

Reliance on Marketing Brochures Unreasonable

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The United States Court of Appeals for the Fifth Circuit, applying Louisiana law, has held that statements made by an insurance company in a renewal letter and marketing brochures did not contradict the clear terms of a medical malpractice policy, and that any reliance by the insureds on these statements was unreasonable. *Drs. Bethea, Moustoukas & Weaver LLC v. St. Paul Guardian Ins. Co.*, 2004 WL 146437 (5th Cir. June 30, 2004).

This case involved a putative class action filed by former policyholders against an insurer for detrimental reliance and unjust enrichment under medical malpractice policies issued by the insurer. The insurer issued medical malpractice policies, which gave both the doctors and the insurer the right not to renew the policy, in which case the doctors would have the right to purchase additional tail coverage. The policies also provided that if a doctor died, became disabled or retired during the policy period, then the insurer would provide tail coverage for no additional premium. The policies also contained an integration clause requiring that any modification to the policy be in writing.

After the doctors renewed their policy, the insurer decided to leave the medical malpractice market, but continued to provide coverage under its current policies, including free tail coverage to doctors who retired while their current policies were in effect. The doctors alleged that a renewal letter and marketing brochures issued by the insurer promised free tail coverage upon retirement and that by exiting the market before they could retire and take advantage of the free tail coverage, the insurer breached its promise.

The court rejected the doctors' argument, holding that, as a matter of law, the doctors' reliance on these statements was unreasonable. The court explained that the policies unambiguously provided free tail coverage only to a doctor retiring during the current policy period. According to the court, "the contract's integration clause and Louisiana law require that any change to the policy be in written form and incorporated into the policy. One could not reasonably rely on a renewal letter explaining policy changes and marketing brochures as a promise to provide free tail coverage without limit, especially considering that such a promise is not mentioned in the documents and would directly conflict with the policy."

The court also rejected the doctors' argument that the insurer was unjustly enriched by receiving higher premiums without providing free tail coverage. The court explained that Louisiana law does not allow a claim for unjust enrichment under a valid contract.

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