

Bad-Faith Liability - U.S.D.C. Northern District of Indiana

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Indiana GRQ, LLC v. Am. Guarantee & Liab. Ins. Co. No. 3:21-CV-227 DRL, 2023 WL 4073738 (N.D. Ind. June 20, 2023)

The U.S. District Court for the Northern District of Indiana upheld a jury verdict that awarded punitive damages against the defendant insurers, finding that an award of damages for breach of contract also constituted an award of compensatory damages for bad faith, making punitive damages recoverable under the law. The district court further held that the punitive damages cap applied to each defendant individually.

Indiana GRQ, LLC (GRQ) owned a factory building in South Bend, Indiana. The factory sustained damage in 2016 due to a rainstorm event that caused the release of PCBs. GRQ sought coverage from its insurers, but they denied GRQ's claim. GRQ commenced a declaratory judgment action against the insurers in June 2020, alleging breach of contract and bad faith and seeking compensatory and punitive damages. In May 2023, after an eight-day trial, the jury found the insurers liable under both contract and tort theories and awarded nearly \$25 million in compensatory damages and \$12.5 million in punitive damages against each insurer.

In post-trial briefing, the insurers argued that punitive damages could not be awarded because the jury did not render a separate verdict award for compensatory damages arising out of the insurers' bad faith. The district court rejected this argument, noting that "[t]hat was unnecessary when the compensatory damages, as they often are in these cases, were coextensive to the contract claim (or at least overlapping) ... and indeed was inadvisable when the law forecloses a duplicative recovery."

The insurers further asked the district court to impose the statutory cap on punitive damages to the total amount of punitive damages awarded against the defendants as a group. GRQ argued that the statutory cap should apply individually to each insurer and not be capped in the aggregate. The district court agreed with GRQ, holding that the statute providing for the cap contemplates that the award will be made against an individual defendant. The district court reasoned that "this makes perfect sense given that the purpose of punitive damages is to deter and punish an individual's wrongful conduct."

Accordingly, the cap limited punitive damages to three times the compensatory damage award, but as against each individual defendant. The district court further noted that the verdict form asked the jury to "decide the amount that 'will fairly compensate Indiana GRQ for any damages that were responsibly caused by that insurer's bad faith conduct.'" Thus, the district court upheld the punitive damage award as to each individual defendant.

Plunkett Cooney PC - Joshua LaBar