SUPREME COURT OF PENNSYLVANIA

Rancosky v. Washington National Insurance Co.

170 A.3d 364 (Pa. 2017) · No. No. 28 WAP 2016 · Decided September 28, 2017

SUMMARY

This is a concurring opinion by Chief Justice Saylor in the Pennsylvania Supreme Court's decision concerning an insurer's liability for statutory bad faith under 42 Pa. C.S. § 8371. The concurrence agrees that denial of benefits without a reasonable basis, coupled with knowledge or reckless disregard, may constitute bad faith, while differing from aspects of the majority's reasoning regarding intent and punitive damages. It also endorses the majority's remand disposition.

CASE DETAILS

COURT	Supreme Court of Pennsylvania
WRITING FOR THE COURT	Chief Justice Saylor
JURISDICTION	Pennsylvania
DECIDED	September 28, 2017
DOCKET	No. 28 WAP 2016
DISPOSITION	remanded
PROCEDURAL POSTURE	Appeal from an order of the Superior Court of Pennsylvania affirming in part and vacating in part the judgment of the Washington County Court of Common Pleas, with remand.
PRECEDENTIAL VALUE	Published precedential opinion; this document is a concurring opinion.
PARTIES	Washington National Insurance Company, as successor by merger to Conseco Health Insurance Company, formerly known as Capital American Life Insurance Company v. Matthew Rancosky, Administrator DBN of the Estate of Leann Rancosky, and Matthew Rancosky, Executor of the Estate of Martin L. Rancosky

TOPICS

insurance bad faith · insurance coverage · statutory interpretation · remedies

PRACTICE AREAS

insurance · insurance bad faith · contracts · remedies

QUESTIONS PRESENTED

1. Whether an insurer's denial of benefits without any reasonable supporting basis, coupled with the insurer's knowledge or reckless disregard of its lack of a reasonable basis, is sufficient to constitute bad faith under 42 Pa.C.S. § 8371.
2. Whether a finding of bad faith may be supported by circumstantial evidence and reckless disregard without proof of an ill-will level of culpability.
3. Whether punitive damages under Section 8371 must comply with conventional standards and constitutional limitations concerning the degree of reprehensibility.

HOLDINGS

1. A denial of insurance benefits in the absence of any reasonable supporting basis, coupled with the insurer's knowledge or reckless disregard of that absence, is sufficient to constitute bad faith under Section 8371; proof of an ill-will level of culpability is not required.
2. Punitive damages awarded under Section 8371 must be assessed under conventional standards and constitutional limitations, including the federal due-process requirement that courts consider the degree of reprehensibility in a circumstance-specific manner.

KEY QUOTATIONS

> *"a denial of insurance benefits in the absence any reasonable supporting basis, coupled with knowledge or reckless disregard on the part of the insurer, is sufficient to constitute bad faith for purposes of Section 8371 of the Judicial Code."* (slip op. at 1)

> *"the federal Due Process Clause of the Fourteenth Amendment to the United States Constitution requires a circumstance-specific assessment of the "degree of reprehensibility" relative to punitive damage awards."* (slip op. at 2)

FACTUAL BACKGROUND

The underlying dispute involved an insured's claim for insurance benefits and an asserted statutory bad-faith claim under Section 8371 of the Judicial Code. The concurrence addressed the level of culpability required for bad faith, the relevance of circumstantial evidence to establish intent, and the standards governing punitive damages. The concurrence supported remand under the terms prescribed by the majority.

PROCEDURAL HISTORY

The Superior Court affirmed in part and vacated in part the judgment of the Washington County Court of Common Pleas. The case reached the Supreme Court of Pennsylvania by appeal, and Chief Justice Saylor concurred in the majority's disposition and agreed with the remand.

DISPOSITION

remanded

REMAND INSTRUCTIONS

The concurrence agreed with remand on the terms prescribed by the majority at the conclusion of Part II.

CASES CITED

- Commonwealth v. Kloiber, 378 Pa. 412, 106 A.2d 820 (1954)
- Farmer v. Brennan, 511 U.S. 825, 114 S. Ct. 1970 (1994)
- State Farm Mutual Automobile Insurance Co. v. Campbell, 538 U.S. 408, 123 S. Ct. 1513 (2003)
