

National Union Fire Ins. Co. of Pittsburgh, PA v. The Fund for Animals

Year: 2016

Court: Maryland Court of Appeals

Case Number: No. 18, September Term, 2016

Under Maryland law, an insurance company must show actual prejudice in order to deny coverage for a late-reported claim. The prejudice must be actual, meaning tangible, i.e., the insurance company must demonstrate that had the claim been timely reported, the results of the litigation for which the defense coverage is sought. This is called the notice-prejudice rule and it is a majority rule followed by almost every state. It is a rule of fairness that prevents undue forfeiture of contractual rights. In this case, UP urged the court to affirm the decision of the Special Court of Appeals which found that the insurance company's bizarre assertion that had it had notice of a separate lawsuit in which the policyholder was a plaintiff, that was initiated prior to the suit for which the policyholder asked for coverage, it could have somehow changed the outcome, and the fact that it had late notice of the claim (and the unrelated lawsuit) somehow prejudiced its interests.

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