

News

Summary Judgment Win on Multiple Grounds Under a Professional Liability Policy as to Novel Legal Issues

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On June 26, 2019, New Jersey Superior Court Judge Mary Thurber granted summary judgment in favor of Coughlin Midlige & Garland's client, a professional liability insurer, dismissing Plaintiffs' claims against it in full. In seeking coverage for theft of client trust funds, the insured proffered a novel argument – that New Jersey Court Rule 1:21-1B, which mandates minimum amounts of professional liability insurance for lawyers practicing under the protections of limited liability companies – was akin to a statute such that it could be read to control the scope of the terms of the professional liability policy. Under this theory, Plaintiffs argued that the policy at issue violated New Jersey public policy, and should be reformed. This issue had the potential to impact thousands of professional liability policies issued in New Jersey.

Specifically at issue in the case, was the definition of “damages” in the policy, which did not include coverage for “any allegedly misappropriated client funds.” In addition to finding that the policy terms were clear and unambiguous, the Court rejected the argument that the Court Rule had any impact on the interpretation of the terms of the policy. The Court further dismissed Plaintiffs' purported reasonable expectations argument as to the scope of coverage, stating: “it would not be reasonable for an attorney to assume a scope of coverage contradicted by the readily apparent terms of the policy.”

The case is *Jill Cadre and The Cadre Law Firm, LLC. v. ProAssurance Casualty Company, et al.*, Docket No. BER-L-010530-15.

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