Alert

March 26, 2024

COZEN O'CONNOR

Claims Notes: March 2024

UNITED STATES SUPREME COURT

Choice of Law Provisions in Maritime Policies Presumptively Valid

After a yacht ran aground, the owner filed a maritime insurance claim. Despite a New York choice of law provision in the insurance policy, the owner contended that Pennsylvania law applied. The Third Circuit had protected the insured, a Pennsylvania company, by disregarding the choice of law provision. United States Supreme Court ruled the choice of law provisions are presumptively valid, and New York law applied. Decision.

CONNECTICUT

Connecticut Issues AI Regulatory Guidance

Connecticut Insurance Department now requires insurers to complete an annual Artificial Intelligence Certification—the first due by September 1, 2024. The guidance applies to "Connecticut domestic insurers." Using AI to aid decision-making cannot result in (1) unfair/deceptive trade practices or (2) excessive or unfairly discriminatory rates. The Bulletin further advises what information and documents insurers must preserve for an audit. Bulletin.

CALIFORNIA

First-Party: Homeowners Policy Rescinded Due to Short-Term Rentals

Insured represented "No" "business on the premises" on the policy application. The insured rented premises on four websites and generated $100,000 in rental income. After a fire, the insurer denied the claim. The insured sued, and the insurer counterclaimed for rescission. Ninth Circuit affirmed rescission, especially as short-term guests rented the premises at the time of the fire. Decision.

NEW YORK

New York Appellate Division Says Insurance Law §3420 Not A Technical Trap

The building owner contended it is an additional insured on its tenant's policy. Over consecutive days, the insurer disclaimed coverage to the named insured and copied the owner as required by N.Y. Ins. Law §3420(d)(2). The owner challenged the denials as untimely because the insurer addressed letters to the named insured, not him. The Appellate Division explained that 3420(d)(2) is not "a technical trap" allowing "interested parties to obtain more than the coverage contracted for under the policy." (For insurers, it often feels the opposite is true). Decision.

SOUTH CAROLINA

D&O: Denial Based on Other Insurance Clause Upheld

The insured sought coverage under directors and officers (D&O) policy for a defamation claim. D&O insurer denied based on Other Insurance Clause, reasoning defamation would be covered by her company's CGL policy (Coverage B). 4th Circuit upheld summary judgment, ruling that D&O insurer owed no duty to defend. The insurer was not required to confirm the existence of another insurance policy to deny the defense. The bad faith claim was also dismissed. Decision.

MARYLAND

UIM: Company's President Not an Insured

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Related Practice Areas

- Bad Faith
- Insurance Coverage
- Property Insurance

Industry Sectors

- Insurance

The commercial auto policy issued to a corporation included underinsured motorist coverage (UIM). The company's president, a passenger, filed a UIM claim after a car accident. Maryland appeals court ruled he did not qualify for UIM coverage because he did not qualify as "you" and was not the driver and, therefore, not entitled to UIM benefits. **Decision**.