
PATRICIA ACCISANO,

Plaintiff-Appellant

vs.

ALLSTATE INSURANCE CO.,

Defendant-Respondent

SUPERIOR COURT OF NEW JERSEY
APPELLATE DIVISION
DOCKET No.: A-156-06T2

CIVIL ACTION

On Appeal from Order of
Superior Court, Law Division,
Monmouth County

SAT BELOW
HON. DANIEL M. WALDMAN, JSC
(Docket No.: MON-L-5818-03)

**ATLA-NJ' S AMICUS CURIAE BRIEF IN SUPPORT
OF APPELLANT, PATRICIA ACCISANO' S APPEAL**

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TABLE OF CONTENTS

TABLE OF CONTENTS i

TABLE OF AUTHORITIES ii

PRELIMINARY STATEMENT 1

PROCEDURAL HISTORY/STATEMENT OF FACTS 4

LEGAL ARGUMENT

POINT I
ALLSTATE HAS ENGAGED IN BAD FAITH BY FAILING TO SETTLE THE
CLAIM WITH PLAINTIFF, AND, THEREFORE, IT SHOULD BE LIABLE
FOR THE FULL AMOUNT OF THE JURY VERDICT 4

POINT II
THE LOWER COURT ERRED IN UNILATERALLY REDUCING THE JUDGMENT
TO THE POLICY LIMITS OF THE UNDERINSURED/UNINSURED
COVERAGE. 23

CONCLUSION 26

TABLE OF AUTHORITIES

CASES

Bibeault v. Hanover Ins. Co., 417 A. 2d 313 (R.I. 1980) . . . 9, 10

Bonenberger v. Nationwide Mutual Ins. Co.,
791 A.2d 378 (Pa. 2002) 2, 10, 11

Fletcher v. Western National Life Insurance Co.,
10 Cal. App. 3d 376 (1970) 9

Geraci v. Byrne, 934 So. 2d 263 (La. 2006) 12, 13

Harter v. Plains Insurance Company,
579 N.W. 2d 625 (S.D. 1998) 11, 12

Pickett v. Lloyds, 131 N.J. 457 (1993) 1, 5, 6, 7 8

Polito v. Continental Casualty, Co.,
689 F. 2d 457 (3rd Cir. 1982) 7, 8

Rova Farms Resort, Inc. v. Investors Insurance Co.,
65 N.J. 474 (1974). 1, 2, 5, 19, 20, 24, 25

Sears Mortgage Corp. v. Rose, 134 N.J. 326 (1993) 5

Skalin v. Aetna Insurance Company,
799 A. 2d 997 (R.I. 2002) 16, 17, 18

STATUTES

N.J.A.C. 11:2-17.3 7

N.J.S.A. 17:29B-4(9). 1, 6, 8, 19

PRELIMINARY STATEMENT

This case raises a significant issue for the Court to address. As has been occurring for several years, especially in UM/UIM trials, plaintiffs have been forced to try their cases, even when there is no logical reason for a carrier not to pay the policy, or at least enough to settle the case. Their position has always been as follows: "Why not simply try the case? If we are fortunate and the jury returns a verdict of less than we have offered or less than the policy limits, then we will pay it. If the jury returns a verdict of 10 times the policy, then there is still no problem, as we will simply pay the policy"

In third party cases, carriers cannot take that position as the plaintiffs and more importantly the insureds are protected by the Rova Farms Resort, Inc. v. Investors Insurance Co, 65 N.J. 474 (1974) Decision. However, even though there is a statute dealing with the Insurer's obligation for good faith and fair dealing, N.J.S.A. 17:29B-4(9) and even though there are cases like Pickett v. Lloyds, 131 N.J. 457 (1993). Courts have been reluctant to actually assess bad faith damages in the context of first party claims in the UIM/UM context. If a carrier forces an insured to try a UIM/UM case, spend money for doctors, spend time in Court, only to get something

that should be have been offered previously, then in fact the plaintiff/insured has been harmed. Clearly the Statute and Pickett were intended to protect the insured from said harm. Unfortunately that has never been the case in New Jersey.

When this Court looks at the trend in other jurisdictions, especially, our neighboring State of Pennsylvania and looks at their statute (similar in text to ours), and the case of Bonenberger v. Nationwide Mutual Ins. Co., 791 A.2d. 378 (Pa. 2002) and numerous other cases cited in this brief, it should be easy to analyze what the plaintiff/insured has potentially lost and why a carrier should be held to a standard more closely related to Rova Farms, then to no standard at all.

Merely because a case is a first party case, rather than a third party case should not make a difference where the carrier is clearly using the lack of a "bad faith" law to penalize a plaintiff, his or her attorney, and more importantly clog the Court system with cases that should have been settled long ago.

The Case currently before this Court, is merely one of many, even hundreds that have similar results every year. Until and unless this Court starts to place consequences on carriers for making unreasonable decisions, as in this

case, the carriers will continue to control the courts, control their own money, and unfortunately, penalize both their insureds and the plaintiffs who have brought such cases.

Amicus Curiae, ALTA-NJ, joins in Appellant/Plaintiff, Patricia Accisano (hereinafter "Appellant") appeal for the reversal or modification of the Court's July 25, 2006 Order for Judgment.

PROCEDURAL HISTORY/STATEMENT OF FACTS

Amicus Curiae, ALTA-NJ, relies on the procedural history and statement of facts contained in the appellate brief of Appellant.

LEGAL ARGUMENT

POINT I ALLSTATE HAS ENGAGED IN BAD FAITH BY FAILING TO SETTLE THE CLAIM WITH PLAINTIFF, AND, THEREFORE, IT SHOULD BE LIABLE FOR THE FULL AMOUNT OF THE JURY VERDICT

The common practice among insurance companies in New Jersey regarding non-settlement of first parties claims must now come to an end. New Jersey statutes and case law exists, which seek to protect insureds from the very type of unfair practices that insurance companies in New Jersey engage in with respect to the payout of settlements in first party underinsured or uninsured actions. However, insurance companies in New Jersey have been able to cleverly circumvent New Jersey statutory regulations and the doctrine of implied covenant of good faith and fair dealing in refusing to make a good faith and reasonable effort to settle a case with first party insureds. This uncanny and manipulative scheme of settlement practices of first party claims must now come to an end.

"The duty of good faith and fair dealing pervades insurance contracts." Sears Mortgage Corp. v. Rose, 134 N.J. 326 (1993). In Rova Farms Resort, Inc. v. Investors Insurance Co., the New Jersey Supreme Court held that an insured may recover more than the policy limit for a liability insurer's bad-faith refusal to settle a third-party claim against its insured within that limit, when the refusal results in the third party obtaining a judgment against the insured that exceeds the policy limit. 65 N.J. 474 (1974). Moreover, the Supreme Court reasoned that the relationship of the company to its insured regarding settlement is one of inherent fiduciary obligation. Id. at 492.

Subsequently, in Pickett v. Lloyd's, 131 N.J. 457 (1993), the Supreme Court acknowledged an insurance company's duty of good faith to its insured in processing a first party claim. As part of its reasoning to extend bad faith claims to first party claims, the court noted that "every contract imposes on each party the duty of good faith and fair dealing in its performance and enforcement. In New Jersey, we have stated that obligation to be an implied term of every contract." Id. at 467.

Moreover, the court further recognized a cause of action for bad-faith failure to pay an insured's claim

under New Jersey law. Id. at 470. In making this ruling, the Court reasoned that compensation should not be dependent on what label we place on an action but rather on the nature of the injury inflicted on the plaintiff and the remedies requested. Id.

In addition to case law, there is statutory framework which details an insurance company's obligation to handle its claim in a fair manner. N.J.S.A. 17:29B-4(9), addresses unfair claim settlement practices as to all insurers. Unfair practices include:

b. Failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies;

. . .

e. Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed.

f. Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear;

g. Compelling insureds to institute litigation to recover amounts due under an insurance policy by offering substantially less than the amounts ultimately recovered in actions brought by such insureds;

. . .

n. Failing to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement.

As to unfair claims settlement practice, an insurer includes any legal entity authorized to represent an insurer with respect to a claim. N.J.A.C. 11:2-17.3. An insurer's breach of its fiduciary obligation imposed by virtue of its sound policy, by its wrongful failure to settle, sounds in both tort and contract. Pickett, 131 N.J. at 471.

To prove bad faith, "a plaintiff must show the absence of a reasonable basis for denying benefits of the policy and the defendant's reasonable basis for denying the claim." Pickett, 131 N.J. at 473; see also N.J.A.C. 11:2-17.8(h) & (i). The knowledge of the lack of a reasonable basis may be inferred and imputed to an insurance company where there is a reckless indifference to facts or to proofs submitted by the insured. Id.

In addition, Polito v. Continental Casualty, Co., 689 F.2d 457 (3rd Cir. 1982), involved a first party claim filed by the insured against its fire insurer. The Court ruled that there could be a recovery above the policy limits on a

tort theory if the insurance company acted in bad faith. While the Plaintiff in Polito, submitted a proof of loss and demand for appraisal in October 1979, and additional proofs of loss in December 1979, the insurer did not acknowledge the claim until January 17, 1980. As such, the court found that a jury could have found that by delaying the appraisal process and subsequent payment, the insurance company breached the insurance contract. Id. at 461. Consequently, the Court determined that a wrongful failure to settle the claim sound in both tort and contract and it made no difference how the claim of action was labeled. More importantly, the Polito court found that the doctrine of the implied covenant of fair dealing was fully applicable to such insurance contracts, and that an insurance company, as a fiduciary of the party with whom they had a contractual relationship, has a duty, which if breached, could result in a claim for consequential damages.

The relief sought by appellant is consistent with the intent of the statutory framework of N.J.S.A. 17:29B-4(9) and New Jersey law which seeks to protect the insured from unfair insurance practices. Although Picket, supra, is somewhat restrictive as it requires the Plaintiff to demonstrate a financial loss absent egregious

circumstances, there are many jurisdictions which have taken the lead and in fact have extended bad faith litigation to first party claims, without the necessity of proving a financial loss.

In Fletcher v. Western National Life Insurance Co., 10 Cal. App. 3d 376 (1970), the California appeals court allowed recovery above and beyond disability policy where there had been a showing that the carrier's failure to pay on a disability policy was in bad faith. The Fletcher court extended the former recognized duty to settle third party claims to first party claims, holding the carrier to the same implied duty of good faith and fair dealing in resolving cases.

Likewise, the Supreme Court of Rhode Island addressed the same bad faith issue in the context of uninsured motorist insurance in an advisory opinion. See Bibeault v. Hanover, Ins., Co., 417 A.2d 313 (R.I. 1980). In Bibeault, the Supreme Court held that the state law permitted compensatory and punitive damages in bad faith claims involving uninsured motorist claims. The Court noted that any restrictions on an insured's recovery of bad faith claims to contract damages did not provide any incentive to insurance carriers to treat their insureds fairly. As such, the worst outcome for the carrier would be an award of the

contract amount, plus interest. Id. at 318. The Court further reasoned that contract theory alone in effect guards an insurer's pocketbook against any threat of punitive damages. Id. The Court proceeded to explain its rationale for bad faith claims as follows:

In this atmosphere, insurers, backed by sufficient financial resources are encouraged to delay payment of claims to their insureds with an eye toward settling for a lesser amount than that due under the policy. The potential loss could never exceed the contract amount plus interest. Thus, when the legal rate of interest is lower than the commercial rate, an unscrupulous insurer would be wise to delay payment for the maximum period of time. The inequity of this situation becomes particularly apparent in the areas of disability insurance [where the] insured, often pursued by creditors and devoid of bargaining power, may easily be persuaded to settle for an amount substantially lower than that provided for in the insurance contract. Id.

Similarly, Pennsylvania has established bad faith claims against insureds by both Statute and Case law. The case of Bonenberger v. Nationwide Mutual Ins. Co., 791 A.2d. 378 (Pa. 2002) contains language that goes to the heart of the issue of policy considerations:

Individuals expect that their insurers will treat them fairly and properly evaluate any claim they may make. A claim must be evaluated on its

merits alone, by examining the particular situation and the injury for which recovery is sought. An insurance company may not look to its own economic considerations, seek to limit its potential liability and operate in a fashion designed to "send a message." Rather, it has a duty to compensate its insureds for the fair value of their injuries. Individuals make payments to insurance carriers to be insured in the event coverage is needed. It is the responsibility of insurers to treat their insureds fairly and provide just compensation for covered claims based on the actual damages suffered. Insurers do a terrible disservice to their insureds when they fail to evaluate each individual case in terms of the situation presented and the individual affected. Id. at 382.

Likewise, other jurisdictions have reported decisions in which the Courts have found that the insurer acted in bad faith by failing to settle underinsured motorist case within the policy limits. In Harter v. Plains Insurance Company, 579 N.W. 2d 625 (S.D. 1998), an insured sued her underinsured motorist insurer, claiming that it acted in bad faith by failing to tender the policy limits of her UIM policy. At trial, the court entered judgment on a jury verdict awarding the insured \$25,000.00 in compensatory damages and \$75,000.00 in punitive damages. As evidence of the insurance company's bad faith, the trial judge allowed the insured to introduce evidence that an underinsured

motorist insurer acted in bad faith by asserting its subrogation right and intervening in the insured's trial against a motorist, where the UIM insurer acknowledged the motorist's liability prior to the trial against the motorist, yet disputed liability during the trial. On appeal, the South Dakota Supreme Court found that allowing the insured to introduce evidence that the insurer acted in bad faith by asserting its subrogation right and intervening in the insured's trial against the motorist was not an abuse of discretion. Id. at 630-31. In addition, the Court found that there was sufficient evidence of malice to support submission of the issue of punitive damages to the jury, where there was evidence that when the insurer did offer its policy limits, the offer was conditioned on the insured's release of the bad faith action. Id. at 634.

Another example where the Court upheld a bad faith claim against the insurer in an underinsured motorist is Geraci v. Byrne, 934 So.2d 263 (La. 2006). In this case, the insured brought an action against an automobile insurer for bad faith failure to make an offer to settle the claim for underinsured motorist benefits. The lower court awarded the insured damages for arbitrary and capricious failure to pay a claim and attorneys fees. On appeal,

Allstate contended that the court erred in finding it arbitrary and capricious in ruling that the insured was entitled to attorneys' fees and in the alternative that the fees were excessive. In assessing whether Allstate had in fact breached the state statute in which an insurer has a good faith duty to adjust claims fairly and promptly and make a reasonable effort to settle claims with the insured and pay out claims within a specified period of time, the Court focused on the overwhelming evidence and documentation that was presented to Allstate in support of the insured's entitlement to her underinsured benefits. The Court found that Allstate was arbitrary and capricious in refusing to make any offer in settlement of the claim, although the insured requested settlement, and where all the medical releases and authorizations, medical bills, medical reports, and correspondence of summary of injuries, relating to the loss were provided to Allstate. Although Allstate had this pertinent information for close to one year, it made no offer of settlement other than the cost of defense. Id. at 268.

In this appeal, the pivotal consideration is whether Defendant/Respondent, Allstate Insurance Co., (hereinafter "Allstate") engaged in bad faith litigation, by failing to settle the case within the policy limits of the Appellant's

