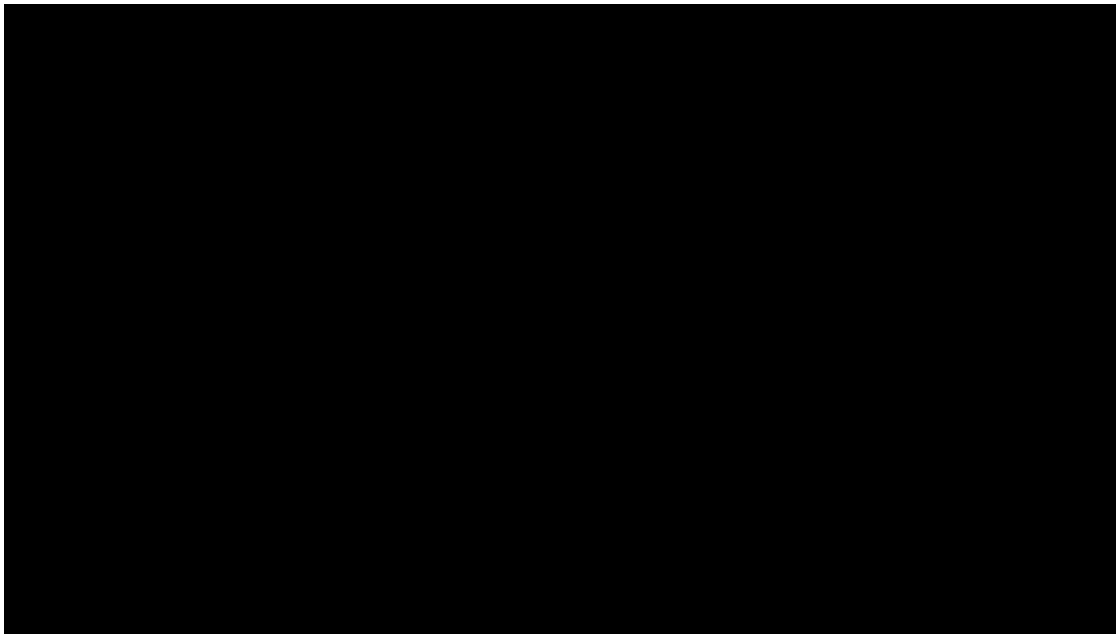


Policyholder Playbook Episode 47: Attack Insurer Arguments That Render Other Policy Parts Illusory

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A recent New York trial court decision adds support for the proposition that an insurer's interpretation of the policy cannot render other parts of the policy illusory.

Here's what happened.

In the *Archdiocese of New York v. Century Indemnity*, the insurer argued that a series of one hundred-thousand-dollar self-insured retentions reduced the limits of the policy. Meaning, if there was two-hundred-thousand-dollar limit, then the policy effectively provided only one-hundred-thousand-dollars of coverage. Now, there's a whole bunch of reasons why that argument doesn't work, but one the court focused on was the fact that the policy included four sub-limited coverage grants that were for only one hundred-thousand-dollars. The court said—wait a second insurer, if you were right that the one hundred-thousand-dollar self-insured retentions reduce limits, then there would be no coverage at all under these sub-limited one-hundred-thousand-dollar coverage extensions. The court said that couldn't possibly be right, and if the intent was to entirely exclude coverage under those sub-limited coverage extension, the policies would have explicitly done so.

The bottom line? Always step back and ask whether the insurer's interpretation of the policy renders other parts of the policy illusory; if it does, it is probably wrong.