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Pennsylvania Supreme Court Rejects Insurers' Public-Policy Defense to Coverage for Trafficking Suits

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The Pennsylvania Supreme Court's recent decision in *Samsung Fire & Marine Insurance Co. v. RI Settlement Trust*, No. 61 EAP 2024 (Pa. July 21, 2026), rejected three insurers' attempts to avoid coverage for lawsuits alleging that hotel operators enabled or profited from sex trafficking based on Pennsylvania's purported public policy against sex trafficking.

The court found that Pennsylvania had no such articulated public policy against insuring those kinds of claims and, absent an exclusion barring coverage for the alleged conduct, the insurance contract would be enforced as written. The ruling is an important reminder for policyholders that courts will enforce the agreed-upon language in policies and will not allow insurers to deny coverage by invoking insurability defenses to eliminate coverage without a clearly articulated public policy in the relevant jurisdiction.

Background

The coverage dispute stemmed from multiple lawsuits against hotel owners, operators, and managers alleging that they negligently failed to prevent sex trafficking at the property. One of the hotel's commercial general liability insurers sought a declaration that it had no obligation to cover the claims, arguing that the allegations, if proven, would violate Pennsylvania's human trafficking laws and therefore make defense or indemnity contrary to public policy.

The insurers argued that Pennsylvania's anti-human trafficking statute reflected such a strong public policy against sex trafficking that defense and indemnity for the wrongdoing alleged against the hotel operators should be barred altogether. The federal district court agreed. On appeal, the Third Circuit certified questions to the Pennsylvania Supreme Court: (1) whether Pennsylvania had an "overriding public policy" against sex trafficking; and (2) if so, whether that public policy could abrogate an insurer's otherwise applicable duties to defend or indemnify.

The Pennsylvania Supreme Court's Decision

The Pennsylvania Supreme Court rejected the insurers' argument, holding that Pennsylvania public policy did not abrogate the insurers' coverage obligations.

The court emphasized that the Pennsylvania General Assembly has criminalized sex trafficking conduct but also noted that legislative judgment does not allow courts to rewrite insurance contracts. The insurers' theory, if adopted, could have broad application beyond sex trafficking claims. Had the court adopted the insurers' theory, the court could be asked to decide which criminal statutes reflect Pennsylvania public policy strong enough to override private insurance contracts.

The court declined to take that path and instead reiterated that if insurers wanted to exclude particular risks, they could do so by drafting clear policy language.

The court's decision reinforces Pennsylvania's traditional duty-to-defend framework. Courts generally compare the allegations in the complaint with the terms of the policy. Where the allegations potentially fall within coverage, the insurer must defend unless a policy exclusion clearly applies.

The lone concurring justice provided a further warning against allowing courts to use amorphous public-policy arguments, stating that "[i]t is not some amorphous conception of public policy that defines or forgives an insurer's duties. It is, rather, the terms of the insurance contract itself." The concurrence echoed the majority's observation that insurers have tools available to exclude risks they do not want to cover, but warned that courts should be cautious about creating extra-contractual exclusions—particularly where the policyholder faces negligence allegations and has not been convicted of any crime. Allowing broad public-policy concerns to bar coverage, the opinion explained, can have unintended consequences, including reducing funds available to compensate sex trafficking victims and undermining Pennsylvania's preference for enforcing insurance contracts according to their terms.

The court held that neither an insurer's duty to defend nor its duty to indemnify is abrogated on public policy grounds when the policyholder is alleged to have enabled or profited from illegal sex trafficking. The court returned the case to the Third Circuit to resolve the pending appeal.

Takeaways for Policyholders

The decision offers several important reminders for policyholders facing coverage denials based on public-policy arguments:

1. **Policy Language Is Not Always Paramount.** Public policy is not a substitute for an exclusion the insurer chose not to include in the policy. But policy language is not always dispositive: where a state has clearly articulated a public policy against insuring certain conduct—like fraud—courts may refuse to enforce coverage for that conduct even if a policy otherwise covers it. Absent that kind of clearly articulated public policy, however, an insurer is unlikely to avoid coverage by invoking broad public-policy concerns untethered to policy language.
2. **Allegations of Intentional or Criminal Conduct Do Not Automatically Bar Coverage.** Allegations involving criminal or intentional misconduct do not automatically eliminate coverage, particularly where the policyholder is sued for its own alleged negligence. The fact that alleged conduct may be criminalized does not, by itself, mean that related civil claims are uninsurable. In fact, many policies cover fraud allegations unless and until the fraud is finally adjudicated.
3. **Carefully Scrutinize Coverage Denials Citing Public-Policy Concerns.** Finally, policyholders should carefully scrutinize denials that rely on broad public-policy themes rather than the actual terms of the policy. Prior decisions articulating the contours of a particular state's public policy concerns can inform whether an insurer's reliance on public-policy grounds to disclaim coverage can pass muster.

Ultimately, the *Samsung* decision reinforces that coverage disputes should begin—and generally end—with the policy language, absent some clearly articulated public policy in the relevant state precluding the insurer from providing the agreed-upon coverage. For policyholders, it provides a useful basis to evaluate coverage denials that rely on broad public-policy arguments rather than a clearly applicable exclusion.