

"California Federal Court Holds Insurer Required to Cover Employee Reimbursement and Wage Hour Claims and More Under EPLI Policy," E&O Prevention from Agents of America

*By Tad A. Devlin
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When Travelers Cas. and Surety Co. of America sought to deny an insured coverage on wage and hour claims brought against it, adhering to the EPLI policy's exclusion of such claims, its denial was rebuffed by a federal court sitting in the Central District of California, citing bad faith. In ruling on cross motions for summary judgment a California federal court judge in the Central District held (a) the insurer was required to cover employee reimbursement claims made against its insured, Classic Distributing and Beverage Group, Inc. ("Classic"), as covered "Loss," (b) that the Wage and Hour Claim Exclusion endorsement included in the policy renewal was invalid and unenforceable, (c) Classic was entitled to appointment of independent counsel, and (d) Classic was entitled to recover attorney's fees and costs associated with covered claims.

The District Court also determined that Classic was entitled to a defense against all claims in the underlying class action suit, and to indemnity for some of those claims. Further, the District Court denied Travelers' motion for summary judgment as to Classic's bad faith claim, because there were triable issues of material fact as to whether Travelers' coverage decision was "reasonable" as a matter of law.