

Court Orders Coverage Where Breach Merely Alleged

Narrowly interpreting a policy's breach of contract exclusion, a federal court judge in California ruled that the exclusion applied only to actual breaches of contract and that an alleged breach in the underlying complaint against the policyholder was insufficient to eliminate coverage, according to **an article** written by Amy B. Briggs, Christine Spinella Davis, Stephen T. Raptis, Robert H. Shulman and Susan P. White of **Manatt, Phelps & Phillips, LLP**.

Their article described the case:

A competitor filed suit against the insured, charging the policyholder with making disparaging comments so that its offer of employment would appear more attractive and "to solicit [the competitor's] employees in breach of a written and implied contract." The insurer rejected the policyholder's request for defense, relying on a breach of contract provision in its commercial liability policy. But the court said the allegation was just that—an allegation—and not an actual breach of contract. Other policy exclusions used the term "actual or alleged," the court noted, implying that the insurer knew how to include and elected not to use such language for the breach of contract provision.

Read the article.