

New York Court Rules That Four Underlying Actions Arose Out Of “Related” Wrongful Actions And Were Therefore Subject To A Single Per-Claim Limit (Insurance Law Alert)

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A New York district court ruled that four separate lawsuits against a law firm arose out of related wrongful actions and were therefore subject to a single \$1 million per-claim limit. *Lonstein Law Office, P.C. v. Evanston Ins. Co.*, 2022 WL 311391 (S.D.N.Y. Feb. 2, 2022).

A law firm was retained by DirecTV to identify and bring claims against businesses or individuals who had illegally acquired DirecTV services. Various businesses brought lawsuits against the law firm and DirecTV, asserting claims of fraud, federal statutory violations and other causes of action. The suits alleged that the law firm participated in a scheme in which DirecTV would induce businesses to sign up for a non-commercial DirecTV package, after which the law firm would threaten litigation and extort large sums of money in order to avoid prosecution for failing to obtain a commercial account. In turn, the law firm sued Evanston, alleging breach of contract and bad faith based on the insurer's refusal to pay the full aggregate limits rather than a single \$1 million per-claim limit. The court dismissed the complaint.

The policy included a “related claims” provision that stated that “[m]ore than One Claim arising out of a Single Wrongful Act . . . or a series of related Wrongful Acts . . . shall be considered a single Claim.” The court held that the provision was unambiguous and that the four underlying actions were “related” under the policy. More specifically, the court explained that each lawsuit arose from the law firm's actions in representing DirecTV and involved “nearly identical and overlapping allegations” of a scheme to extort money from small business owners using the same misrepresentations. The court deemed it irrelevant that the allegations in each action presented distinct facts, occurred at different times and involved different claimants. Further, the court emphasized that the policy provision did not require claims to be based on the same legal theories in order to be “related.”

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