

Range of Valuations Support Bad Faith Summary Judgment for Insurer

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Summary: State Farm issued an uninsured motorist policy to Enrique with a \$100,000 limit. Enrique was injured in an auto accident, sought UM benefits and also sought to recover bad faith damages. The bad faith portion of the case was stayed pending resolution of the UM claim which resulted in a jury verdict awarding \$260,000. However, the trial court granted summary judgment in favor of State Farm on the bad faith claim which a divided Delaware Supreme Court affirmed.

Enrique v State Farm Mutual Automobile Insurance Co

Joann Enrique was injured in an accident with an uninsured motorist in 2005. Enrique's UM claim was handled by adjusters in Delaware and West Virginia and was reviewed by multiple adjusting supervisors and managers, and was also evaluated by two different Delaware attorneys. Enrique also submitted to an independent medical exam (IME) and her attorney retained as an expert "an insurance broker in Carmel, New York" who concluded State Farm had "handled Enrique's claim in bad faith."

The summary judgment record showed Enrique had pre-existing medical problems including in the areas affected by the auto accident, which made it difficult for causation to be conclusively determined by the State Farm adjusters, and an IME doctor. For the most part, State Farm's adjusters, supervisors, and retained outside counsel valued Enrique's claim at \$50,000 or less. The exception was a West Virginia adjuster who at one time increased his valuation to between \$62,080 and \$94,960. In September 2009, State Farm advanced Enrique \$25,000 because both parties agreed her claim was worth at least that much. State Farm's highest pre-trial offer was \$45,000. Enrique's first two settlement demands were for more than the \$100,000 policy limit and then came down to \$90,000 shortly before the trial. State Farm repeatedly asked Enrique for additional medical records which were not provided.

Delaware recognizes in insurance contracts an implied covenant of good faith and fair dealing as well as “a cause of action for breach of the implied covenant of good faith when an insurer refuses to honor its obligations under the policy and clearly lacks reasonable justification for doing so. A mere delay in paying benefits is insufficient to constitute bad faith” as a general rule, but if the insurance company has a “general practice of claims denial without a reasonable basis [that practice] may subject the insurer to a bad faith claim.”

The majority of the Delaware Supreme Court noted the subjective nature of the claim, the effort State Farm went to in order to try to properly evaluate the claim, Enrique's pre-existing medical conditions, and the valuations placed on Enrique's claim by a Delaware personal injury defense attorney pre-suit. The court also looked at the range of valuations assigned after the filing of Enrique's bad faith claim which the court described both as premature and based on the “thinnest of allegations.”

The Supreme Court also rejected Enrique's request to “invoke a hindsight presumption that the failure to offer policy limits or seek remittitur after a verdict in excess of those limits constitutes bad faith,” because valuing personal injury claims “is inherently subjective.” The court noted the summary judgment record showed “State Farm and Enrique had different views of the value of the claim; State Farm sought advice from two attorneys, attempted to reach a settlement with Enrique, and failed. State Farm had bases for its claim valuations and there is no evidence that creates an inference that those reasons were pretextual. State Farm thus was not ‘clearly without reasonable justification’ for its valuations.” Nor did State Farm act in bad faith for failing to obtain medical information it acknowledged it needed when that information was in the control of Enrique who failed to provide it despite multiple requests. Furthermore, the court was unwilling to give any weight to Enrique's “expert” who was an insurance broker who had never adjusted claims, was not a lawyer, and “was unqualified to express opinions on Delaware law.”

The dissenting justices believed the summary judgment record showed plenty of evidence “from which a jury could rationally find that State Farm had acted in bad faith in addressing Enrique's claim.” The Chief Justice would have found a genuine dispute of fact and reversed and remanded for the jury to make its ruling.

The *Enrique* case is valuable to attorneys and insurers handling first party claims in Delaware. The court lays out the rules and applied them to this specific case. This same record would have resulted in a bad faith trial before a jury in many other jurisdictions. Nevertheless, the majority of the Delaware Supreme Court was unwilling to allow a jury to determine whether the various valuations by multiple State Farm claims personnel and outside counsel were sufficient to present a jury issue.

By Anthony L. Martin

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