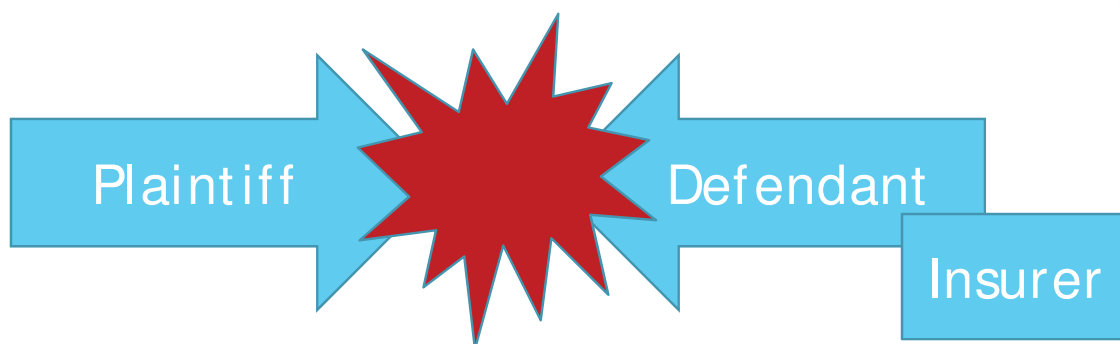


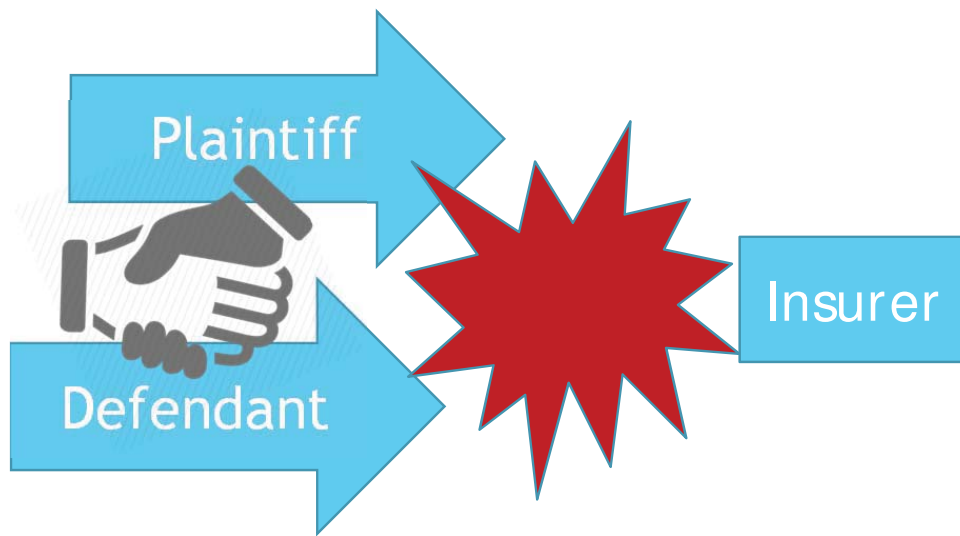
Ethical Issues When Insurers Won't Fund the Defense

27th Annual Admiralty and Maritime Law Conference

Houston, Texas | September 21, 2018

Samantha Trahan





Texas Supreme Court Statements

Party collusion

Inflated Judgments

Inimical to the adversary system

SHAM

Makes litigation inevitable

Is an untruth

Perpetrates a fraud

Positions contrary to natural interests

Party Statements

- ▶ Plaintiff **schemed** to obtain an excess judgment.
- ▶ Plaintiff **maneuvered** the case.
- ▶ Plaintiff **manufactured** a \$105 million judgment.
- ▶ Plaintiff obtained an **astronomical** judgment.
- ▶ The insurer accuses the parties of **secrecy** and **collusion**.
- ▶ The proceedings were **rife with collusion**.
- ▶ The insurer must be given an opportunity to present that **misconduct** to a jury.

Texas Supreme Court Answers

- ▶ *Elbaor v. Smith*, 845 S.W.2d 240 (Tex. 1992)
 - ▶ no Mary Carter Agreements
- ▶ *State Farm Fire & Cas. Co. v. Gandy*, 925 S.W.2d 696 (Tex. 1996)
 - ▶ limited assignment of insurance claims
- ▶ *Great Am. Ins. Co. v. Hamel*, 525 S.W.3d 655 (Tex. 2017)
 - ▶ requires a fully adversarial trial to create a binding judgment even when the insurer denies a defense

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First appeared as part of the conference materials for the
27th Annual Admiralty and Maritime Law Conference session
"Ethical Issues When Insurers Won't Fund the Defense"