



Court of Appeal addresses efficient proximate cause doctrine in coverage dispute over water damage to rental house

January 12, 2016

Vardanyan v. Amco Ins. Co.
(December 11, 2015, ordered published January 7, 2016)

The plaintiff owned a rental house insured by the defendant. The house suffered damage to the flooring, which the plaintiff claimed was due to various covered perils. The insurer denied coverage, relying on a number of exclusions in its policy. At the trial of plaintiff's suit for breach of contract and bad faith, the trial court refused to give a jury instruction stating that when a loss is caused by both covered and excluded risks, the loss is covered if the most important or predominant cause (i.e., the efficient proximate cause) is a covered risk. Instead, the trial court stated it would instruct the jury that the damage was not covered if any peril not specifically listed as covered contributed to the collapse. Based on this ruling, the trial court granted the defendant's motion for a directed verdict, and the plaintiff appealed.

The Court of Appeal (Fifth District) reversed. The court reiterated that the efficient proximate cause doctrine is the "preferred method" for determining coverage of first-party property losses caused by multiple risks or perils, at least one of which is covered by an insurance policy and one of which is not. The court rejected the defendant insurer's contention that a loss is covered only if no peril other than covered perils contributed to the loss.

In an unpublished portion of the opinion, the Court of Appeal affirmed the granting of defendant's motion for directed verdict on the plaintiff's claim for punitive damages, finding the plaintiff failed to present clear and convincing evidence of malice. (For further information about this portion of the Court of Appeal's opinion please see these blog entries from Horvitz & Levy's California Punitive Damages An Exemplary Blog.)

More Information

For questions about this case, please feel free to contact Horvitz & Levy partners Peter Abrahams, Mitchell C. Tilner, H. Thomas Watson or Steven S. Fleischman (818.995.0800).