interest and the Duty to Reimburse.....	378
7. Consequences of the Wrongful Refusal to Defend.....	383
8. Estoppel.....	387
G. Additional Insureds.....	391
1. Determining Who is an Additional Insured.....	393
2. Determining the Scope of Coverage: “Arising Out Of”.....	396
3. Determining the Scope of Coverage: Ongoing Operations.....	407
4. Primary Versus Excess Coverage.....	411
H. Advertising Injury.....	414
1. General Overview.....	414
2. Misappropriation of Advertising Ideas or Style of Doing Business.....	417
3. Violation of the Right to Privacy.....	418
4. Infringement of Copyright.....	419

TABLE OF CONTENTS

5. Infringement of Trademarked Titles	421
6. Prior Publication Exception Clause	423
I. Errors and Omissions Coverage.....	423
J. Potential Coverage Defenses	427
1. Known Loss/Loss in Progress.....	427
2. Intentional Acts	429
a. Presumed Intent: Particularly Reprehensible Conduct	432
b. Application of the Subjective Standard	437
c. Vicarious Liability and Negligent Hiring, Retention, Training or Supervision	439
d. Insanity Exception	441
3. Illegal Acts	443
4. Expected or Intended Loss or Damage	444
5. Owned Property	446
6. Pollution and Contamination Exclusions.....	450
7. Business Risks Exclusions.....	459
a. Express Exclusions	463
b. The Inherent Exclusion: The Definition of Occurrence	477
8. Ongoing and Completed Operations Exclusions	481
 CHAPTER 6: CLAIMS-MADE POLICIES	 483
1. Overview of Coverage	483
2. Retroactive Coverage.....	484
3. Notice of a Claim	486
4. What Constitutes a Claim	490
5. Professional Services	498
6. Tail Coverage.....	501
 CHAPTER 7: REINSURANCE	 502
A. General Overview	502
B. Reinsurance Case Law	511
1. Cut-Through: Liability of the Reinsurer to the Underlying Insured.....	511
2. Late Notice.....	514
3. Arbitration of Disputes	515
a. Motion to Compel Arbitration	517
b. Motion to Confirm, Vacate, or Modify an Arbitration Award	520
 CHAPTER 8: SUBROGATION.....	 524
A. General Principles	524
B. Rights of the Subrogee.....	528
C. Sharing of Any Recovery.....	530
D. Waiver of Subrogation Rights	533
E. Subrogation and the Entire Controversy and Res Judicata Doctrines	536
 CHAPTER 9: BAD FAITH AND EXTRA CONTRACTUAL DAMAGES	 541
A. First-Party Bad Faith Claims – <i>Pickett v. Lloyd’s</i>	541

NEW JERSEY INSURANCE COVERAGE LITIGATION

B. Discovery in First-Party Bad Faith Actions.....551
C. Third-Party Bad Faith Claims – *Rova Farms* and Related Cases.....555
D. Unfair Claims Practices570
E. The Consumer Fraud Act.....574
F. Punitive Damages578
G. Insurance Fraud Act.....580

CHAPTER 10: INSURANCE AGENTS AND BROKERS.....596
A. Introduction.....596
B. Dual Agency and the Collection of Premiums599
C. The Duty of Care601
D. Special Relationships and a Heightened Standard of Care.....606
E. Comparative Negligence Principles Do Not Apply.....607
F. The Affidavit of Merit Requirement.....608
 1. The *Ferreira* Conference612
 2. Exceptions to the Affidavit of Merit Requirement614
 a. Lack of Information615
 b. Substantial Compliance615
 c. Extraordinary Circumstances.....616
 d. Common Knowledge618
 3. Establishing Extraordinary Circumstances622
G. The New Jersey Consumer Fraud Act622

TABLE OF CASES625

INDEX661