

[A coverage win for energy sector policyholders](#)

In a significant win for all policyholders in the energy sector, the Supreme Court of Texas reversed a lower appellate court ruling which allowed a consortium of Lloyd's underwriters to limit their indemnity obligations to pay for defense expenses incurred by Anadarko Petroleum Corporation and its affiliates stemming from the BP Deepwater Horizon Oil Spill. Anadarko was a minority interest owner of the Madondo well that was drilled by the Deepwater Horizon.

Lloyd's underwriters argued that a joint venture provision in the policy which limited their "liability" for any judgments or settlements to 25% of the policy limits also similarly capped their liability for Anadarko's defense expenses by the same percentage. In rejecting that argument, the Supreme Court of Texas held that the joint venture provision capped coverage only for Anadarko's liabilities to third parties and not its defense expenses, reasoning that by virtue of the policy's usage of the terms "liability" and "expense" in separate contexts, the joint venture provision - which did not mention the word "expense" - could not be utilized by Lloyd's underwriters to limit their liability for Anadarko's defense costs and expenses.

Given the plethora of commercial policyholders who are domiciled within the state of Texas and are involved in the oil, gas and chemical industries, this case has potentially broad implications on the scope of defense costs that are available to multitudes of policyholders within that state.

[Andy Veazey](#) of the Lafayette, LA law firm of [Veazey Felder & Renegar](#) filed an Amicus Curiae Brief on behalf of United Policyholders to support the coverage position advocated by Anadarko.

The case is reported at [Anadarko Petroleum Corporation and Anadarko E & P Company, L. P. v. Houston Casualty Company, et al.](#) No. 16-1013 (Tex. 01/25/2019), — S.W.3d —, 2019 WL 321921.