

Top PA Court: insureds don't need consent to settle.

In a major [ruling](#), the Pennsylvania Supreme Court has allowed an insured to settle--and be reimbursed--without the insurance carrier's consent. The insurance carrier had issued a reservation of rights and refused to settle the case. The policyholders then paid on their own and sought reimbursement from the carrier. The insurance carrier refused on the grounds that it did not consent to the settlement. The Supreme Court held that the carrier was responsible for reimbursement.

In doing so, the Court rejected an approach that the Superior Court had embraced which would have forced the policyholder company to pay for the defense of third party claims and for the settlement in order to seek reimbursement from the insurance carrier.

The insured had to show that the settlement was reasonable. It did that at trial. The Supreme Court embraced the approach and it rejected the argument that the carrier could refuse to reimburse the covered claim when it had refused to consent.

This decision will have the largest impact in commercial claims where the insurance carrier has issued a reservation of rights to defend third-party claims. It gives leverage to large companies who have the ability to settle third party lawsuits without an insurance company's blessing.

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