SANDBERG PHOENIX

BAD FAITH BLOG

Florida Federal Jury Finds Insurer's Mishandling of Claims Process Did Not Amount to Bad Faith

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A Florida federal jury recently rejected an insured's claim that its insurer's conduct amounted to bad faith in the handling of a claim from its insured for damage to a residential building caused by Hurricane Irma. At trial, the insured attempted to prove its bad faith claim by arguing the insurer had a general business practice of acting in bad faith. To that end, the insured argued the insurer used means such as intentionally overworking and understaffing its claims department so as to cause delay, inhibit adjusters' abilities to fully investigate claims, and present lowball or incomplete estimates. The insured also argued the insurer had a practice of engaging unqualified or inexperienced adjusters to perpetuate these problems.

The insurer countered this by focusing on its handling of the insured's specific claim, explaining that the insured had concealed details about the property's prior condition that were not caused by hurricane damage, such as original construction defects. The insurer argued it worked in good faith on the insured's claim and regularly increased its damage estimates as more information was received from the insured. Additionally, the adjuster in this case had 10 years of experience and was licensed in three states, including Florida.

The jury ultimately was not convinced by the insured's claim that the insurer was operating under a wholesale bad faith business model and, rather, only found that the insurer's slow-walking of the claim violated the state's Unfair Claim Settlement Practices Act.

Newman at al. v. American Home Assurance Co. Inc., Case Number 1:22-cv-20979, in the U.S. District Court for the Southern District of Florida.