BUSINESS INSURANCE.

Insurer must cover oil firm's Hurricane Katrina cleanup

Posted On: Jul. 31, 2015 1:41 PM CST

Judy Greenwald (mailto:jgreenwald@BusinessInsurance.com)

AP

A federal appeals court has upheld a $22.5 million jury award to an energy company in a dispute with its surplus lines insurer.

According to Thursday's ruling by the 5th U.S. Circuit Court of Appeals in New Orleans in *Cox Operating L.L.C. v. St. Paul Surplus Lines insurance Co*., Dallas-based Cox Operating L.L.C, which. operated oil and gas production facilities in Eloi Bay and Quarantine Bay off the coast of Louisiana, had $1 million in primary pollution cleanup coverage with St. Paul Surplus Lines Insurance Co, a unit of Hartford, Connecticut-based Travelers Cos. Inc., and another $20 million in excess coverage.In August 2005, Hurricane Katrina severely damaged the facilities, throwing wreckage into the bays and causing oil to escape from the wells and from damaged equipment and pipes, according to the ruling. Cox complied with various federal statutes and regulations and spent millions of dollars cleaning up the oil contamination and removing wreckage from the bay, according to the ruling.After Cox submitted its claims, St. Paul paid $1,480,395, which included the policy limit of $1 million under the primary policy and $480,395 under the excess policy, but refused to pay more, stating it was not liable for the rest of Cox's claim.Cox field suit against St. Paul, and after a five-week trial, a jury in U.S. District Court in Houston awarded Cox, among other amounts, $9.5 million in damages for breach of the excess policy and $13.1 million in penalty interest.St. Paul appealed, and a three-judge panel of the 5th Circuit ruled unanimously in Cox's favor.Among other issues, the appeals court agreed with the District Court that St. Paul's denial of Cox's claim constituted a waiver of the one-year reporting requirement under the excess policy.