

Sheppard Mullin Secures Win for Mercury Insurance Company in California Court of Appeals

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Today the California Court of Appeal issued its decision in *Palma v. Mercury Ins. Co.* holding that Sheppard Mullin client Mercury Insurance Company has no extra-contractual liability for not settling claims that resulted in a \$3 million excess judgment against its insured. The plaintiffs alleged that Mercury should be liable for the \$3 million excess judgment because it unreasonably failed to settle the underlying claim for its \$15,000 policy limit. The Court of Appeal disagreed, holding that Mercury's failure to accept a \$15,000 policy limit demand did not constitute bad faith because (i) the demand did not include the claims of the plaintiffs who recovered the \$3 million excess judgment; (ii) Mercury's failure to satisfy one of the demand's conditions was the result of, at most, negligence rather than bad faith; (iii) the fact that the form release provided to the claimants in response to the policy limit demand contained terms that differed from the demand did not support a finding of bad faith; and (iv) the underlying claimants and their lawyers themselves acted in bad faith in connection with the parties' settlement efforts.

Sheppard Mullin partners Peter Klee and Marc Feldman represented Mercury Insurance Company in the case.

Click [here](#) to read the opinion.

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