

[Watanabe vs. Blue Shield of California](#)

Year: 2007

Court: California Court of Appeal, 2nd District, Division 8

Case Number: 2nd Civ. No.B 195725 (BC 324008)

Blue Shield of California tried to shield itself from bad faith liability by claiming that Maria Watanabe's benefits were denied by a medical group which had a contract with Blue Shield. But California law is clear: an insurer cannot delegate its implied covenant duties. The Know-Keene Act does not immunize insurance companies from bad faith liability. To allow an insurer to delegate its implied covenant obligations would effectively allow insurers to eliminate its bad faith liability. Absent the threat of bad faith liability, an insurer has little incentive to afford policy benefits.

UP's brief was written pro bono for United Policyholders by Daniel J. Koes.