



No Insurance Coverage for Injuries at House Party

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It is spring break in Oregon, which may have some Oregon parents who have to work this week nervous about what their children might do when they are home alone. Thoughts of "Animal House" may come to mind for some. This scenario presented itself in the form of an insurance coverage dispute in the federal court in Oregon recently, and the court held there was no duty to defend the parent or her son for their alleged **negligence** that resulted when the son and three others physically assaulted one of the party guests.

In *Allstate Ins. Co. v. Morgan*, the court reached the coverage question over the parent's objection that the underlying tort lawsuit was still proceeding in state court. "[I]f the coverage question is logically unrelated to the issues of consequence in the underlying case, the declaratory relief action may properly proceed to judgment." Because the son had previously pled guilty to assault, the court held that the duty to defend could be determined in the coverage lawsuit.

Turning to whether there was a duty to defend the son, the court agreed with the insurance company that the Criminal Acts Exclusion voided coverage for bodily injuries suffered by the partygoer: "We do not cover any bodily injury or property damage intended by, or which may reasonably be expected to result from the intentional or criminal acts or omissions of, any insured person." The court held that the son's guilty plea "incontrovertibly establishes" the lack of insurance coverage even though the tort lawsuit included negligence claims, because the son's "conduct was found criminal and Nicholson's injury resulted from it."

The court observed that there is no Oregon case law that directly addresses the application of a Criminal Acts Exclusion clause where negligence claims are alleged against an innocent insured. After examining the text of the insurance policy as well as cases from other jurisdictions, the court held that the Criminal Acts Exclusion voids coverage for bodily injury that results from "any insured's" criminal acts. The court found support for its conclusion in the aptly titled "joint obligations" clause, which states, in part, that the "terms of this policy impose joint obligations on persons defined as an **insured person**. This means that the responsibilities, acts and failure to act of a person defined as an **insured person** will be binding upon another person defined as an **insured person**." Coupled with the Criminal Acts Exclusion, the "joint obligations" clause of the policy precluded any duty to defend any of the insureds from any claim that arises out of the son's criminal act.