Rancosky v. Washington National Ins. Co.

Year: 2017
Court: Pennsylvania Supreme Court
Case Number: 28 WAP 2016

Under Pennsylvania law, insurance companies are subject to attorneys fees and punitive damages for acting in bad faith towards their policyholders. State law also provides that courts may award interest 3% above the prime rate when a policyholder prevails in a bad faith claim. This is significant because it is far less attractive for insurance companies to "play the float" that is, hold on to insurance proceeds that are due to their policyholders during the litigation process, if, when they lose, they must pay the policy benefits plus interest, in addition to punitive damages and attorneys fees if appropriate. This set of remedies helps to deter wrongful conduct and level the playing field between an individual policyholder and a powerful insurance company who has a motive to collect premiums and hold on to that money as long as possible. UP also reminded the court that "bad motive" or "ill will" is not an element of a bad faith claim under precedent – it is merely a discretionary consideration. Pennsylvania requires only two elements for a policyholder to establish a viable bad faith claim: (1) the insurance company did not have a reasonable basis for denying benefits under the policy; and (2) the insurance company knew or recklessly disregarded its lack of reasonable basis in denying the claim. Courts should not invent additional criteria that increases the burden on the policyholder, who is already at a disadvantage. UPdate 9/28/17: The Pennsylvania Supreme Court held that a showing of malice and intentional ill will is not required to show insurer bad faith. Rather, the Court held that those are factors to consider but are not required to support an award of punitive damages.

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