

Contents

Chapter 1: Insurance: Basic Principles and Concepts	1
I. INTRODUCTION	1
1-1 Overview	1
1-1:1 The Insurance Policy	1
1-2 Risk and Risk Concepts	3
1-2:1 What is Risk?	3
1-2:2 Risk Transfer	4
1-2:3 Risk Pooling and Risk Prediction	4
1-2:4 The Law of Large Numbers	5
1-3 What Risks are Insurable?	6
1-4 Insurable Interest Doctrine	6
1-4:1 Nature of an Insurable Interest	6
1-4:2 Insurable Interest in Property	7
1-4:3 Insurable Interest in Health and Life Insurance	8
1-5 Fortuity	9
1-6 Moral Hazard and Behavior Changes	9
1-7 Underwriting and Pricing Risk	10
II. REGULATION OF INSURANCE	10
1-8 Introduction	10
1-9 Regulating ‘The Business of Insurance’	11
1-9:1 The Power to Regulate Insurance	11
1-9:2 Federal Regulation: McCarran-Ferguson Act	12
1-10 Regulation of Insurance in New Jersey	13
1-10:1 Introduction: New Jersey Insurance Legislation and Administrative Regulations	13
1-10:2 Application to Executive Branch: Administrative Regulations	14
1-10:3 State Control of Insurers	15
1-10:4 Legislative Leeway	16
1-10:5 Presumption of Validity	16
1-10:6 The Insurance Trade Practices Act	17
1-10:7 Judicial Regulation	18

III.	TYPES AND LINES OF INSURANCE PRODUCTS AND POLICIES	18
1-11	Introduction	18
	1-11:1 Proving Missing or Lost Policies of Insurance	18
1-12	Life and Non-Life Categories of Insurance	20
1-13	Personal, Consumer and Commercial Lines	21
1-14	First-Party and Third-Party Insurance	21
1-15	Specific Types of Insurance	21
	1-15:1 Overview	21
1-16	Life Insurance and Other Life Products	22
1-17	Property Insurance	22
1-18	Liability Insurance	23
1-19	Other Types of Insurance	24
	1-19:1 Financial Guaranty	24
	1-19:2 Bonds, Fidelity and Crime Insurance	25
1-20	Title Insurance	25
1-21	Political Risk Insurance	27
1-22	Social Insurance	27
	Chapter 2: Anatomy of an Insurance Policy	29
I.	INTRODUCTION	29
2-1	Overview	29
2-2	Policy Interpretation Principles	30
II.	PARTS OF INSURANCE POLICIES	31
2-3	Declarations Page	31
2-4	Insuring Agreements	32
	2-4:1 Occurrence-Based Policies	33
	2-4:2 Claims-Made Policies	34
2-5	Definitions	34
	2-5:1 Occurrence Defined	34
	2-5:2 ‘Bodily’ Injury as Including Emotional Distress	36
2-6	Exclusions	36
	2-6:1 Purpose	36
	2-6:2 Exclusions Require Prominence	37
	2-6:3 Exclusion Plainly Expressed	37
	2-6:4 Exclusion Cannot Violate Statutory Policy	38
	2-6:5 Burden of Proof	39
	2-6:6 Commonly Litigated Exclusions	39

	2-6:6.1	Expected or Intended Exclusion	39
	2-6:6.2	Contractual Liability Exclusion	40
	2-6:6.3	Liquor Liability Exclusion	41
	2-6:6.4	Sistership Exclusion	41
	2-6:6.5	Business-Risk Exclusion	42
	2-6:6.6	Performance Exclusion	43
	2-6:6.7	Damage to Property Exclusion	43
	2-6:6.8	Motor Vehicle Exclusion	44
	2-6:6.9	Professional Services Exclusion	45
	2-6:6.10	Business Pursuits Exclusion	45
	2-6:6.11	Punitive Damages Exclusion	45
	2-6:6.12	Sequential Clause Exclusion	46
	2-6:6.13	Care, Custody and Control Exclusion	46
2-7	Conditions		46
	2-7:1	Generally	46
	2-7:2	Common Provisions	47
	2-7:3	Notice and Proof of Loss	47
	2-7:3.1	Appreciable Prejudice Required in Occurrence Policies	47
2-8	Cooperation Clauses		48
2-9	Endorsements		48
Chapter 3: Formation and Termination of an Insurance Contract			51
I.	INTRODUCTION		51
	3-1	Overview	51
II.	FORMATION OF AN INSURANCE POLICY		52
	3-2	Ordinary Rules of Contract Formation Apply	52
	3-3	Offer and Acceptance	52
	3-4	Consideration	52
	3-5	Creating the Policy	52
	3-5:1	Issuance of Policy or Binder	52
	3-5:2	Effect of Binder	53
	3-5:3	The Policy Period: When Does Coverage Apply?	53
3-6	Obligations of Prospective Insured		53
3-7	Payment Issues		53
	3-7:1	Conditional Payment Rule	53
	3-7:2	Effect of Broker's Receipt of Premium	54

	3-7:3	Cancellation Right for Dishonored Premium Payment	54
3-8		Binder Time Restriction to Benefit the Insured	54
3-9		Obligations on Application for Insurance	55
	3-9:1	Warranty and Representation	55
	3-9:2	Material Change in Conditions	55
	3-9:3	Failure to Disclose Material Change	55
	3-9:4	Representations Need be Substantially True	55
	3-9:5	Time of Death Limitation in Life Policies	56
	3-9:6	Broker's Failure to Confirm Oral Binder	56
	3-9:7	Policy Coverage by Estoppel	56
3-10		Changes During the Policy Period	56
	3-10:1	Increase-of-Hazard Clauses	56
III.		TERMINATION	57
3-11		Termination of Coverage	57
	3-11:1	Methods/Sources of Termination	57
3-12		Cancellation	57
	3-12:1	Difference Between Cancellation and Rescission	57
	3-12:2	Terms in Policy	58
	3-12:3	Purpose of Notice of Cancellation	59
	3-12:4	Strict Construction	59
3-13		Proof-of-Mailing Requirement Eased	60
	3-13:1	No Requirement to Advise Additional Insured	61
	3-13:2	Harmless Mistakes	61
	3-13:3	Statutory Provisions for Finance Companies	61
3-14		Cancellation by Mutual Consent	61
	3-14:1	Contractual Principles Apply	61
	3-14:2	Cancellation Agreement May be in Any Form	62
	3-14:3	Mutual Termination by Condition	62
3-15		Cancellation by Insurer	63
	3-15:1	Clear and Unequivocal Cancellation Language	63
	3-15:2	Effective Notice of Cancellation	63
	3-15:3	Cancellation for Nonpayment of Premium	64
	3-15:4	Retroactive Builder's Risk Policy Requirements	65
	3-15:5	Effect of Renewal Quotation	65

3-16	The Mailbox Rule	65
3-16:1	Ordinary Use of Mail to Communicate Policy Information	66
3-16:2	Cancellation Affected by ‘Sale’ or ‘Theft’	66
3-17	Termination of Individual Coverage under Master Policies	67
IV.	RENEWAL PROVISIONS	67
3-18	Obligations Regarding Renewal	67
3-18:1	Insurer Obligation to Advise of Termination	67
3-18:2	Insurer Obligation to Advise of Changes	67
3-18:3	Statutory Notice of Intent to Cancel or Not Renew Commercial Policies	68
3-18:4	Commercial Policy Cancellation and Renewal	69
3-18:5	Fire and Casualty Policy Cancellation and Renewal	70
3-18:6	Automobile Insurance Renewal	70
V.	ASSIGNMENT	71
3-19	Major Principles of Assignment	71
3-19:1	Generally	71
3-19:2	Policy Terms Must be Met	71
3-19:3	Pre-Loss Assignment	72
3-19:4	Post-Loss Assignment	72
3-19:5	Third Party Action for Coverage Under Liability Policy of Defendant	73
3-19:5.1	Requirement for Assignment From Policy Holder	73
3-19:5.2	The Effect of N.J.S.A. 17:28-2 as to Bankruptcy or Insolvency of Defendant	75
3-19:6	Nonassignability of Fire Policies	76
	Chapter 4: Construction and Interpretation of Insurance Policies	77
I.	INTRODUCTION	77
4-1	Overview	77
4-1:1	Introduction to Coverage Rules	80
4-1:2	What is Meant by Reasonable Expectations?	81

II.	BASIC RULES OF INSURANCE	
	CONTRACT CONSTRUCTION	82
4-2	Overview	82
	4-2:1 Contract Interpretation Rules Apply to Insurance Policies	84
	4-2:2 Coverage is Question of Law Determined by Policy Terms	84
	4-2:3 Plain Meaning Determines Intent	84
III.	GOING BEYOND THE DOCUMENT FOR CONSTRUCTION AND INTERPRETATION	86
4-3	Ambiguity	86
	4-3:1 Who is an “Additional Insured” ?	87
	4-3:2 Extrinsic Evidence	89
	4-3:3 Exclusions Aid in Construing Policy Provisions	90
4-4	Construction Against the Insurer	90
	4-4:1 Introduction	90
	4-4:2 Contracts of Adhesion	91
	4-4:3 <i>Contra Proferentem</i>	91
	4-4:4 Contra-Insurer Rules are Not Automatic and are Not Applied to Commercial Insureds	92
4-5	Doctrine of Reasonable Expectations	94
	4-5:1 Reasonable Expectations for Commercial Parties	96
4-6	Court Cannot Create a New Policy for Parties	97
IV.	CONSTRUCTION OF EXCLUSIONS	98
4-7	Purpose of Exclusions	98
	4-7:1 Clear Exclusions Bar Coverage	98
	4-7:2 Burden of Proof on Exclusions	99
	4-7:3 Exclusions Require Prominence	100
	4-7:4 Reasonable Expectations and Exclusions	100
	4-7:5 Conflict as to Whether Loss Caused by Covered Peril or Excluded Risk	100
V.	CONSTRUCTION OF DECLARATION PAGES AND ENDORSEMENTS	101
4-8	Defining Coverage; Insured’s Expectations	101
	4-8:1 Conflict Between Policy and Endorsement, Look at the Policy as a Whole	102

VI.	POLICIES REGULATED BY STATUTE	102
4-9	Policy Amended to Comply with Statutory Provisions	102
4-10	Conformance to Public Policy	104
4-11	Plain Language Requirements	106
4-12	Policy Interpretation: Legislation vs. Marketplace	106
VII.	MISCELLANEOUS TOPICS	107
4-13	Choice of Law	107
4-14	Insured's Obligation to Read Policy	107
4-15	Insurer's Obligation to Provide Notice of Changes to Policy	108
4-16	Placement of Policy Language	109
VIII.	OTHER INSURANCE CLAUSES	109
4-17	Determining Rights Among Multiple Insurers	109
4-18	Types of "Other Insurance" Clauses	110
4-18:1	Escape Clauses	110
4-18:2	Excess Escape Clauses	110
4-18:3	Pro Rata Clauses	112
4-18:4	Excess Clauses	112
4-19	Other-Insurance Disputes	112
4-19:1	Sources of Disputes	112
4-19:2	When No Other-Insurance Clause— Apportion	113
4-20	Clauses Cannot Extinguish Coverage	113
4-21	Self-Insured Retention (SIR)	114
4-22	Automobile Insurance and Other Insurance Clauses	114
4-22:1	Mandatory UM Coverage	115
4-23	Extra-Judicial Dispute Resolution	116
4-24	Umbrella Policies	116
4-25	Self-Insurance	117
	Chapter 5: The Claims Process	119
I.	INTRODUCTION	119
5-1	Overview	119
5-2	Good Faith Required in Claims Handling	120
5-3	Unconscionable Advantage	120
5-4	Unfair Interpretation of Policy Terms	121
5-5	Detrimental Reliance and Estoppel	121
5-5:1	Reliance as Basis for Estoppel	121
5-6	Regulation of Claim Practices	122

	5-6:1	Insurance Trade Practices Act	122
	5-6:2	No Private Right of Action Under Trade Practices Act	123
	5-6:3	Administrative Regulation of Insurance Trade Practices	123
	5-6:4	Limited Application of Administrative Code Regulations	124
II.		INITIATION OF THE CLAIMS PROCESS	124
	5-7	Introduction	124
	5-8	Notice	125
	5-8:1	Requirement of Timely Notice	125
	5-8:2	Notice Clauses Differ, But the Intent is Generally the Same	125
	5-8:3	Notice is a Condition Precedent	126
	5-8:4	Compliance with Notice Requirements	126
	5-8:5	<i>Cooper v. Geico</i> : Appreciable Prejudice to Insurer Required in Occurrence Policies	127
	5-8:6	What is ‘Appreciable Prejudice’ in the Notice Context?	128
	5-8:7	Burden of Proof for Late Notice	130
	5-8:8	Examples of Late Notice That Do Not Forfeit Coverage	130
	5-8:9	Primary Insurer’s Notice to Excess Insurer	131
	5-8:10	Notice to Reinsurers	131
	5-8:11	Notice Under Claims-Made Policies	132
	5-9	The Insurer’s Response to a Notice of Claim	133
	5-9:1	Insurer’s Obligation to Protect the Insured	134
	5-9:2	Insurers Get a Reasonable Time to Ascertain Coverage	135
	5-9:3	Insurers Get a Reasonable Time to Defend	135
	5-9:4	Limitations on Insurers Duty to Investigate	135
	5-9:5	Suggestions of Fraud or Breach of Contract	136
	5-9:6	Insurers Duty to Inform the Insured	136
	5-10	Waiver and Estoppel	136
	5-10:1	Waiver	136
	5-10:2	Estoppel	137
	5-10:3	Prejudice Requires Substantial Impairment of the Insured’s Rights	138

5-11	Non-Waiver Agreements	139
5-11:1	Reservation-of-Rights Letter	139
5-11:2	Contents of Reservation-of-Rights Letter	140
5-11:3	Reservation of Rights: Estoppel and <i>Merchants v. Eggleston</i>	141
5-12	Delay in Informing Insured of Possible Disclaimer	142
5-13	Estoppel to Assert Other Defense to Coverage	143
5-14	Insurer Control as Conflict of Interest	144
5-14:1	Conflict by Control of Trial	144
5-14:2	Various Ways For Insurers to Impose its Rights under <i>Merchants v. Eggleston</i>	144
5-15	Estoppel by Failure to Settle	145
5-16	Insurer's Right to Rescind Settlement Agreement	145
III.	OBLIGATIONS OF THE INSURED	146
5-17	The Insured's Obligation of Good Faith	146
5-18	Misrepresentation and Concealment	147
5-18:1	Post-Loss Misrepresentations May Void Coverage	147
5-18:2	Post-Loss Misrepresentation Must be Knowing and Material	148
IV.	CONDITIONS	149
5-19	Introduction	149
5-20	Duty to Cooperate	149
5-21	Inspection and Audit Condition	150
5-21:1	Inspection Not an Independent Basis for Liability	150
5-22	'Insured's Duties in the Event of a Claim' Condition	151
5-23	Proof of Loss	152
5-24	Access to Books and Records	153
5-25	File Declaratory Judgment over Scope	153
5-26	Investigation and Testimony	154
5-27	False Testimony	155
5-27:1	Deliberate Lies	156
5-28	Cooperation Not an Issue When Insurer Disclaims	156
5-29	Disappearance	157
5-30	When Liability is Certain—No Forfeiture of Coverage	157
5-31	Burden of Proof on Insurer	157
5-32	Voluntary Assumption of Liability or Payment	158

V.	NO-ACTION CLAUSES	159
5-33	Nature and Purpose of No-Action Clause	159
5-33:1	No Direct Action Against Insurer	159
5-33:2	Compliance is a Condition Precedent	159
Chapter 6: Duty to Defend		161
I.	INTRODUCTION	161
6-1	Overview	161
6-1:1	Unique Aspects of New Jersey's Law on Duty to Defend	162
II.	THE LAW GOVERNING THE DUTY TO DEFEND	163
6-2	When the Insurer Must Defend	163
6-2:1	'Four Corners' Test	163
6-2:2	The Duty Extends to Groundless, False and Fraudulent Claims as Long as They Would be Covered by Policy	164
6-2:3	Duty to Defend Additional Insured	164
III.	WHEN THE INSURER NEED NOT DEFEND	165
6-3	Four Situations Where Insurer Need Not Defend	165
6-3:1	There is No Duty to Defend Claims Beyond the Insuring Agreement	165
6-3:2	There is No Duty to Defend Claims that Do Not Involve a Lawsuit	166
6-3:3	Uncertainty and/or Conflict	167
6-3:3.1	When Underlying Case Will Not Resolve Coverage Issues	167
6-3:3.2	When the Insurer Cannot Defend the Insured Without a Potential Conflict	173
6-3:4	Resolving the <i>Burd</i> Issues Between Insurer and Insured	174
6-3:4.1	Declaratory Judgment to Determine the Duty to Defend	174
6-3:5	Defending Under Reservation of Rights	176
6-3:6	Concurrent Causes	176
6-3:7	Tavern Liability Exclusions	178
IV.	APPLYING THE LAW	181
6-4	Ambiguities are Resolved in Favor of the Insured	181

6-5	Extrinsic Facts May be Considered Under Certain Circumstances	181
6-5:1	Extrinsic Facts Known by the Insurer that Support the Duty to Defend	182
6-5:2	The Insurer Has No Duty to Investigate Extrinsic Facts	183
6-5:3	Extrinsic Facts Known by the Insurer that Support Denial of the Duty to Defend	183
6-6	Duty to Defend Apparently Intentional Acts	183
6-6:1	Subjective vs. Objective Intent	184
6-6:2	The Presumption of Intent	185
6-6:3	'Particularly Reprehensible' Conduct	185
6-6:4	Mental Disease	188
6-6:5	Duty to Defend 'Portee' Claims	188
V.	APPORTIONMENT OF DEFENSE COSTS	189
6-7	Covered and Uncovered Claims	189
6-7:1	Dealing with Multi-Count Complaints	190
6-7:2	Insurer's Conduct May Cause Payment for Uncovered Defense Costs	190
6-7:3	Court Can Allocate Defense Costs Among Covered and Uncovered Claims	191
VI.	INSURER'S WRONGFUL REFUSAL TO DEFEND	192
6-8	Insurer's Breach of Duty	192
6-8:1	Damages Payable on Breach of Duty	193
6-8:2	The Insurer is Not Responsible for Pre-Notice Costs	194
6-8:3	Guidelines for Assessing Attorney Fees	194
VII.	TERMINATING THE DUTY TO DEFEND	195
6-9	When Does the Duty to Defend End?	195
6-9:1	Settlement, Dismissal or Judgment	196
6-9:2	Claims Determined to be Outside Policy Coverage	196
6-9:3	Payments of Limits Without Settlement or Dismissal	196
VIII.	VOLUNTARY ASSUMPTION OF LIABILITY AND NO-ACTION CLAUSES	197
6-10	Overview	197
6-11	Voluntary Assumption of Liability or Payment	197
6-12	Nature of No-Action Clause	198

	6-12:1	Purpose of No-Action Clauses	199
	6-12:2	No Protection from Declaratory Judgment	200
IX.		ISSUES AMONG INSURERS	200
	6-13	Primary Insurer's Duty to Another Primary Insurer	200
	6-14	Primary Insurer's Duty to Excess Insurer	201
Chapter 7: Fiduciary Obligations and Extra-Contractual Liability			203
I.		INTRODUCTION	203
	7-1	Overview	203
II.		MISREPRESENTATION AND CONCEALMENT	204
	7-2	Misrepresentation by Insured May Void Policy	204
	7-2:1	Requirements for Forfeiture of Insured's Rights	204
	7-2:2	When a Misrepresentation is Material	204
	7-3	Misrepresentation During Application Process	205
	7-3:1	Cancellation for Misrepresentation	205
	7-3:2	Insurer Bears the Burden of Proving Reasonable Reliance	205
	7-4	Ambiguities in Insurance Application	205
	7-4:1	Protection for the Insured	205
	7-4:2	Distinction Between Subjective and Objective Questions in Applications	206
	7-5	Misrepresentation in Life Insurance Policies	207
	7-5:1	Equitable and Legal Fraud	207
	7-5:2	Investigation Does Not Relieve Insured of Duty	208
	7-6	Misrepresentation and Compulsory Insurance	210
	7-6:1	Protection of Third Parties	210
	7-6:2	The <i>Steliga</i> Rule	213
	7-6:3	Rescission for Fraud of a "Basic" Policy	214
	7-6:4	Rescission of Professional Liability Policy for Fraud	215
	7-7	Post-Loss Misrepresentation	216
	7-7:1	Insured's Post-Loss Misrepresentations Void Coverage	216
	7-7:2	<i>Longobardi v. Chubb Ins. Co.</i>	216
	7-7:3	Post-Loss Misrepresentation Must be Knowing and Material	218

	7-7:4	The Test for Materiality	218
	7-7:5	No Prejudice Necessary	219
7-8		Concealment	220
	7-8:1	Definition	220
	7-8:2	Difference Between Misrepresentation and Concealment	221
	7-8:3	Voluntary Disclosure of Important Information by Insured	221
III.		NEW JERSEY INSURANCE FRAUD PREVENTION ACT	222
	7-9	Introduction	222
	7-10	Purpose of Act	222
	7-11	Violations of the Act	223
	7-12	Burden of Proof	225
	7-13	Jury Trial	226
	7-14	Damages Under the Act	228
	7-14:1	No Requirement of Insurer Reliance for Conviction of Insurance Fraud	228
IV.		EXTRA-CONTRACTUAL LIABILITY: FAILURE TO SETTLE WITHIN POLICY LIMITS	230
	7-15	Good Faith Negotiation Required	230
	7-15:1	Multiple Claimants and Insufficient Policy Limits	231
	7-16	Failure to Furnish Defense Not Bad Faith	232
	7-17	Bad Faith Liability	232
	7-18	Damages Beyond Financial Loss	234
	7-19	Hypothetical Full Coverage Analysis	235
	7-20	The Role of the Deductible	235
	7-21	Time Limitation for Bad Faith Actions	236
	7-22	Bad Faith Actions Among Insurers	236
	7-22:1	Primary and Excess Insurers	236
	7-22:2	Role of the Reinsurer	237
	7-22:3	Joint Defense Obligations of Primary Insurers	237
	7-23	Proof of Bad Faith as Prima Facie Evidence of Damages	238
V.		FIRST-PARTY COVERAGE CLAIMS	238
	7-24	Liability in First-Party Claims Generally	238
	7-25	The ‘Fairly Debatable’ Standard	239

7-26	Foreseeability of the Consequences of Such a Policy Breach	240
Chapter 8: Insurer Recovery: Subrogation and Reinsurance		243
I.	INTRODUCTION	243
8-1	Overview	243
II.	SUBROGATION	243
8-2	Subrogation Generally	243
8-3	Implied Right of Subrogation	245
8-4	Effect of Subrogation	245
8-4:1	The “Make Whole” Doctrine	246
8-5	No New Claims Permitted	247
8-6	Right to Assert Claim Before Payment	247
8-7	Subrogation and Automobile Insurance	247
8-7:1	Subrogation Between PIP Insurer and Healthcare Insurer	248
8-8	Subrogation and Property Insurance	250
8-9	Subrogation and Surety	251
8-10	Release on Subrogation	251
8-11	Waiver of Subrogation	252
8-11:1	Waiver of Subrogation Under Standard Form Construction Contracts	252
III.	REINSURANCE	253
8-12	Introduction	253
8-13	Purposes of Reinsurance	254
8-14	Types of Reinsurance	255
8-15	Retrocession	256
8-16	Reinsurance in New Jersey	256
8-17	Duty of ‘Utmost Good Faith’	256
8-18	Reinsurance Policies	257
8-19	‘Follow the Fortunes’ Clause	257
8-20	Reinsurance Arbitration	258
8-21	Compelling Arbitration	258
8-22	Judicial Review of Arbitration Awards	258
8-23	Privity Between Insured and Reinsurer	259
8-24	Duty of Reinsurer to Primary Insured	260
Chapter 9: Procedures Governing Coverage Disputes		261
I.	INTRODUCTION	261
9-1	Overview	261
9-2	Nature of Disputes	261

II.	DECLARATORY JUDGMENTS	262
9-3	Purpose of Declaratory Judgment Actions	262
9-4	Provisions of the Declaratory Judgments Act	263
9-5	Burden of Proof	264
9-6	Cross-Claim Against Agent or Broker	265
9-7	Effect on Third-Party Claimants	265
9-8	Insurer vs. Insured	265
9-9	Insured vs. Insurer	265
9-10	Insurer vs. Insurer	266
	9-10:1 Contribution Rights Among Insurers	266
	9-10:2 Equitable Contribution	266
III.	SUBSTANTIVE BASES FOR POLICY SUITS	269
9-11	Sources of Contractual Disputes	269
9-12	Notice of Disputes	270
	9-12:1 Notice Required of Insured	270
	9-12:2 Notice ‘As Soon as Practical’	270
	9-12:3 Additional Insureds Bound by Notice Provisions	270
9-13	Third-Party Rights	270
IV.	PROCEDURAL ISSUES	271
9-14	Suits to be Filed in Law Division	271
9-15	Transfer of Action Among Divisions	271
9-16	Venue by County	272
9-17	Time for Change of Venue Motion	272
9-18	Jurisdiction and Foreign Insurers	273
9-19	Choice of Law	273
9-20	The ‘First Filed’ Rule	274
9-21	Service of Suit Clauses	275
9-22	Entire Controversy Doctrine	276
9-23	Joinder of Interested Parties	276
9-24	Interested Parties	277
9-25	Claimants in Underlying Action Must be Joined	277
9-26	Realistic Ability to Join	277
9-27	Environmental Declaratory Judgment Actions	278
9-28	Either Party Entitled to Jury Trial	278
9-29	Summary Judgment Principles Applicable	279
9-30	Allegations of the Complaint Within Insuring Obligation	279

9-31	An Applicable Exclusion May Warrant Early Declaratory Judgment Relief	279
9-32	No-Action Clauses Affect on Litigation	280
9-32:1	Purpose of No-Action Clauses	280
9-32:2	No-Action Clause Does Not Prohibit Declaratory Judgment Action	280
9-33	Expert Testimony	281
V.	TERMINATION, CANCELLATION AND RESCISSION	281
9-34	Termination of Coverage	281
9-35	The Difference Between Cancellation and Rescission	282
9-36	Cancellation by Agreement	282
9-37	Definition of Rescission	282
9-38	Burden of Proof on Rescission	283
9-39	Return of Premium and Rescission	284
9-39:1	Impact of Rescission on Innocent Victims in Automobile Accidents	284
VI.	REFORMATION	285
9-40	Introduction	285
9-41	Reformation is a Non-Jury Action	285
VII.	DISCOVERY	286
9-42	Means of Discovery	286
9-43	Reasonably Calculated to Lead to Admissible Evidence	286
9-44	Work-Product Privilege Viewed Narrowly	286
9-44:1	No Discovery of Bad Faith Claim During Litigation of Underlying Breach of Contract Claim	287
VIII.	TRANSFER OF FEES AND COSTS	287
9-45	Attorney Fees	287
9-45:1	The American Rule	287
9-45:2	Recovery of Fees Permitted in Certain Cases	288
9-45:3	Fees Not Allowed on First-Party Actions	289
9-45:4	Successful Claimant	290
9-45:5	Fees in Insurer Versus Insurer Cases	291
9-45:6	Court Scrutiny of Fee Requests	292
9-45:7	In Automobile Insurance Cases	292

9-46	Interest	293
	9-46:1 Prejudgment Interest	293
	9-46:2 Interest Question Rests with Trial Judge	293
	9-46:3 Appellate Review of Fees	293
IX.	LEGAL REPRESENTATION	294
9-47	Attorneys Assigned to Defend Insureds	294
9-48	Attorney-Client Privilege	295
	9-48:1 Generally	295
	9-48:2 Attorney Represents Insurer and Insured	295
	9-48:3 Attorneys Representing Multiple Insureds	296
9-49	Co-insureds with Crossclaims Entitled to Separate Counsel	296
X.	LIMITATION OF ACTIONS	296
9-50	Statutory Limitations and Accrual of Actions	296
9-51	Impact of Insanity on Statute of Limitations	297
9-52	Discovery Doctrine Applicability	297
9-53	Policy Clause Enforceable	298
9-54	Disputes Only as to Amounts Owed	299
9-55	Mandatory Limit in Fire Insurance Policies	299
9-56	Claims Accrue at the End of the Underlying Action	299
9-57	No-Fault Act	299
	9-57:1 Arbitration Subject to Statute Limiting Contract Actions	299
	9-57:2 Limitation on No-Fault Actions	300
	9-57:3 Insurer Suit for PIP Reimbursement	300
9-58	Actions by an Estate	300
9-59	Minors Bound by Time Limitation	301
9-60	Equitable Principles Do Not Apply	301
9-61	Limitation on Medical Expenses	302
9-62	Limitation on Future Treatment	302
9-63	Reimbursement of Auto Insurer from Workers' Compensation Insurer	302
9-64	Laches	303
XI.	ARBITRATION	303
9-65	Definition	303
9-66	Legislative and Judicial Efforts to Stem Litigation	305
9-67	Recognition of Arbitration	305
9-68	Arbitrating a Controversy	305
9-69	Impact of 'Errors of Law' or 'Insufficient Evidence'	305

9-70	Interest on Arbitration Awards	306
9-71	Award of Attorney Fees	307
9-72	Effect in Subsequent Litigation	307
9-73	Determination of Waiver	308
9-74	Participation No Bar to Challenge of Arbitrator's Jurisdiction	308
9-75	Direct Actions Against Insurers For Coverage	309
9-75:1	Enforceability of Arbitration Clauses Under N.J.S.A. 17:28-2 Direct Actions	310
Chapter 10: Agent and Broker Liability		311
I.	INTRODUCTION	311
10-1	Overview	311
10-2	Broker Defined	312
10-3	Agent Defined	312
10-4	Duty to Insured	313
10-5	Duty Not Dependent on Prior Relations	314
10-6	Dual Status of Intermediary	314
10-7	Determination of Legal Status of Insurance Intermediaries	315
II.	CONDUCT AND LIABILITY	315
10-8	Standard of Care	315
10-8:1	Affidavit of Merit	316
10-9	Negligent Conduct of Broker	318
10-9:1	Generally	318
10-9:2	Determination of 'Special Relationship'	319
10-9:3	Relationship of Negligent Conduct to Damages	320
10-10	Broker's Duty to Investigate Insurer	320
10-11	Broker's Negligent Investigation of Insurer	321
10-12	Failure to Obtain Coverage	321
10-13	Improper Placement of Insurance	322
10-14	Failure to Advise of Policy Expiration	322
10-15	Agent's Representations to Insured	323
10-16	Broker's Negligent Acts	323
10-16:1	Vicarious Liability of a Producer	324
10-17	UM/UIM Coverage Endorsements	324
10-18	Failure of Insured to Read Policy	325

Chapter 11: The New Jersey Property-Liability Insurance Guaranty		327
Association Act and Unsatisfied Claim and Judgment Fund		327
I.	INTRODUCTION	327
11-1	Overview	327
11-1:2	Purpose of the Act	328
11-1:2.1	Application of the Act	328
11-1:2.2	Protection Afforded	328
11-1:2.3	Restrictions and Limitations	329
11-1:2.4	Pedestrian and PIP Claims	329
11-1:2.5	Insolvent Insurance Companies	330
11-1:2.6	Funding	330
11-1:2.7	Legal Status of Association	330
11-2	Compensation of Insureds	331
II.	OPERATION OF THE ASSOCIATION	331
11-3	Administration	331
11-4	Claims Covered by the Act	332
11-4:1	What are “Covered Claims”	332
11-5	Maximum Recovery on a Covered Claim	333
11-6	Counsel Fees and Other Claim Expenses are Excluded	333
11-7	Priority of Payments	333
11-7:1	Payers are Entitled to Credits for Full Fund Liability	334
11-8	Immunity	334
11-9	Liability of Insured in Excess of Statutory Cap	335
11-10	Residency	336
11-11	Excess Insurance Issues	336
11-12	Prejudgment Interest	337
11-13	Workers’ Compensation Reimbursement Claim	337
III.	UNSATISFIED CLAIM AND JUDGMENT FUND	338
11-14	Overview	338
11-15	PIP Recovery Under the Fund	339
11-16	Common Law Damages Under the Fund	340
Chapter 12: General Liability (CGL) Policies		341
I.	INTRODUCTION	341
12-1	Overview	341
II.	HISTORY OF GENERAL LIABILITY POLICIES	342
12-2	Early Policies Principally Covered Property Damage	342

12-3	Early Policies Required an ‘Accident’	342
12-4	Commercial Liability Policy Packages	343
12-5	Occurrence-Based Policies	343
12-6	1973 Revision of ‘Property Damage’ and ‘Occurrence’	344
12-7	The Modern Commercial General Liability Policy	345
12-8	Additional Coverage Available	347
12-9	Practitioners Must Look Carefully at Policy Form	347
III.	PARTS OF A GENERAL LIABILITY POLICY	348
12-10	Self-Contained Single Contract	348
12-11	Declarations	348
12-12	Insuring Agreement	349
12-13	Conditions	349
12-14	Exclusions	350
12-15	Definitions	350
12-16	Endorsements	350
IV.	ACCIDENT-BASED COVERAGE	350
12-17	Meaning of “Accident”	350
V.	OCCURRENCE-BASED COVERAGE	353
12-18	The Insuring Agreement	353
	12-18:1 Definitions	353
	12-18:2 Coverage Limited to Listed Perils	354
12-19	Occurrence	354
	12-19:1 Look to Cause Giving Rise to Harm	354
	12-19:2 Number of Occurrences	355
12-20	Damages	356
	12-20:1 Legal Damages	356
12-21	Bodily Injury	357
	12-21:1 Physical Injury Required	357
	12-21:2 Physical Manifestations Required for Emotional Distress	357
12-22	Property Damage	358
	12-22:1 Defined by Policy	358
12-23	Construction Defect Coverage	358
12-24	Economic Losses	360
	12-24:1 Direct Physical Loss	361
12-25	Trigger of Coverage	362
	12-25:1 Injury or Damage Must Occur Within Policy Period	362
	12-25:2 Injury-in-Fact	362

	12-25:3	Manifestation	363
	12-25:4	Continuous Trigger	364
12-26		What Constitutes a Suit?	365
	12-26:1	Coercive and Adversarial Proceeding	365
	12-26:2	'Functional Equivalent' of Suit	365
	12-26:3	Indicia of Court Proceeding	366
IV.		COVERAGE PERILS	367
12-27		Premises/Operations	367
	12-27:1	Scope	367
12-28		The Products Hazard and Completed Operations Hazard	367
	12-28:1	History	367
	12-28:2	Nature of the Coverage	369
	12-28:3	Completed Operations	369
	12-28:4	Coverage for Faulty Work by Insured's Subcontractor	372
	12-28:5	Interplay Between "Property Damage" and "Impaired Property" Exclusion in CGL Policies	373
VII.		DUTY TO DEFEND	375
12-29		Defense Required for Covered Claim	375
VIII.		EXCLUSIONS	375
12-30		Expected or Intended Injury	375
	12-30:1	The Subjective Intent of the Actor Controls	375
	12-30:2	Objectively Reprehensible Conduct	376
12-31		Contractual Liability Exclusion	377
	12-31:1	Generally	377
	12-31:2	No Coverage for Breach of Contract	378
12-32		Liquor Liability Exclusion	379
12-33		Products Hazard Exclusion	380
12-34		Sistership Exclusion	382
12-35		Business-Risk Exclusion	382
12-36		Performance Exclusion	383
12-37		Workers' Compensation and Employer's Liability Exclusions	385
12-38		Pollution Exclusion	386
12-39		Damage to Property Exclusion	386
	12-39:1	Motor Vehicle Exclusion	389
	12-39:2	Professional Services Exclusion	390
	12-39:3	Operations Exclusion	390

IX.	COVERAGE B: PERSONAL AND ADVERTISING INJURY	392
12-40	Introduction: Personal and Advertising Injury	392
12-40:1	History of the Coverage	392
12-40:2	Common Claims	392
12-40:3	Three Main Versions of Policy Language	393
12-40:4	The 1973 Endorsement	394
12-40:5	Definition of ‘Personal Injury’	395
12-40:6	1973 Definition of ‘Advertising Injury’	395
12-40:7	1986 Personal Injury and Advertising Injury	396
12-40:8	1986 Definition of ‘Personal Injury’	396
12-40:9	Definition of ‘Advertising Injury’	397
12-40:10	1998 Policy Language	397
12-41	Personal Injury Coverage	399
12-41:1	Limited to Enumerated Offenses	399
12-41:2	Distinguishing ‘Personal Injury’ from ‘Bodily Injury’	399
12-41:3	Reasonable Expectations Still Control Interpretation	400
12-42	Advertising Injury	402
12-42:1	Elements for Recovery	402
12-42:2	Patent Infringement	404
12-42:3	Prior Publication Exclusion	405
X.	MEDICAL PAYMENTS	405
12-43	Scope of Medical Coverage	405
12-44	Medical Exclusions	406
	Chapter 13: Automobile Liability Policies	407
I.	INTRODUCTION	407
13-1	Overview	407
13-2	Right to Maintain a Liability Claim	408
13-3	The Role of Unsatisfied Claim and Judgment Fund	408
II.	LIABILITY INSURANCE POLICIES	410
13-4	Policy Must Conform to Statute	410
13-5	Primary Purpose of Liability Insurance	410
13-6	Insurance Business Affected with Public Interest	410
13-7	Interpretation Favors Coverage	411
13-8	Automobile Policy Language	411
13-8:1	Typical Insuring Agreements	411
13-8:2	Automobile Rental Insurance	417

III.	VEHICLES AND PERSONS COVERED	417
	13-9 Vehicle Coverage	417
	13-9:1 Extension of Coverage Beyond Identified Vehicles	417
	13-9:2 Subsequently Acquired Vehicles	418
	13-9:3 Non-Owned Vehicles Coverage	418
	13-9:4 Regular Use of Non-Owned Automobiles	419
	13-10 Persons Covered	420
	13-10:1 Initial and Implied Permission	420
	13-10:2 Reasonable Belief Standard	422
	13-10:3 Deviation from Initial Permission	423
	13-10:4 Relationship of Parties	423
	13-10:5 Theft or the Like	424
	13-10:6 Scope of Use	425
IV.	LOSSES FROM OWNERSHIP, MAINTENANCE AND USE	425
	13-11 Losses Arising Out of Use of the Automobile	425
	13-11:1 ‘Arising Out of Use’ Generally	425
	13-11:2 Broad Interpretation of ‘Use’	426
	13-11:3 Repossession as “Use”	427
	13-12 Maintenance of a Vehicle	429
	13-13 Scope of Coverage Under I.C.C. Rules	430
	13-14 Bobtail Coverage	431
V.	LOADING AND UNLOADING	432
	13-15 Complete Operations Doctrine	432
	13-16 Loading and Unloading Coverage Required by Statute	433
	13-17 Fact Specific Loading and Unloading Cases	433
	13-18 The ‘Borrower’ Exception	436
	13-19 Attempt to Limit Scope of Loading and Unloading	436
VI.	SELF-INSURANCE	437
	13-20 Self-Insurer Requirements	437
	13-21 Self-Insurers’ Coverage Obligations	437
VII.	OTHER COVERAGE ISSUES	438
	13-22 Insurance Required for Rental Vehicles	438
	13-23 Other Insurance Coverage	439
	Chapter 14: Personal Injury Protection (PIP) Coverage	441
I.	INTRODUCTION	441
	14-1 Overview	441

	14-1:1	Research Focus	443
	14-1:2	Underlying Assumption	443
14-2		Legislative Background	443
14-3		Constitutionality of the No-Fault Act	445
	14-3:1	Challenges Struck Down by Courts	445
	14-3:2	No Denial of Equal Protection	445
	14-3:3	No Denial of Equal Protection for Motorcyclists	445
	14-3:4	Perfection Not Required	445
	14-3:5	Renewal Requirement Constitutional	445
	14-3:6	Out-of-State Drivers' Rights Not Violated	446
	14-3:7	Constitutionality of N.J.S.A. 39:6A-8	446
	14-3:8	Constitutionality of N.J.S.A. 17:28-1.4	446
	14-3:9	Constitutionality of Alternative Procedure for Dispute Resolution Act (APDRA), N.J.S.A. 2A:23A-1 to -19	447
14-4		Other Matters	448
	14-4:1	Statutory Considerations	448
II.		AUTHORITY OF INSURANCE COMMISSIONER	450
	14-5	Commissioner Must Comply with Statutory Intent	450
III.		RIGHT TO SUE THIRD PARTIES FOR COMPENSATORY DAMAGES	451
	14-6	Verbal Threshold	451
	14-6:1	Implementation of the Verbal Threshold	452
	14-6:2	'While Operating an Uninsured Vehicle'	455
	14-6:3	Operating a Vehicle While Intoxicated	456
	14-6:4	Out-of-State Plaintiffs or Defendants	456
	14-6:5	Implementation of N.J.S.A. 17:28-1.4	458
	14-6:6	Deemer Statute	459
	14-6:7	Property Damage Recovery by One Without PIP Coverage	460
	14-6:8	Aggravation of Pre-Existing Injury	460
	14-6:9	'Portee' Claims	461
IV.		COVERAGE REQUIREMENTS	461
	14-7	Scope of Coverage	461
	14-7:1	Automobiles Garaged in New Jersey	462
	14-7:2	Geographical Coverage	462
	14-7:3	Additional Optional Coverage	463
	14-7:4	Exclusions Limited as Statutorily Specified	463

V.	RULES APPLICABLE TO BENEFITS	464
14-8	The Law of Benefits Payments	464
14-8:1	Benefits Based on Actual Loss	464
14-8:2	Death of Claimant	464
14-8:3	Insurer as Primary Payor	464
14-8:4	Prompt Payment	464
14-9	Double Recovery Prohibited	465
14-9:1	Prohibition Against Double Recovery	465
14-9:2	Stacking Prohibited	466
14-9:3	Payment of Other Benefits	467
14-9:4	PIP Insurer Primary	468
14-9:5	Benefits Subject to Collateral Source Rule	469
14-9:6	Agreements Allowing Duplicated Medical Benefits	469
14-9:7	Workers' Compensation	469
14-9:7.1	Lost Income Reduced by Workers' Compensation	469
14-9:7.2	Survivor Benefits Reduced by Workers' Compensation	470
14-9:7.3	Workers' Compensation Ultimate Recovery Source	470
14-9:7.4	Reimbursement of PIP Benefits	470
14-9:7.5	Workers' Compensation Procedural Law	471
14-9:8	Temporary Disability Benefits	471
14-9:8.1	Setoff of Other Lost-Income Benefits	471
14-9:8.2	Private Supplementary Disability Plans	472
VI.	TYPES OF PIP COVERAGE POLICIES	472
14-10	Standard Policy	472
14-10:1	Basic Automobile Insurance Policy	473
14-10:2	Special Automobile Insurance Policy	473
VII.	PIP COVERAGE BENEFITS	475
14-11	Benefits Provided by PIP	475
14-11:1	Expenses Covered	475
14-12	Qualifications for Benefits	475
14-12:1	Persons to Whom Benefits are Payable	475
14-12:2	Persons Who Qualify as Insureds	476
14-12:3	Lessees as Insureds	476

VIII.	BUYER’S GUIDE AND NOTICE	476
14-13	Requirement of Buyer’s Guide	476
14-13:1	Contents of Buyer’s Guide	476
14-13:2	Effect of Completed Coverage Selection Form	477
IX.	FAMILY MEMBERS	479
14-14	Who is Covered as a Family Member	479
14-14:1	Spouses as Household Residents	479
14-14:2	‘Family’ or ‘Resident Relative’	479
14-14:3	Definition of ‘Immediate Family’	480
14-14:4	Definition of ‘Members of the Family’	480
14-14:5	Policies May Not Restrict Definition of ‘Family Members’	480
14-14:6	‘Family Members’ Same as ‘Resident Relatives’	480
14-14:7	Surviving Spouse	481
14-14:8	Essential Service Benefits Class	481
14-14:9	Determination of Household Residents	481
14-14:10	Non-Custodial Support Payments	482
14-14:11	Extramarital Cohabitation	482
14-14:12	Effect of Cohabitation on Child	482
14-14:13	Family Corporation Owner	483
X.	OTHER EXCLUSIONS FROM COVERAGE	483
14-15	Intentional Conduct Exclusion	483
14-15:1	Exclusion Based on Registration Abuse	483
14-15:2	Uninsured Vehicle in Storage	484
14-15:3	Unlicensed Driver Exclusion	484
14-15:4	Occupying or Operating Auto Without Permission	484
XI.	PEDESTRIAN COVERAGE	485
14-16	Pedestrians	485
14-16:1	Statutory Definition	485
14-16:2	Pedestrian Locations	486
14-16:3	Pedestrian Pushing Vehicle from Road	486
14-16:4	Minibike and Dirt Bike Operators	486
14-16:5	Bicyclists as Pedestrians	486
14-16:6	Moped Operators Not Pedestrians	486
14-16:7	Injuries “Caused by” Automobile	487
14-16:8	Stolen Vehicle No Bar to Benefits	488
14-16:9	Pedestrian Benefits on Alternative Vehicles	488

XII.	VEHICLES THAT QUALIFY AS ‘AUTOMOBILES’	488
	14-17 Definition of ‘Automobile’	488
	14-17:1 Vehicle Cannot be Used in Income Production	489
	14-17:2 Primary Use on Highway	489
	14-17:3 The Nature of a ‘Private’ Automobile	490
	14-17:4 Marginal Business Use	490
	14-17:5 Autos with Dealer Plates	491
	14-17:6 Use of Vehicle as Public Livery	491
	14-17:7 Motorcycle Occupants Excluded from PIP; Pedestrians Covered	491
	14-17:8 Taxicab Passengers Not Eligible for Benefits	492
	14-17:9 PIP Coverage to Bus Passengers	492
	14-17:10 Required Ownership of Automobile	492
XIII.	THE AUTOMOBILE-ACCIDENT NEXUS	493
	14-18 What is an Accident?	493
	14-18:1 No Requirement for Physical Contact	493
	14-18:2 Intentional Acts Not Excluded	493
	14-19 The Automobile-Accident Nexus	493
	14-19:1 ‘Use of Vehicle’ as Nexus	493
	14-19:2 Eligibility Tightened	495
	14-19:3 Proximate Relationship of Accident to Automobile	495
	14-19:4 Fetus Covered	496
	14-19:5 When Automobile ‘Setting’ Insufficient for Coverage	496
XIV.	BENEFITS	497
	14-20 Medical-Expense Benefits Generally	497
	14-20:1 Coordination Among Insurers	497
	14-20:2 Reasonableness of Expenses	497
	14-20:3 Compliance with Standards	498
	14-20:4 Nature of Health Care Expenses	499
	14-20:5 Attendant Care Covered	499
	14-20:6 Customized Vans Not Covered	499
	14-20:7 Travel to Medical Facility Covered	499
	14-20:8 Necessity of Medical Treatment	500
	14-20:9 Chiropractic Treatments Covered	500

	14-20:10	Thermography Covered as a Diagnostic Aid	500
	14-20:11	Brain-Death Determination Procedures Covered	500
14-21		Income Continuation	501
	14-21:1	Definition of Income	501
	14-21:2	Income Loss Not Prorated	501
	14-21:3	Definition of Income Producer	501
	14-21:4	Unemployment is Not a Criterion of Coverage	501
	14-21:5	Proof of Income Loss Required	502
	14-21:6	Ineligible Claimants	502
	14-21:7	Income Increase Does Not Bar Benefits	503
14-22		Essential Services	503
	14-22:1	Statutory Definition	503
	14-22:2	Limits on Reimbursement	503
	14-22:3	Loss Replacement Theory	504
	14-22:4	Essential Services Benefits on Death Claim	504
14-23		Survivor Benefits	504
	14-23:1	Survivor Entitled to Maximum Essential-Services Benefits	504
	14-23:2	Bill Submission Not Required	505
	14-23:3	Perfection Not Required	505
14-24		Funeral Benefits	505
	14-24:1	\$1,000 Maximum on Expenses	505
	14-24:2	No Duplication of Workers' Compensation Recovery	505
XV.		LIMITATION OF ACTIONS	506
14-25		Statutory Limits on Actions	506
	14-25:1	Limits Apply to Infants	506
	14-25:2	Commencement of Action by an Estate	506
	14-25:3	Judicial Construction	507
	14-25:4	Triggering Mechanism for Statute	507
	14-25:5	Discovery Rule Applicable	507
	14-25:6	Actual Payment of Benefits Adds Two Years	508
	14-25:7	Denial of Additional Payments as Trigger	508
	14-25:8	Exception for Future Treatments	509

XVI.	TIME FOR PIP PAYMENT	510
14-26	Time Limit for Benefits Payment	510
	14-26:1 Interest Required on Overdue Payments	510
	14-26:2 Failure to Give Notice	510
XVII.	ARBITRATION	510
14-27	Arbitration for Dispute Resolution	510
	14-27:1 Dispute Resolution Procedure	511
	14-27:2 Judicial Intervention	513
	14-27:3 Appeal and Remand	514
XVIII.	FEES AND COSTS	516
14-28	Fees and Costs	516
	14-28:1 Costs Borne by Insurer	516
	14-28:2 Award of Fees Within Judge's Discretion	516
	14-28:3 Recovery of Expert Witness Fees	517
	14-28:4 Punitive Damages	517
XIX.	RIGHT OF INSURER TO OBTAIN INFORMATION	518
14-29	Information Gathering by Insurers	518
	14-29:1 Insurer's Obligation to Investigate Claim	518
	14-29:2 Insured Must Execute All Necessary Documents	518
	14-29:3 Access to Employer and Medical Records	518
	14-29:4 Insured Must Comply with Request for Examination	518
	14-29:5 Examination for Chiropractic Treatment	518
	14-29:6 Place of Examination	519
	14-29:7 Availability of Local Examining Physicians	519
	14-29:8 Deposition or Statement from Claimant	519
	14-29:9 Conditional Payment Barred	519
	14-29:10 Court Resolves Discovery Disputes	520
XX.	INTER-INSURER DISPUTES	520
14-30	Allocating Financial Responsibility Among Insurers	520
	14-30:1 Primary PIP Coverage of Named Insured	520
	14-30:2 Primacy Limited to Family Relationships	521
	14-30:3 Health Coverage as Primary	521
	14-30:4 Recovery of Duplicated Benefits	522
	14-30:5 Intercompany Arbitration	522
	14-30:6 Obligations of Insurer in Arbitration	522
	14-30:7 Statutory Subrogation Remedies	523
	14-30:8 Follow-the-Family Exclusion	525

Chapter 15: Uninsured and Underinsured Motorist Coverage	527
I. INTRODUCTION	527
15-1 Overview	527
15-2 Statutory Requirements for UM and UIM Coverage	527
II. UM COVERAGE	528
15-3 UM Coverage Generally	528
15-4 Required UM Coverage	529
15-4:1 The Required Minimum Amounts of UM Coverage	529
15-4:2 The Required Offer of Optional UM Coverage	529
15-4:3 Policies Cannot Limit Mandatory UM Coverage	529
15-4:4 What Motor Vehicles Must Carry UM Coverage	530
15-5 Self-Insurance and UM	530
15-5:1 Self-Insurer Must Cover the Same Risks	530
15-5:2 Public Entities Must Purchase UM Insurance; Not Applicable to Out-of-State Residents	531
15-6 What is an Uninsured Vehicle?	532
15-6:1 Motor Vehicle with No Liability Coverage	532
15-6:2 When Insurer Denies Coverage	532
15-6:3 When Insurer Unable to Pay	532
15-6:4 Vehicle Involved in Hit-and-Run Accident	533
15-6:5 When Special Policy Applies	533
15-7 When is a Vehicle Not Uninsured?	533
15-7:1 Vehicle Owned by Named Insured	533
15-7:2 Self-Insured Vehicle	534
15-7:3 Vehicle Owned by Public Entity	534
15-7:4 Vehicle Operated on Rails	534
15-7:5 Stationary Vehicle	534
15-7:6 Off Road Vehicle	534
15-7:7 Vehicle with Basic Coverage	535
15-8 Issues Surrounding Issuance and Interpretation of the UM Endorsement	535
15-8:1 UM Coverage Governed by Terms of the Contract and UM	535
15-8:2 Interpretation of the UM Endorsement	535

	15-8:3	UM Coverage is Subject to Approval and Close Supervision by the Commissioner of Insurance	536
	15-8:4	Provisions that Conflict with Statute are Void	536
15-9		UM Recovery	536
	15-9:1	Overview	536
	15-9:2	Choice of Law	536
15-10		Who is an Insured?	537
15-11		Family Member Issues	537
	15-11:1	Cohabitation as Basis for Recovery	537
	15-11:2	Scope of Coverage for ‘Relatives’	539
	15-11:3	UM (and UIM) Coverage Required for Separated Spouse	541
	15-11:4	Divorced Family Issues	542
15-12		An Accident ‘Arising Out of the Ownership, Maintenance or Use’	542
	15-12:1	Generally	542
	15-12:2	Accident	542
	15-12:3	‘Arising Out of the Ownership, Maintenance or Use’ of an Uninsured Motor Vehicle	543
15-13		Notice	548
	15-13:1	Late Notice	548
15-15		Workers’ Compensation Issues	548
	15-15:1	No Double Recovery with Workers’ Compensation	548
	15-15:2	Limitation on Workers’ Compensation Lien	549
	15-15:3	Co-Employee as Uninsured Tortfeasor	550
15-16		Allocation Among More than One UM Policy	551
	15-16:1	Multiple Claimants and Multiple Policies	551
	15-16:2	Multiple Claimants Measure of Recovery	552
15-17		Claimant’s Option to Proceed Against UM Insurers	553
	15-17:1	Not All Relevant Insurers Must be Joined	553
	15-17:2	Other Sources of Recovery	553

	15-17:3	UM Subrogation	554
	15-17:4	Impacts of UM Settlements	554
15-18		UM and Bad Faith	554
	15-18:1	Insured Not Entitled to Pursue or Obtain Discovery on Bad Faith Claims While Litigating UM/UIM Claim	556
15-19		‘For Fee’ Exclusions Unenforceable	557
15-20		Failure to Maintain Medical Expenses Coverage Bars Recovery	557
III.		UIM COVERAGE	558
	15-21	Introduction	558
	15-22	UIM History	559
	15-23	Definition of ‘Underinsured’	559
	15-24	UIM Coverage is Optional	560
	15-24:1	Required Optional Offer to Purchase UIM Coverage	560
	15-24:2	Limitations on the Purchase of UIM Coverage	560
	15-25	UIM Coverage Cannot be Stacked	560
	15-26	Differences Between UM and UIM Coverage	561
	15-27	Single Endorsement Allowed for UM and UIM Coverage	561
	15-28	Self Insurance and Public Entities	561
	15-29	UIM Recovery	561
	15-29:1	Overview	561
	15-30	When is a Vehicle “Underinsured”?	562
	15-30:1	The UIM Endorsement Controls Recovery	562
	15-30:2	Recovery Limited to Own UIM Limits	562
	15-31	Primary and Excess UIM Coverage	563
	15-32	UIM Recovery and <i>Longworth</i> —The ‘Roadmap’ to UIM Recovery	564
	15-32:1	UIM Insurer Seeking Recovery from Tortfeasor	565
	15-32:2	Consequences of Breach of the 30-Day Notice Requirement	565
	15-32:3	Insurer’s Duty to Provide Notice to Other Insurers	566

15-32:4	Prejudice Issues that Surround <i>Longworth</i> Notice	567
15-32:5	No Prejudice Need to be Shown if Insured's Actions Nullify UIM Insurer's Right to Subrogation	568
15-32:6	When the UIM and Tortfeasor's Insurer is the Same Carrier	568
15-32:7	Insurer Refuses Consent at Its Own Risk	570
15-32:8	No Need to Exhaust Tortfeasor's Policy Limits	570
15-32:9	Effect of Liability Settlements Deduction Based on Actual Policy Limits	571
15-32:10	Payment of Claims to Others Does Not Reduce Coverage to Injured Party	572
15-32:11	Credit Under Split Limits	573
15-32:12	Intervention by UIM Insurer	573
15-33	Proration of Multiple Policies Applicable to UIM Claims	573
15-33:1	Statutory Coverage Limit	573
15-33:2	Single Claimant and Multiple Policies	575
15-33:3	Multiple Named Insureds Under Multiple Policies	575
15-34	Total Limits of Tortfeasor Must be Less than Total UIM Limits	576
15-34:1	Multiple Tortfeasors and UIM	577
15-35	Non-Auto Tortfeasor Limits Compared to UIM Limits	578
15-36	No Proration for Specialty Policies	578
15-37	Exclusions May Bar UM/UIM Coverage	578
IV.	NOTIFICATION OF OPTION TO PURCHASE UM/UIM COVERAGE; RELATED CAUSES OF ACTION	579
15-38	Statutory Requirement	579
15-39	Satisfying Requirement to Notify Insured of Options	580
15-40	Sources of Breach of Duty to an Insured: UM/UIM Context	581
15-41	Broker Not Required to Initiate Contact	581
15-42	Limited Causes of Action Against Producers	582
15-42:1	Remedies Against the Producer	582

V.	ARBITRATION	582
	15-43 Introduction	582
	15-44 Issues to be Decided	583
	15-44:1 What Can be Arbitrated?	583
	15-45 Arbitration Procedure	585
	15-45:1 Look to Policy	585
	15-46 Statute of Limitations	585
	15-46:1 Limits on Commencement of Action	585
	15-47 UM Arbitration Issues	586
	15-47:1 Phantom Vehicles	586
	15-47:2 Theft and Carjacking	587
	15-48 Impact of Third-Party Settlement on Judicial Estoppel	587
	15-49 UIM Arbitration Issues	588
	15-49:1 What is Different About UIM Arbitration	588
	15-50 Aggregate Liability Determines UIM Coverage	588
VI.	PROCEDURAL ASPECTS OF UIM CLAIMS	589
	15-51 The Right to Trial	589
	15-51:1 When Does an Arbitration Award Qualify as “Exceeding” the Statutory Minimum?	590
	15-51:2 No Extra Contractual Award Where UM Insurer’s Conduct Was Fairly Debatable	590
	15-52 Wrongful Death Actions for UM and UIM Benefits	591
	15-53 Per Quod Claims	591
	15-54 Circumstances Under Which Host Vehicle Coverage is Primary	592
	15-55 Offer of Judgment Applicable to UM/UIM	593
	15-56 Statutes of Limitations and Insurer Conduct	594
	15-57 Class Actions in UM/UIM Cases	595
	Chapter 16: Homeowner Policies	597
I.	INTRODUCTION	597
	16-1 Overview	597
	16-2 Types of Homeowner Policies	597
	16-3 Liability Coverage Analysis	598
	16-4 Claims for Damage and Loss	599

II.	DWELLING AND CONTENTS COVERAGE	600
16-5	Coverage A—The Dwelling	600
16-6	Coverage B—Other Structures	600
16-7	Coverage C—Personal Property	600
16-8	Coverage D—Loss of Use/Additional Living Expenses	600
16-9	Additional Coverages	600
III.	FIRST-PARTY COVERAGE	601
16-10	Insured Members of Household	601
16-11	Coverage Limited to Identified Premises	601
16-12	Applicable Exclusions	602
16-13	Wind or Water Loss	603
16-14	Causation Which Includes an Insured Peril	603
16-15	Theft or Mysterious Disappearance	604
16-16	Impairment to Structural Integrity: Reasonable Expectations	605
16-17	Mold Loss	606
16-18	Payment for Structures	606
16-19	Actual Cash Value: The Broad Evidence Rule	607
16-20	Constructive Total Loss	608
IV.	LIABILITY COVERAGE	608
16-21	Coverage Limited to Identified Premises	608
16-22	Applicable Exclusions	608
V.	EXCLUSIONS	609
16-23	Criminal Conduct Exclusions	609
16-23:1	Coverage Excluded for Criminal Acts	609
16-23:2	Effect of Criminal Conviction	610
16-23:3	Guilty Plea Not Necessarily Conclusive	610
16-23:4	When Conviction Establishes Intent to Injure	612
16-23:5	Innocent Insured Not Barred from Recovery	612
16-24	Business Pursuits Exclusion	613
16-24:1	Business Pursuits	613
16-24:2	Activities ‘Ordinarily Incident’ to Non-Business Pursuits	614
16-24:3	Professional Services Excluded	615
16-24:4	Babysitting and Child Care	615
16-25	Motor Vehicle Exclusions	615

16-25:1	The Instrumentality Theory: The <i>Moraca</i> Case	615
16-25:2	Concurrent Cause Theory: The <i>Oliver</i> Case	616
16-25:3	What is a ‘Motor Vehicle’?	618
16-26	Intra-Family Exclusion	619
16-27	‘Arising Out of’ Exclusion	620
16-28	Flood and Surface Water Exclusions	620
Chapter 17: Professional Liability Policies		623
I.	INTRODUCTION	623
17-1	Overview	623
17-2	Claims-Made Policies vs. Occurrence Policies	624
17-3	Claims-Made Policies	624
II.	POLICY PROVISIONS	625
17-4	Common Insuring Agreements in Professional Policies	625
17-5	The Effect of a Deductible	626
17-6	Claims Expenses	626
17-7	Professional Acts and Services	627
17-8	Retroactive and Extended Discovery Clauses	628
17-9	Varying Policy Provisions	629
17-10	Duty to Defend Concepts	629
17-11	Separate Trial on Duty to Defend	629
III.	CLAIMS-MADE POLICIES	630
17-12	Essentials of Coverage	630
17-13	Notice: No Appreciable Prejudice	630
IV.	CLAIM AND DISPUTE RESOLUTION	632
17-14	Disputes Among Insurers	632
17-15	Effect of Consent to Settle and Deductible Clauses	633
17-16	Criminal Conduct as Affecting Coverage	634
17-17	Scope of Professional Association Coverage	635
17-18	Application for Professional Liability Coverage	635
17-19	Effect of Misrepresentation	636
17-20	Effect of Exclusions	636
V.	COVERAGE FOR DIRECTORS AND OFFICERS	637
17-21	Directors and Officers (D&O) Liability Policies	637
17-22	D&O Exclusions	638
VI.	DIMINISHING LIMIT POLICIES	638
17-23	Policies in Which the Limits Are Reduced by Legal Costs	638

I NEW JERSEY INSURANCE LAW

VII.	MEDICAL MALPRACTICE COVERAGE	639
	17-24 Mandatory Coverage for Doctors and Podiatrists	639
	17-25 Rescission of Medical Malpractice Policies for Fraud	640
	Chapter 18: Life, Accident and Health Policies	643
I.	INTRODUCTION	643
	18-1 Overview	643
	18-2 Definition of Life Insurance	644
	18-3 'Accidental Means' Requirement	644
II.	INSURABLE INTEREST	644
	18-4 Parties with Insurable Interest	644
III.	STATUTORY REQUIREMENTS/INDIVIDUAL LIFE POLICIES	646
	18-5 Standardization of Policies	646
	18-6 Grace-Period Requirements	647
	18-7 Ten-Day Cancellation Period	647
	18-8 Reinstatement of Policy	647
	18-9 Statements in Application as Part of Policy	648
	18-10 Other Policy Requirements	648
	18-11 Insured as Owner of Policy for Loans	649
	18-12 Right of Insurer to Waive	649
	18-13 Manner of Premium Payment	650
	18-14 Limitation on Time for Suit	650
	18-15 Life Policy Incontestability	650
	18-15:1 Generally	650
	18-15:2 Limits on Incontestability	651
	18-15:3 Contesting a Reinstated Policy	651
	18-16 Reformation Due to Age Discrepancy	651
	18-17 Readability Requirements	651
	18-17:1 Minimum Language Standards	651
	18-17:2 Nonapplicable Statutes	652
	18-17:3 Non-English Language Policies	652
IV.	APPLICATION FOR INSURANCE	652
	18-18 False Statements	652
	18-19 Two-Year Contestability Limit	653
	18-20 Two-Year Limit on Equitable Fraud Actions	653
	18-21 Fraudulent Misrepresentation Extends Incontestability	653
	18-22 The <i>Manzo</i> Doctrine	654
	18-23 Nature of the Application Question	655

18-24	Insurer Has No Duty to Inquire	656
18-25	Admissible Evidence	656
18-26	Obligation to Advise Policy Applicant of Health Risks	657
V.	DEATH BY ACCIDENT OR ACCIDENTAL MEANS	657
18-27	Accident Independent of Other Causes	657
18-28	Primary Test for Determination of Coverage	658
18-29	Trauma Inflicted by Insured's Own Illegal Conduct	659
VI.	BENEFICIARIES	660
18-30	Beneficiary's Rights	660
18-31	Person, Not Relationship, Decides Beneficiary	660
18-32	Substantial Compliance with Policy Terms	661
18-33	Change of Beneficiary Received After Death	663
18-34	Effect of Marriage or Termination of Marriage on Beneficiary	663
18-35	Court Can Order Spouse to Obtain Insurance	664
18-36	Compliance with Policy Terms Absolves Insurer	665
18-37	The Effects of Careless Record Keeping	665
18-38	Insurer Not Liable for Forged Payment Check	665
VII.	MURDER INVOLVING BENEFICIARY	666
18-39	Beneficiaries Who are Murderers Cannot Recover	666
VIII.	SUICIDE	667
18-40	Suicide a Defense to Payment	667
18-41	Suicide Exclusion in Policy Allowable	668
18-42	Burden of Proof on Additional Benefits Claim	668
IX.	PROOF OF DEATH	668
18-43	Requirements for Presumption of Death	668
18-44	Determination of Death	669
18-45	Probate No Bar to Insurer Challenge	669
Chapter 19: Employment-Related Insurance Issues		671
I.	INTRODUCTION	671
19-1	Overview	671
19-2	Potential Sources of Coverage for Employment-Related Acts	672
II.	TYPES OF EMPLOYMENT-RELATED POLICIES	672
19-3	General Liability Policies	672
19-3:1	Employment-Related Practices Exclusions Preclude Most Employment Matters	673

	19-3:2	Expected or Intended Injury under General Liability Policies	674
19-4		Workers' Compensation and Employers' Liability Policies	674
	19-4:1	Coverage Provided by Workers' Compensation and Employers' Liability Policies	675
	19-4:2	Differences Between Workers' Compensation and Employers' Liability Coverage	675
	19-4:3	Common Law Actions Against Employers for Allegedly Intentional Acts	676
	19-4:4	Work-Related Harassment	677
	19-4:5	Claims of Underage Employees	678
19-5		Homeowner Policies	678
19-6		Employment Practices Liability Policies	678
19-7		Coverage of Emotional Distress Claims Arising Out of Employment Situations	679
III.		EMPLOYMENT-RELATED DUTY TO DEFEND ISSUES	679
	19-8	Defense for Employment-Related Claims	679
	19-8:1	Defense of EEOC Proceedings	679
IV.		PROTECTION FOR EMPLOYERS FROM EMPLOYEE CONDUCT	680
	19-9	Employee Dishonesty Policies	680
V.		ADMINISTRATION OF WORKERS' COMPENSATION POLICIES	681
	19-10	Jurisdiction to Decide Policy Coverage Issues	681
	19-11	Employer's Obligation to Employee under the Workers' Compensation Act	682
	19-12	Cancellation Procedure	683
	19-13	General Contractor Responsible for Uninsured Subcontractor	684
	19-14	Employee's Right of Action Under the Workers' Compensation Policy	685
	19-15	Notice or Knowledge of Injury by Insurer	687
	19-16	Restrictions on Limitation of Liability	687
		Chapter 20: Property Insurance and Fire Insurance	689
I.		INTRODUCTION	689
	20-1	Overview	689

II.	TYPES OF PROPERTY INSURANCE	689
	20-2 Covered Perils or All Risk Coverage	689
	20-2:1 Commercial Property Insurance	690
	20-3 Differences Between First- and Third-Party Insurance	691
III.	MISCELLANEOUS FIRST-PARTY POLICY ISSUES	691
	20-4 Construction and Interpretation of First-Party Policies	691
	20-5 Appraisal	692
	20-6 Inventory Lists	694
	20-7 Bad Faith Claim Handling and First-Party Insurance	695
	20-8 Trigger of Coverage Under First-Party Policy	696
	20-9 Collapse Peril	697
	20-10 Increase of Hazard	698
IV.	FIRE INSURANCE POLICIES	699
	20-11 Development of the Standard Policy	699
	20-11:1 Business Interruption Insurance	700
	20-11:2 Similarities to Other Insurance Policies	701
	20-12 Issues Raised by Fire Policies	702
V.	STANDARD REQUIREMENTS AND FIRE POLICY FORMS	702
	20-13 New Jersey Statutory Requirements for Fire Insurance	702
	20-13:1 Statutory Authority for Form and Language	702
	20-13:2 Scope of Coverage	702
	20-13:3 Limits on Actual Cash Value	702
	20-13:4 Limits on Recovery	703
	20-13:5 Assignment Requires Insurer's Written Consent	703
	20-13:6 Concealment and Misrepresentation Void Policy	703
	20-13:7 Financial Tender Excluded	703
	20-13:8 Acts of War and Insurrection Excluded	704
	20-13:9 Loss by Theft and Neglect Excluded	704
	20-13:10 Restrictions on Other Insurance	704
	20-13:11 Restrictions on Insurer's Liability	704
	20-13:12 Coverage by Endorsement for Other Perils	705
	20-13:13 Additional Provisions Not Inconsistent with Statutory Form	705
	20-13:14 Cancellation Notice Requirement	705
	20-13:15 Loss May be Paid to Mortgagee	705

	20-13:16	Insurer's Liability to be Prorated	706
	20-13:17	Insured's Requirements in the Event of a Loss	706
	20-13:18	Insured's Cooperation Required	706
	20-13:19	Selection of Appraisers	707
	20-13:20	Insurer's Options as to Damaged Property	707
	20-13:21	Time for Payment of Loss	707
	20-13:22	Requirements for Filing Suit	707
	20-13:23	Insurer's Right of Subrogation	708
	20-13:24	Commissioner May Approve Another Policy Form	708
VI.		FIRE AS THE BASIS FOR RECOVERY	708
	20-14	The Elements of 'Fire'	708
	20-14:1	Determination of 'Friendly' Fire	708
VII.		INSURABLE INTEREST	709
	20-15	The Test for Insurable Interest	709
	20-15:1	Degree of Interest	709
	20-15:2	Title Problems No Bar to Recovery	710
	20-15:3	Interest of Successor Sufficient for Recovery	710
	20-15:4	Interest Determined as of Time of Loss	710
	20-15:5	Demolition Plans No Bar to Recovery	710
VIII.		OTHER INSURANCE	711
	20-16	Primary Excess Coverage	711
IX.		CANCELLATION OF FIRE POLICY	711
	20-17	Notice Requirements	711
	20-17:1	Cancellation	711
	20-17:2	Expiration	711
	20-17:3	Insurer Not Required to Notify Mortgagee of Expiration	712
	20-18	Burdens of Proof Regarding Cancellation	712
	20-18:1	Insurer Burden to Prove Effective Cancellation	712
	20-18:2	Proof of Mailing Requirement	713
	20-18:3	Proof by Insured of Non-Receipt	713
X.		ACTUAL CASH VALUE	713
	20-19	The Measure of Loss: Actual Cash Value	713
	20-19:1	Measured as of Time of Loss	713
	20-19:2	Prohibition to Rebuild as Constructive Total Loss	713

	20-19:3	Broad-Evidence Rule Measures Actual Cash Value	714
	20-19:4	Impossibility of Insured's Performance Caused by Insurer	714
XI.		MISCELLANEOUS POLICY PROVISIONS AND ISSUES	715
	20-20	Insurer Protections	715
	20-20:1	Suspension of Coverage for Increased Hazard	715
	20-20:2	Insured's Knowledge of Increased Hazard	716
	20-20:3	Insured's Disabling of Sprinkler System	716
	20-20:4	Insured's Voluntary Relinquishment of Control	717
	20-21	Intentionally Set Fires	717
	20-21:1	No Recovery for Intentionally Set Fire	717
	20-21:2	Arson Proved by Preponderance of Evidence	718
	20-22	Innocent Co-insured's Right to Recover	718
XII.		RIGHTS OF MORTGAGEES	719
	20-23	Mortgagor and Mortgagee as Beneficiaries	719
	20-24	Mortgagor's Obligation to Keep Policy in Force	719
	20-25	Independent Contract Created	720
	20-26	Mortgagee's Use of Proceeds	720
XIII.		FIRE LOSS LITIGATION	721
	20-27	Choice of Law	721
	20-28	Time for Filing Suit	721
	20-29	Notice to Insurer Tolls Limitations Period	721
XIV.		SUBROGATION RIGHTS	722
	20-30	Assignment by Insured	722
	20-31	Tortfeasor's Right to Legal and Equitable Defenses	722
	20-32	Indemnity Limited to Amount Insurer Paid	722
XV.		WATER DAMAGE CLAIMS	723
	20-33	"Named Windstorm" vs. "Flood" Sub Limit	723
		Chapter 21: Insurance Coverage for Environmental Claims and Other Latent Injury	725
I.		INTRODUCTION	725
	21-1	Overview	725
II.		DUTY TO DEFEND	726
	21-2	Duty to Defend: Covered Allegations	726

21-3	Duty to Defend: PRP Letters and What is a “Suit”?	727
21-4	Duty to Defend: When Questions of Coverage Exist	727
21-5	No Automatic Defense of Underlying Action	728
21-6	<i>Morton International</i> : Supreme Court’s Discussion of Duty to Defend	729
21-7	Post- <i>Morton International</i> Debate on the Duty to Defend Underlying Environmental Claims	730
21-8	Allocation of Defense Costs Among Covered and Noncovered Claims	731
III.	CHOICE OF LAW FOR ENVIRONMENTAL AND OTHER “LONG TAIL” CLAIMS	732
21-9	Introduction	732
21-10	Choice of Law Basics For Contract Disputes	733
	21-10:1 Does a “Conflict” Exist?	734
21-11	Choice of Law: Insurance Policies	734
21-12	Choice of Law: Application of Restatement	735
21-13	Environmental and Other Long Tail Insurance Disputes	737
	21-13:1 The Site-Specific Approach Adopted in New Jersey	737
	21-13:2 Determining the Location of the ‘Risk’	740
21-14	Summary of Choice of Law and For Environmental and Long Tail Insurance Litigation	740
21-15	Waste Generated in New Jersey Predictably Disposed of in Another State	742
21-16	Insured’s Status as a New Jersey Resident Favors New Jersey Law	742
21-17	Multiple Filings in Different Jurisdictions	743
	21-17:1 “Special Equities” That May Override the First Filed Rule	743
21-18	The Same Law Must Apply to Primary and Excess Coverage	745
21-19	Choice of Law: Appellate Review	745
IV.	THE BASIC INSURING AGREEMENT	745
21-20	Common Coverage Issues	745
21-21	Common Disputes over the Insuring Agreement	746
	21-21:1 ‘Accident’ or ‘Occurrence’ Causing Damage	746

	21-21:2	Insured Bears Burden of Demonstrating Claim Falls Within Policy	747
21-22		What Constitutes an ‘Accident’ or ‘Occurrence’	748
	21-22:1	“Accident” Policies	748
	21-22:2	“Occurrence” Policies	749
	21-22:3	Unintentional Result No Bar to Coverage	749
	21-22:4	Application of the Intentional Act Analysis to Environmental Cases	750
21-23		What Are Covered “Damages”?	752
	21-23:1	Cleanup Costs Constitute ‘Damages’	752
	21-23:2	‘Damages’ Not Limited to Traditional Judgment Damages	752
	21-23:3	Mandatory Remediation Costs are Damages	754
	21-23:4	Remedial Investigation/Feasibility Study Costs as Damages	754
V.		THE POLLUTION EXCLUSION	755
21-24		Overview of the Pollution Exclusion	755
	21-24:1	Two Primary Exclusions	755
21-25		‘Sudden and Accidental’ Exclusion	755
	21-25:1	Exclusion Language	755
	21-25:2	‘Sudden and Accidental’ Interpretation Issues	756
	21-25:3	In New Jersey, the Sudden and Accidental Exclusion Bars Coverage for Intentional Discharges of Known Pollutants	757
	21-25:4	The <i>Morton</i> Factors Determine a “Knowing Discharge”	759
	21-25:5	Post- <i>Morton</i> Pollution Exclusion Principles	760
21-26		The Absolute Pollution Exclusion	761
	21-26:1	Nature of the Exclusion	761
	21-26:2	Absolute Exclusion: Language and History	761
	21-26:3	The Absolute Pollution Exclusion Bars Coverage For Traditional Pollution-Related Claims	763
	21-26:4	The Absolute Pollution Exclusion Bars Coverage For “Personal Injury”	764

	21-26:5	The Absolute Pollution Exclusion Does Not Apply To Traditional D&O Claims	764
	21-26:6	The Pollution Exclusions and Indoor Air Pollution	764
VI.		OWNED-PROPERTY EXCLUSION	766
	21-27	Nature of the Owned-Property Exclusion	766
	21-28	<i>State of New Jersey v. Signo Trading International, Inc.</i>	768
	21-29	Groundwater and the Owned-Property Exclusion	770
	21-29:1	Allocation of Costs Associated With Owned and Third Party Property	773
	21-29:2	Alienated-Premises Exclusion	773
VII.		TRIGGER OF COVERAGE	774
	21-30	Introduction to Triggers of Coverage	774
	21-31	Four Potential Triggers of Coverage	774
	21-32	New Jersey Has Adopted The Continuous Trigger	776
	21-33	The Continuous Trigger For Environmental Coverage	777
	21-34	When Does The Trigger End?	778
VIII.		ALLOCATION ISSUES	780
	21-35	Introduction to Allocation	780
	21-36	Weighted Allocation	780
	21-37	Examples of <i>Owens-Illinois</i> Allocation	781
	21-38	Latitude Given to the Trial Judge	782
	21-39	The <i>Owens-Illinois</i> Rule and Excess Insurance	783
	21-40	Unanswered Allocation Issues	785
	21-40:1	Allocating to Uninsured Periods	785
		21-40:1.1 Allocation Among Insurers When Property Was Owned by More than One Owner During the Continuous Trigger Time Period	787
	21-40:2	Non-Cumulation Clause Inconsistent with <i>Owens-Illinois</i> and <i>Carter-Wallace</i>	788
	21-40:3	Deductibles and Retentions Must First Be Satisfied	788
	21-41	Allocation of Defense Costs	789
IX.		THE RIGHT TO A JURY TRIAL	790
	21-42	No Jury Trial for Environmental Declaratory Actions	790

X.	DIRECT ACTIONS AGAINST INSURERS	792
21-43	Direct Action Authorized by the Spill Act	792
21-44	No General Direct Cause of Action Under the Spill Act	793
21-45	No Direct Action Against Insurers of Former Owners	794
21-46	Cases Recognizing Direct Action Against Insurers	794
XI.	ENVIRONMENTAL COVERAGE UNDER PERSONAL INJURY ENDORSEMENT	794
21-47	No Coverage for Environmental Property Damage	794
Chapter 22: COVID-19 Issues		797
I.	INTRODUCTION	797
22-1	Overview	797
II.	INSURANCE COVERAGE FOR COVID-19	798
22-2	Why is This Important?	798
22-3	Lines of Coverage Impacted by COVID-19	799
22-3:1	Workers Compensation Insurance	799
22-3:2	Political Risk and Trade Credit Insurance	800
22-3:3	Comprehensive General Liability Insurance (CGL)	801
22-3:4	Directors and Officers (D&O) Insurance	801
22-3:5	Employer's Liability (EPLI) Insurance	802
III.	COVERAGE FOR ECONOMIC LOSS	803
22-4	Business Interruption (BI) Claims	803
22-4:1	Business Interruption Insuring Principles	803
22-5	"Direct Physical Loss or Damage" to Insured Property	805
22-6	What Are the Issues and How Will New Jersey Law Apply?	806
22-6:1	COVID-19 Insurance Coverage Case Activity through August 2021	807
22-6:2	Virus Exclusion	809
22-6:2-1	Anti Concurrent Cause Language in the Virus Exclusion	810
22-6:3	Direct Physical Loss or Damage to Property	810
22-6:4	Civil Authority	811

22-6:5	Federal Court Discretion to Hear State Court Disputes	812
22-7	Litigation Around the U.S.	812
Appendix A: Glossary of Insurance Terms and Phrases		815
Appendix B: Statutes and Codes		879
Table of Cases		891
Index		983

