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Fourth Circuit Finds Multiple Bridge Collapses Constitute "Related Claims"

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On November 7, 2018, the Fourth Circuit Court of Appeals affirmed summary judgment in favor of an insurer holding that the collapse of two pedestrian bridges designed by the insured arose out of "related claims" under the insured's professional liability policy. In *Stewart Eng'r, Inc. v. Cont'l Cas. Co.*, 2018 U.S. App. LEXIS 31521 (4th Cir. Nov. 7, 2018), the insured, Stewart Engineering, Inc. ("Stewart"), purchased a Professional Liability and Pollution Incident Insurance Policy that obligated the insurer to defend and indemnify Stewart against Claims arising from Stewart's wrongful acts. The policy included limits of $3,000,000 per Claim and $5,000,000 in the aggregate for the policy term. The policy also provided that the insurer would consider all "Related Claims" to be a single Claim subject to the $3,000,000 limit. The term "Related Claims" was defined as "all Claims . . . during any policy year arising out of . . . a single wrongful act; [or] . . . multiple wrongful acts that are logically or causally connected by any common fact, situation, event, transaction, advice, or decision." Under the policy, the insurer was not obligated to defend or indemnify Stewart after reaching the limit of liability for any Claim or set of Related Claims.

In February 2013, Stewart contracted to furnish structural engineering designs for two new pedestrian bridges ("Bridge 1" and "Bridge 2") on the campus of Wake Technical Community College. Construction of the bridges began in October 2014, and, on November 13, 2014, Bridge 1 collapsed, killing one construction worker and injuring four others. Bridge 2 collapsed less than 24 hours later, causing no injuries or fatalities. Stewart settled, and the insurer defended and indemnified Stewart against several claims arising out of the collapse of Bridge 1. The parties, however, disputed whether several pending claims arising out of the collapse of Bridge 2 were related—as defined by the policy—to the Bridge 1 claims, and thus, whether the insurer was required to continue to defend and indemnify Stewart up to the $5,000,000 aggregate limits of the policy. The district court concluded that the Bridge 2 claims were related to the Bridge 1 claims under the plain language of the policy.

The Fourth Circuit affirmed the district court's ruling. Although Stewart pointed to several ways in which the collapse of Bridge 1 was distinct from the collapse of Bridge 2, including that the two bridge collapses caused different sets of injuries to different parties, the Fourth Circuit, as did the district court before it, held that claims are related under the policy if they arise out of wrongful acts that are *logically or casually*connected by *any*common fact. According to the Court, the alleged wrongful acts out of which the Bridge 1 and Bridge 2 claims arose were logically connected by multiple common facts: Stewart executed a single contract for the design of both bridges; the same Project Manager and Project Engineer worked on the design of both bridges; and, crucially, the same design flaw caused the collapse of both bridges. Moreover, a miscommunication between the Project Manager and the Project Engineer responsible for both bridges led to Stewart's failure to detect and correct the common design flaw. Consequently, the Bridge 2 claims were "related" to the Bridge 1 claims, and therefore, the policy considered such Claims to be a single Claim subject to the single per Claim limit. As the insurer had already indemnified Stewart up to the $3,000,000 per Claim limit, the insurer had no further obligation to defend or indemnify Stewart against the remaining Bridge 2 claims.

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Determining the number and timing of “Claims” under a professional liability policy is never easy and necessarily must be assessed on a case-by-case basis. The particular policy language involved and the jurisdictional precedent deciding such issues play important roles in this analysis. Nevertheless, the Fourth Circuit’s holding in applying a “logically or causally connected” standard to the specific policy language at issue provides a helpful analysis. Simply because an event causes different sets of injuries to different parties, or two or more events occur at different times, does not necessarily mean separate “Claims” are unrelated. In *Stewart Engineering*, the Fourth Circuit found it crucial that the bridge collapses resulted from the same design flaw and the insured’s failure to detect and correct that common design flaw. Other factors—such as a single contract for the design of both bridges and same key employees designing and overseeing the work—also played a part in the Court’s analysis. Thus, the underlying facts, in addition to the particular policy language, must be considered carefully when evaluating similar “related claims” issues in professional liability policies.

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