

Stauffer & Nathan get largest pretrial bad faith settlement in Oklahoma – \$18.5 Million

Stauffer, Graves and Nathan are pleased to announce what they believe to be the largest pretrial bad faith settlement in Oklahoma, with a total value of over \$18 million. Although Melton Truck Lines had \$55 million in insurance coverage, when it got hit with a \$14 million dollar verdict, its insurers claimed that Melton would have to pay \$10 million of the judgment because Melton had admittedly failed to tell its excess insurer of the claim. While the insurers were pointing fingers at each other, Melton was threatened with an asset levy. While the insurers eventually bonded the judgment, when they later settled it, they sought repayment of the excess amount – nearly \$10 million.

Discovery revealed that the primary carrier (Gulf) had taken control of the case early on, and had evaluated the case above its limits but did not notify the excess carrier (IINA). Instead, Gulf told both Melton and the broker to tell IINA about the claim. A few weeks before trial, Gulf wondered why it had not been contacted by IINA about the claim, and finally contacted IINA. IINA immediately sent out a reservation of rights letter and also made demand on Gulf to settle the case within Gulf's limits per the Plaintiff's last demand. Instead of settling, however, Gulf took the case to trial and Melton and its driver were hit with a \$14 million verdict. Gulf offered no evidence to counter the plaintiff's damages claims, which were horrific, and included broken bones and a leg amputation.

Mock jurors were particularly shocked at the idea of the insurance companies gambling with Melton's money on the outcome of the lawsuit. To settle the claim, Gulf would have had to pay its entire limits. Thus, the only way Gulf could save any money from its policy was to go to trial. And it went to trial knowing that there was a serious question as to whether any amounts over Gulf's limits would be covered. Gulf's decision knowingly put the risk of loss of an excess judgment squarely on Melton.

Over 30,000 pages of documents were produced during discovery, and over 50 depositions were taken from coast to coast.

The case settled after Neal Stauffer won a summary jury trial in which the jury awarded Melton a very substantial dollar amount in damages. After checking with various sources on settlement values for bad faith claims in Oklahoma, it is believed that the result obtained in this case – forgiveness of the nearly \$10 million excess judgment paid, along with an additional \$8.5 million paid to Melton is the largest pretrial bad faith settlement in Oklahoma.