

Table of Contents

Chapter 1: Introduction.....	1
§1:01 Introduction to the Law of Insurer Bad Faith in Pennsylvania ...	1
§1:02 Bad Faith in Pennsylvania and Other Jurisdictions.....	2
§1:03 Common Law Bad Faith in Pennsylvania	2
§1:04 Issues Arising Under Pennsylvania’s Bad Faith Statute	3
§1:05 Court Decisions Concerning What May Be, and What is Not, Bad Faith.....	7
§1:06 Damages Recoverable in a Bad Faith Action	9
§1:07 Discovery in Bad Faith Litigation.....	10
§1:08 Additional Bad Faith Issues.....	11
Chapter 2: Historical Development of Bad Faith	13
§2:01 Overview.....	13
§2:02 Third Party Insurance Claims.....	14
§2:03 First Party Insurance Claims	15
§2:04 Development of the Law of Third Party Bad Faith in Other Jurisdictions.....	17
§2:05 Development of the Law of First Party Bad Faith in Other Jurisdictions.....	20
§2:06 The Development of the Law of Third Party Bad Faith in Pennsylvania.....	23
§2:07 Pre-1990 Law of First Party Bad Faith in Pennsylvania.....	25
§2:08 Pennsylvania’s Bad Faith Statute: 42 Pa.C.S.A. §8371.....	30
§2:09 Other Pennsylvania Remedies for Insurer Misconduct.....	32
Chapter 3: Common Law Bad Faith in Pennsylvania	35
§3:01 Overview.....	35
§3:02 The Seminal Case: <i>Cowden v. Aetna Casualty & Surety Company</i> , 134 A.2d 223 (Pa. 1957).....	37
§3:03 Common Law Bad Faith Liability for Failure to Settle Claim Within Policy Limits.....	40
§3:04 —Cases.....	45
§3:05 Who May Assert a Third Party Bad Faith Claim.....	76
§3:06 —Cases.....	77

Table of Contents

§3:07	Damages Recoverable for Failure to Settle a Third-Party Claim	82
§3:08	—Cases	83
§3:09	Interplay Between a § 8371 Claim and a Third Party Common Law Bad Faith Claim	89
§3:10	—Cases	91
§3:11	The Questionable Expansion of the Third Party Common Law Bad Faith Claim	103
§3:12	—Cases	105
§3:13	Commentary	118
 Chapter 4: Parties to a Bad Faith Action Under §8371		127
§4:01	Overview	127
§4:02	Who May Bring a Bad Faith Action	128
§4:03	—Cases Allowing Party to Bring Bad Faith Action	135
§4:04	—Cases Disallowing Party to Bring Bad Faith Action	140
§4:05	—Assignment of the Right to Bring a Bad Faith Claim	153
§4:06	—Validity of a Non-Assignment Clause	161
§4:07	Who May Be Sued for Bad Faith	166
§4:08	—Cases	169
§4:09	Reverse Bad Faith	181
§4:10	—Pennsylvania Cases Discussing Reverse Bad Faith	183
§4:11	Commentary	193
 Chapter 5: The Nature and Scope of an Action Under §8371		197
§5:01	Overview	198
§5:02	§8371 as an Independent Cause of Action	199
§5:03	The Evolving First Party Common Law Bad Faith Action	203
§5:03(a)	—Cases	206
§5:04	Relation of § 8371 Action to Breach of Contract Action	224
§5:04(a)	—Need For a “Predicate Action”	224
§5:04(b)	—Cases Involving Suit Limitation Clause in Policy	226
§5:04(c)	—Cases Where There Is No Coverage Under the Policy	229
§5:04(d)	—Cases Suggesting Bad Faith Claim May Proceed Irrespective of Whether There Is Coverage	236
§5:05	The Scope of Conduct Covered Under §8371	246
§5:05(a)	—Cases Holding §8371 Applies to Bad Faith Toward an Insured, and Not to an Insurer’s General Business Practices	251
§5:05(b)	—Cases Holding §8371 Does Not Apply to Acts Preceding the Formation of Insurance Contract	254

Table of Contents

§5:05(c) —Cases Suggesting §8371 Applies Only to Claims
 Denials and Claims Handling Issues..... 259

§5:05(d) —Cases More Broadly Interpreting §8371 272

§5:06 Whether Sustaining of Damages Is a Predicate of a Bad
 Faith Action 281

§5:07 Whether Plaintiff in a Bad Faith Case Must Prove
 Causation 287

§5:08 Commentary..... 292

Chapter 6: Defining Bad Faith Under §8371 303

§6:01 Overview..... 303

§6:02 A Two-Part Definition of Bad Faith 310

§6:02(a) —No Reasonable Basis for Denying a Claim..... 317

§6:02(b) —Knowing or Reckless Disregard of Lack of
 Reasonable Basis 323

§6:03 An Alternate Definition of Bad Faith? 329

§6:04 Is an Insurer a Fiduciary? 331

§6:05 —Cases..... 333

§6:06 Commentary..... 340

Chapter 7: Procedural Issues in Bad Faith Actions 347

§7:01(a) Overview..... 348

§7:01(b) Pleading Bad Faith 349

§7:02 —Cases, Plaintiff’s Pleading Found Insufficient..... 362

§7:03 —Cases, Plaintiff’s Pleading Found Sufficient 369

§7:04 Who Decides if Bad Faith Exists?..... 376

§7:04(a) —State Court Trials..... 379

§7:04(b) —Federal Court Trials..... 383

§7:04(c) —Arbitrations 385

§7:05 Commentary..... 388

§7:06 Ripeness of a Bad Faith Action..... 390

§7:07 The Applicable Burden of Proof for Bad Faith Actions 395

§7:08 Statute of Limitations Issues 399

§7:09 The Two-Year Statute of Limitations for §8371 Claims..... 401

§7:10 The Four-Year Statute of Limitations for Common Law
 Bad Faith Claims..... 405

§7:11 Application of the Statute of Limitations..... 407

§7:11(a) —Cases Holding That Statute of Limitations Expired 409

§7:11(b) —Cases Holding That Statute of Limitations Had
 Not Expired..... 425

§7:11(c) —Application of Limitation of Suit Provision in Policy 434

§7:12 Forum Selection Issues 438

Table of Contents

§7:13 Venue in State Court 440

§7:14 Venue in Federal Court 446

§7:15 —Cases, Federal Jurisdiction Allowed 452

§7:16 —Cases, Federal Jurisdiction Denied 463

§7:17 Commentary 474

§7:18 Motions for Summary Judgment 479

§7:18(a) —Cases Discussing Evidentiary Burden in Opposing
Summary Judgment 480

§7:18(b) —Summary Judgment in Favor of Insurer 486

§7:18(c) —Summary Judgment in Favor of Insured 490

§7:19 Bifurcation or Severance 490

§7:20 —Cases Allowing Bifurcation 496

§7:21 —Cases Not Allowing Bifurcation 507

§7:22 Bifurcation and Severance in Uninsured/Underinsured
Motorist Claims 516

§7:22(a) —Cases Permitting Bifurcation or Severance in
UM/UIM Scenario 519

§7:22(b) —Cases Not Permitting Bifurcation or Severance in
UM/UIM Scenario 531

§7:22(c) —Commentary 541

§7:23 Issues Involving Counsel 543

Chapter 8: Proving Bad Faith 551

§8:01 Overview 551

§8:02 The Unfair Insurance Practices Act (UIPA) and Related
Regulations 553

§8:03 Violations of the UIPA and Regulations as Relevant on the
Issue of Bad Faith 557

§8:04(a) —State Court Cases 563

§8:04(b) —Federal Court Cases 570

§8:05 Other Potential Indicators of Bad Faith Conduct 583

§8:06 Using Experts to Prove Bad Faith 588

§8:07 —Cases 592

§8:08 Commentary 615

Chapter 9: Examples Where Courts Have Found Bad Faith

May Exist 623

§9:01 Overview 624

§9:02 Unreasonable Delay in Handling Claims 626

§9:03(a) —Cases (Auto Claims) 631

§9:03(b) —Cases (Property Claims) 647

§9:03(c) —Cases (Other Claims) 657

§9:04 Inadequate Investigation or Legal Research 659

TOC-vi INSURANCE BAD FAITH IN PENNSYLVANIA

Table of Contents

§9:05(a) —Cases (Auto Claims).....	669
§9:05(b) —Cases (Property Claims).....	691
§9:05(c) —Cases (Other Claims).....	706
§9:06 Unreasonable Reliance on Independent Experts.....	720
§9:07 —Cases.....	723
§9:08 Unreasonable Interpretation or Application of Policy Provisions	734
§9:09(a) —Cases (Auto Claims).....	740
§9:09(b) —Cases (Property Claims).....	756
§9:09(c) —Cases (Other Claims).....	770
§9:10 Unreasonable Claim Determination Regarding UM/UIM Coverage.....	777
§9:11 —Cases.....	782
§9:12 Failure to Make Reasonable Offer of Settlement.....	796
§9:13(a) —Cases (Auto Claims).....	803
§9:13(b) —Cases (Property Claims).....	822
§9:13(c) —Cases (Other Claims).....	827
§9:14 Misrepresentation of Facts or Policy Provisions.....	832
§9:15 —Cases.....	835
§9:16 Unreasonable Refusal to Defend Third-Party Suit.....	851
§9:17 —Cases.....	853
§9:18 Other Improper Conduct by Insurer.....	867
§9:19 —Cases.....	870
§9:20 Litigation Conduct As Potentially Indicative of Bad Faith.....	888
§9:21(a) —Cases, Insurer Decision to Bring Litigation Against Its Insured.....	893
§9:21(b) —Cases, Conduct by Insurer or Counsel After the Institution of Litigation.....	897
§9:22 Releases.....	906
§9:23 —Cases.....	907
§9:24 Commentary.....	909

Chapter 10: Examples Where Bad Faith Has Been Found Not to Exist..... 911

§10:01 Overview.....	912
§10:02 Insurer Correctly Applies Policy Provisions in Denying Third Party Coverage.....	914
§10:02(a) —Cases.....	917
§10:03 Insurer Correctly Applies Policy Provisions in Determining First Party Claim.....	933
§10:03(a) —Cases, Auto.....	939

Table of Contents

§10:03(b) —Cases, Property.....	955
§10:03(c) —Cases, Life/Health/Disability/Other.....	968
§10:04 Insurer’s Interpretation of Policy, Though Wrong, Was Reasonable.....	972
§10:05(a) —Cases, Auto	980
§10:05(b) —Cases, Property.....	988
§10:05(c) —Cases, Life/Health/Disability/Other.....	996
§10:06 Insurer’s Investigation and Claims Decision Was Reasonable.....	1004
§10:07(a) —Cases (Auto Claims).....	1017
§10:07(b) —Cases (Property Claims).....	1036
§10:07(c) —Cases (Life/Health/Disability Claims)	1058
§10:07(d) —Cases (Liability and Other Claims).....	1071
§10:08 Insurer Reasonably Interprets Applicable Legal Precedent ...	1085
§10:09 —Cases.....	1088
§10:10 Insurer’s Reasonable Reliance Upon Independent Experts ...	1097
§10:11 —Cases.....	1100
§10:12 Claim Handled in a Reasonably Timely Manner	1110
§10:13(a) —Cases (Auto Claims).....	1119
§10:13(b) —Cases (Property Claims).....	1139
§10:13(c) —Cases (Life/Health/Disability Claims)	1150
§10:14 Possible Misrepresentation/Fraud by Insured	1155
§10:15 —Cases.....	1158
§10:16 Reasonable Handling of UM/UIM Claim	1171
§10:17 —Cases.....	1179
§10:18 Insurer Takes Reasonable Position Regarding Settlement.....	1217
§10:19 —Cases.....	1225
§10:21(a) —Cases Involving Insurer Decision to Bring Litigation Against Its Insured.....	1258
§10:21(b) —Cases Involving Conduct by Insurer or Counsel After the Institution of Litigation	1264
§10:22 Releases	1292
§10:23 —Cases.....	1293
§10:24 Miscellaneous Allegations Held Not to Constitute Bad Faith.....	1301
§10:25 —Cases.....	1305
§10:26 Commentary on Selected Bad Faith Topics	1317
Chapter 11: Damages Recoverable: Attorneys’ Fees, Costs and Interest	1349
§11:01 Overview.....	1349
§11:02 Cases Addressing Attorneys’ Fees.....	1355

Table of Contents

§11:03 Cases Addressing Interest and Costs.....	1381
§11:04 Commentary.....	1390
Chapter 12: Damages Recoverable: Compensatory Damages.....	1395
§12:01 Overview.....	1395
§12:02 Cases.....	1399
§12:03 Commentary.....	1427
Chapter 13: Damages Recoverable: Punitive Damages.....	1433
§13:01 Overview.....	1433
§13:02 Pennsylvania Law of Punitive Damages	1435
§13:03 Is More Than Bad Faith Required for Imposition of Punitive Damages?.....	1437
§13:04 Cases Discussing What Must Be Proven to Recover Punitive Damages Under Pennsylvania’s Bad Faith Statute.....	1440
§13:05 Limits on Punitive Damages Awards	1450
§13:06 Pennsylvania Bad Faith Cases Discussing the Extent of and Limits on Punitive Awards.....	1461
§13:07 Commentary.....	1488
Chapter 14: Discovery in Bad Faith Litigation.....	1497
§14:01 Overview.....	1498
§14:02 Production of the Insurer’s Claim File.....	1500
§14:03 —Cases.....	1501
§14:04 Attorney Communications and Work Product.....	1509
§14:05(a) —Cases, State Court	1519
§14:05(b) —Cases, Federal Court	1535
§14:06 Production of Claims Manuals and Educational Materials... ..	1555
§14:07 —Cases.....	1558
§14:08 Production of Underwriting Policies and Guidelines	1571
§14:09 —Cases.....	1571
§14:10 Insurer’s Handling of Other Unrelated Claims, Lawsuits, or Policies	1574
§14:11 —Cases.....	1577
§14:12 Reserve Information	1589
§14:13 —Cases, Discovery of Reserve Information Permitted	1593
§14:14 —Cases, Discovery of Reserve Information Not Permitted... ..	1602
§14:15 Evaluation, Selection and Compensation of Insurer’s Employees or Agents	1609
§14:16 —Cases.....	1612
§14:17 Corporate and Financial Information.....	1623
§14:18 —Cases.....	1625
§14:19 Miscellaneous Discovery Topics	1632

Table of Contents

§14:20 —Cases.....	1635
§14:21 Commentary.....	1650
Chapter 15: The Interaction Between §8371 and Other	
State and Federal Statutes	1673
§15:01 Overview.....	1673
§15:02 The Motor Vehicle Financial Responsibility Law	1674
§15:03 —Cases Involving Determination by Peer Review Organization That Medical Treatment is Not Reasonable and Necessary.....	1678
§15:04 —Cases Involving Other Allegations Concerning Requests for Medical Benefits.....	1685
§15:05 —Cases Involving Requests for Wage Loss Benefits.....	1695
§15:06 ERISA and Bad Faith	1697
§15:07 —Cases.....	1702
§15:08 Pennsylvania Workers’ Compensation Act and Bad Faith	1707
§15:09 —Cases.....	1708
§15:10 Other Federal and State Statutes and Bad Faith.....	1712
§15:11 —Cases.....	1713
§15:12 The UTPCPL and Bad Faith.....	1719
§15:13 —Cases.....	1723
Verdicts Appendix.....	1743
Table of Cases.....	1753
Index.....	1821
Selected Bibliography	1835