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BAD FAITH BLOG

Ninth Circuit Affirms Zero-Dollar Verdict in Favor of Insured

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Summary: After its insured, Lawrence Saks, wrongfully obtained disability benefits under his insurance policy, National Life Insurance Company sued Saks for fraud. Saks counterclaimed with a claim for breach of good faith and fair dealing. At trial, the jury returned a verdict in favor of National Life on its fraud claim and a zero-dollar verdict in favor of Saks on his counterclaim. Both sides appealed.

National Life Insurance Company v. Saks

Saks first claimed that the jury instructions erroneously allowed him to recover future benefits for breach of contract, but not for breach of good faith. The court quickly dismissed the alleged error as harmless since the jury found Saks was only entitled to damages stemming from National Life's investigation of his claim, which occurred six years before trial.

The court also refused Saks' claim that the jury could not return a zero dollar verdict in his favor. Under California law, the jury could have concluded that although National Life breached its contract, Saks did not suffer any economic damages.

Saks also claimed error in the trial court's refusal to award him attorney's fees. California law does not allow recovery of fees necessary to establish emotional distress resulting from an insurer's bad faith. Because Saks sought to prove emotional damages rather than damages resulting from benefits due under the policy, his attorney's fees were not recoverable.

On National Life's claim, the court affirmed the trial court's denial of National Life's motion to vacate Saks' judgment on the basis that the jury found that Saks acted with unclean hands. The jury could have reasonably found Saks' false statements made for the purposes of acquiring benefits were not closely enough related to National Life's failure to properly investigate. Accordingly, National Life was not entitled to judgment as a matter of law.

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