

Texas Appellate Court Rules That Automobile Policy Does Not Cover Punitive Damages

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Distinguishing prior case law, a Texas appellate court ruled that an automobile policy does not provide coverage for punitive damages. *Farmers Texas Cnty. Mutual Ins. Co. v. Zuniga*, 2017 WL 4014644 (Tex. Ct. App. Sept. 13, 2017).

In a coverage dispute arising out of an automobile accident, a Texas trial court ruled that a policy that covers “damages for bodily injury” requires the insurer to pay for punitive damages. The appellate court reversed. The appellate court distinguished cases involving policies that provide coverage for “all sums which the insured shall become legally obligated to pay as damages because of . . . bodily injury,” explaining that such language provides broader coverage than the language at issue. Although at least one Texas appellate court has ruled that punitive damages are covered even in the absence of “all sums” language, the *Farmers* court deemed that ruling “dubious.” In further support of its decision, the court emphasized the distinction between compensatory damages (which address costs associated with bodily injury) and punitive damages (which address public policy concerns).

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