

Reserve Information Not Relevant to Propriety of First-Party Insurance Coverage Determination

Insurance Law Update

June 2011

By: [Valerie Rojas](#)

U.S. District Court for the District of South Carolina

In an action to recover insurance benefits for property damage caused by an explosion, a South Carolina district court denied a plaintiff's motion to compel disclosure of the insurer's reserve information.

In *Imperial Textiles Supplies Inc. v. Hartford Fire Ins. Co.*, 2011 WL 1743751 (D.S.C. May 5, 2011), the plaintiff sought benefits under a property insurance policy for damages to the roof of a covered property, and alleged that the insurer acted in bad faith in denying the claim. In response to the plaintiff's request for production, the insurer produced its claim file, but redacted the specific amounts set for loss reserves.

In denying plaintiff's motion to compel, the court discussed case law in other jurisdictions and noted that while most courts agree that reserve information is irrelevant in the context of a coverage dispute, courts are split regarding whether reserve information is relevant in an action alleging bad faith. The court also explained that the determination of the relevance of reserve information depends on the circumstances of each case, and is particularly influenced by whether the case presents a first-party or third-party claim of bad faith. The court stated that, in the context of a first-party insurance claim, "the policy either provides coverage or does not," and "the insurer's good faith is determined (1) by the manner and depth of its investigation, and (2) the determination of whether there was a good faith factual or legal question as to whether the loss was covered." Therefore, the court concluded, the issue was whether the insurer properly denied coverage, and not whether there was a dispute over the insurer's determination of the amount of potential liability. Accordingly, the court denied the plaintiff's motion to compel because reserve information was irrelevant to the issue of whether the insurer's coverage decision was proper.

Related Practices

[Insurance Practices](#)

[Property Coverage](#)