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New Jersey Federal Court Holds That Additional Insured Failed to Demonstrate Bad Faith Notwithstanding Insurer's Unsupported Disclaimer of Coverage

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United Rentals North America, Inc. v. Liberty Mutual Fire Insurance Co., 2024 U.S. Dist. LEXIS 151435 (D.N.J. Aug. 23, 2024)

August 23, 2024, the United States District Court for the District of New Jersey, applying New Jersey law, held that an additional insured failed to raise an issue of fact as to whether the insurer acted in bad faith by disclaiming coverage for certain underlying actions on the basis that the loss was not "caused, in whole or in part, by your [the named insured's] maintenance, operation or use of equipment." After the court ruled that the additional insured, an equipment lessor, qualified for coverage, the lessor moved for summary judgment on its bad faith cause of action, in part, on the basis that the court previously ruled that the insurer "lacked a valid basis" to disclaim. In denying the additional insured's motion for summary judgment, the court was quick to draw a distinction between its determination that the insurer's disclaimer was wrongful and a determination that the insurer's disclaimer lacked a reasonable basis under *Pickett v. Lloyd's*. As the court concluded, "while this Court was and remains convinced that Liberty's interpretation of 'caused' was incorrect, this Court would be hard-pressed to conclude that the issue was not reasonably debatable." The court granted the insurer's motion for summary judgement on the bad faith claim accordingly.

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