Policyholder Playbook Episode 40: Assess Whether the Parent of the Issuing Insurer Should Also Be Sued, Part Two

April 16, 2025 Greg Van Houten

PRACTICES Insurance Recovery, Litigation

Quick Overview of the Play – When identifying which insurer-side parties to sue in a coverage dispute, consider the parent of the issuing insurer, as was done in *Lightfoot v. Safeco Insurance Co. of America.*[1]

The best policyholder advocates like to keep their options open. That may mean bringing multiple claims against breaching insurers, advancing multiple theories of recovery, or it may mean suing multiple parties. In Episode 9, we discussed the idea of suing the issuing insurer's parent company in addition to the issuing insurer. We discussed four potential reasons for doing so:

1. In cases that involve allegations of bad faith, to hold the parent accountable.
2. In cases that involve allegations of bad faith, to potentially increase your recovery – more bad faith actors may mean more bad faith damages.
3. To secure discovery – it is far easier to secure discovery from a parent who is a party, as opposed to a parent who is a third party.
4. To incentivize settlement – when corporate separateness is at risk, insurers may come to the table.

In Episode 9, we discussed our success with pursuing the parent of the issuing insurer in an Oklahoma state court case captioned, *Continental Resources, Inc. v. Mid-Continent Casualty Co.*[2] Five years after that decision was issued and just last month, a policyholder had the same success in an Oklahoma federal court, in *Lightfoot*.

In *Lightfoot*, the policyholder homeowners brought breach of contract and bad faith claims against American Economy Insurance Co. (the issuing insurer), Safeco Insurance Co. of America (an affiliate of American Economy), and Liberty Mutual Insurance Co. (the parent of American Economy).[3] Safeco and Liberty Mutual moved to dismiss, primarily upon their argument that they could not be liable since they were not parties to the relevant insurance contract.[4]

The court agreed that Safeco and Liberty Mutual could not be held liable for breach of contract, but disagreed that they were immune from bad faith claims.[5] Citing some of the same cases cited in *Continental Resources*, the court noted that, "if a non-party to the insurance contract engages in activities or conduct such that it may be found to be acting sufficiently like an insurer so that a special relationship can be said to exist between the entity and the insured, then the same duty of good faith and fair dealing as that imposed on the actual insurer issuing the insurance policy is imposed on that non-party."[6] The court found the policyholders had alleged facts sufficient to demonstrate a special relationship, noting they alleged that Safeco and Liberty Mutual shared in the

premium and risk, decided which entity would issue the insurance policy, trained the underwriters and adjusters, and participated in the decision to deny the claim.[7]

The *Lightfoot* case will now advance to discovery. It will be interesting to see if the parties settle in the near-term. One thing is clear: the policyholders have significant leverage now that they have an active, off-to-the-races lawsuit against not only the issuing insurer, but the issuing insurer's affiliate and parent.

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[1] No. 24-cv-604 (W.D. Okla. Mar. 3, 2025).

[2] No. CJ-2018-5184 (Okla. Dist. Ct. Okla. Cnty. Jan. 23, 2020).

[3] *See Lightfoot*, No. 24-cv-604, at 1–2.

[4] *See id*.

[5] *See id*. at 6–8.

[6] *Id*. at 6–7.

[7] *See id*. at 7.