

## **Pennsylvania Court Finds Failure to Comply with Unfair Insurance Practices Act**

**January 25, 2011**

In *George Grigos and Aramingo Diner, Inc. v. Certain Underwriters at Lloyds, London*, Case No. 10-3684 (Common Pleas, Phila., Dec. 21, 2010), the Commonwealth Court of Pennsylvania ruled that an insurance company's failure to properly and timely handle a claim violated the requirements of Pennsylvania's Unfair Insurance Practices Act (UIPA).

### **Background**

The plaintiff's lawsuit for breach of contract and statutory remedies was premised on its insurance claim for loss due to a fire at the Aramingo Diner on December 14, 2006. As a result of the fire, the policyholder sustained damage to its building, damage to its business, and loss of income. The policy, issued by Certain Underwriters at Lloyds, London (Lloyd's), covered loss caused by fire, including direct physical loss of or damage to covered property, building property, business personal property, business income, and loss to food products with limits of \$400,000 with additional "enhancement" coverage of \$25,000. The day after the fire, the policyholder notified Lloyd's about the fire and the nature of the loss. Lloyd's then assigned a third-party claims adjuster, Kenneth Holdom of Raphael & Associates, to investigate, evaluate, and handle the claim. Lloyd's required the policyholder to communicate directly with Holdom on all issues related to the handling of the claim.

On January 9, 2007, the policyholder, through its public adjuster Young Adjustment Company, began providing Holdom with the specific amount of its food loss and its loss for business personal property and business income. Holdom, however, took the position that food loss was only covered by the enhancement coverage up to \$25,000 and was not covered under the policy's primary limits of \$400,000.

On January 17, 2007, Young submitted a business interruption/loss of income claim for \$83,091 and requested an advance of \$50,000. On February 27, 2007, the policyholder sent Holdom a signed, sworn proof of loss. As four months passed, the diner remained closed and the policyholder continued to lose income. On April 5, 2007, the policyholder received an advance check for only \$10,000, \$40,000 less than what was requested. On May 1, 2007, the policyholder submitted additional proofs of loss—all of which were rejected by Holdom.

On June 4, 2007, the policyholder demanded an appraisal, which was required under the policy whenever the parties could not agree on the amount of a loss. Holdom refused. As a result, the



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