State Of Insurance: Q3 Notes From Pennsylvania

By **Todd Leon** (October 30, 2026)



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Pennsylvania courts issued several noteworthy insurance coverage decisions during the third quarter of 2026, addressing issues ranging from public policy limitations on coverage, to the interpretation of commercial umbrella policies, to the discoverability of insurer claim files. These decisions offer practical guidance for insurers evaluating coverage disputes, drafting policy language and defending bad faith litigation.

In Samsung Fire and Marine Insurance Co. Ltd. (U.S. Branch) v. RI Settlement Trust, the Pennsylvania Supreme Court addressed whether public policy bars coverage for claims involving alleged sex trafficking.[1]

In Mathews v. Ace Property and Casualty Insurance Co., the Superior Court examined the scope of UIM coverage available under a follow-form commercial umbrella policy.[2]

Finally, Rheingold v. AmGuard Insurance Co. provides guidance concerning privilege assertions and discovery obligations in bad faith litigation.

The following summaries highlight the courts' holdings and their implications for insurers and coverage counsel.[3]

Samsung Fire and Marine v. RI Settlement Trust

On July 21, the Pennsylvania Supreme Court issued an opinion emphasizing the limited circumstances in which courts may invoke public policy to bar insurance coverage.

In Samsung Fire & Marine Insurance v. RI Settlement Trust, the court held that Pennsylvania public policy does not independently preclude coverage for claims alleging that insureds enabled or profited from human sex trafficking. The decision rejected contrary predictions by federal district courts and reinforced that Pennsylvania courts will invoke public policy to invalidate coverage only in the clearest of circumstances.

The case arose from four civil actions alleging that minors were victims of sex trafficking at Philadelphia hotels. The plaintiffs claimed that the hotel owners negligently failed to prevent the trafficking. The owners sought coverage under their commercial general liability policies. Although the insurers initially defended under reservations of rights, they subsequently filed declaratory judgment actions seeking declarations that they owed no duty to defend or indemnify.

The insurers argued that coverage was barred both by Pennsylvania public policy, in light of the Pennsylvania Human Trafficking Law, and by the policies' terms and conditions. The U.S. District Court for the Eastern District of Pennsylvania entered judgment for the insurers on public policy grounds, reasoning that there could be no duty to defend or indemnify against claims arising from an insured's criminal conduct involving sex trafficking of minors.

On appeal, the Third Circuit certified two questions to the Pennsylvania Supreme Court: whether Pennsylvania public policy independently abrogates an insurer's duties to defend

and indemnify when an insured allegedly enables or profits from sex trafficking, and, if so, whether that rule applies whenever the alleged conduct violates the Human Trafficking Law.

Importantly, the certified questions did not ask the court to determine whether the policies provided coverage under their terms. The court therefore addressed only whether public policy independently barred coverage, leaving the insurers' policy-based defenses for further proceedings. Having answered the first question in the negative, the court declined to reach the second.

In reaching its decision, the court distinguished its 2004 decision in Minnesota Fire & Casualty Co. v. Greenfield, which involved a lawsuit against a homeowner who allegedly sold heroin to a house guest, who subsequently overdosed. There, a three-justice plurality concluded that public policy precluded coverage because the underlying conduct involved a Schedule I controlled substance.

In RI Settlement, the court declined to extend Greenfield beyond its specific context. By so finding, RI Settlement rejected the invitation to infer an overriding public policy against insurance coverage merely from the General Assembly's enactment of the Human Trafficking Law.

The court explained that ranking the public policy significance of different crimes is not the judiciary's role and that criminalizing conduct does not, by itself, establish that insurance coverage for related claims must be prohibited.

The decision does not guarantee coverage for sex-trafficking claims. Rather, insurers remain free to rely on applicable policy provisions and exclusions. Indeed, the court expressly recognized that insurers may draft exclusions addressing such claims if they wish.

Mathews v. Ace Property & Casualty

In Mathews v. Ace Property & Casualty Insurance, the Superior Court of Pennsylvania affirmed judgment in favor of Ace, and held that a commercial umbrella policy did not provide underinsured motorist, or UIM, coverage for an insured's injuries.

The decision, which was handed down on Sept. 4, reinforces the importance of examining an umbrella policy's insuring agreement and endorsements together, notwithstanding language incorporating coverage terms from an underlying automobile policy.

The case arose from a September 2019 accident in which Justin Mathews, an executive of Interpublic Group of Companies, or IPG, was struck by an underinsured motorist while crossing a street in Brooklyn, New York. The accident left Mathews quadriplegic.

IPG maintained a business automobile policy issued by Great Northern and a commercial umbrella policy issued by Ace. Great Northern agreed to provide UIM benefits under a "drive other cars" endorsement covering IPG executives and officers struck as pedestrians by vehicles they did not own. Ace, however, denied coverage under its umbrella policy.

Mathews' wife, acting as his power of attorney, filed suit against Ace, asserting breach of contract and seeking declaratory relief. The Court of Common Pleas of Philadelphia County granted Ace's motion for judgment on the pleadings, concluding that the umbrella policy provided third-party liability coverage, not first-party UIM benefits.

On appeal, the Superior Court affirmed. Although the policies implicated both Pennsylvania

and New York law, the court found no conflict between the states' relevant rules of insurance contract interpretation and therefore applied no further choice-of-law analysis.

The umbrella policy's insuring agreement obligated Ace to pay amounts exceeding the retained limit that the insured "becomes legally obligated to pay as damages because of 'bodily injury.'"

The policy's definition of "loss" similarly referred to amounts the insured was legally liable to pay as damages. Relying on existing case law, the court concluded that this language provided third-party liability protection, rather than first-party benefits for the insured's own injuries.

Mathews argued that an automobile liability follow-form endorsement expanded coverage by incorporating the terms, definitions, conditions and exclusions of scheduled underlying automobile insurance, including Great Northern's UIM coverage. The Superior Court rejected that interpretation. The endorsement expressly remained subject to the umbrella policy's own terms and conditions, and did not expand coverage beyond the umbrella policy's underlying grant of third-party liability protection.

The Superior Court also rejected arguments that the policy was ambiguous and that extrinsic evidence should be considered to establish Ace's intent to provide UIM coverage. Disagreement between the parties did not create ambiguity where the policy language was otherwise clear. Because the policy was unambiguous, the panel held that the trial court properly declined to consider extrinsic evidence.

Mathews provides a useful reminder that follow-form language does not automatically incorporate every form of coverage available under an underlying policy. Insurers and coverage counsel should carefully examine the umbrella policy's insuring agreement, definitions, conditions and endorsements when evaluating claims for first-party benefits.

The decision does not establish that all commercial umbrella policies exclude UIM coverage; rather, the outcome turned on the specific language at issue. Where an insurer intends to exclude first-party benefits, clear and consistent policy drafting remains essential.

Rheingold v. AmGuard Insurance

On Sept. 16, the Superior Court of Pennsylvania affirmed a discovery order requiring AmGuard to produce more than 2,000 pages of documents that the insurer sought to withhold under the attorney-client privilege and attorney work-product doctrine.

In Rheingold v. AmGuard Insurance, the court emphasized that an insurer asserting privilege must substantiate its claims with document-specific analysis rather than generalized descriptions of withheld materials. The decision offers important guidance for insurers defending bad faith claims and managing discovery involving claim-handling files and communications with counsel.

The dispute arose from a 2018 automobile accident in California in which Ron Rheingold sustained serious injuries. Rheingold was insured under a commercial automobile policy issued by AmGuard that provided $1 million in UIM benefits. After settling with the at-fault driver for that driver's $15,000 policy limit, Rheingold demanded the full UIM limit from AmGuard.

AmGuard subsequently offered $100,000, disputing the causal relationship between the

accident and Rheingold's injuries and challenging the claimed medical expenses and lost earnings. An arbitrator ultimately awarded Rheingold $985,000, and a California court confirmed the award. AmGuard satisfied the judgment.

Rheingold subsequently filed a Pennsylvania action asserting breach of contract and bad faith, alleging that AmGuard had failed to fairly evaluate his claim and promptly offer its reasonable value.

During discovery, AmGuard withheld 379 documents comprising more than 2,000 pages, relying on attorney-client privilege and the work-product doctrine. AmGuard's four-page privilege log grouped the documents into broad categories without individually identifying their authors, recipients, dates or other details necessary to evaluate the asserted protections.

Following an in-camera review, the Court of Common Pleas of Luzerne County ordered production.

AmGuard appealed, arguing that communications with its attorneys during the underlying UIM arbitration were protected because counsel had developed litigation strategies, evaluated the claim and advised the insurer. AmGuard also maintained that its privilege log adequately identified the withheld materials.

The Superior Court affirmed. In so finding, the panel concluded that AmGuard failed to meet its burden of establishing that the particular documents were protected. The court further held that AmGuard did not adequately address individual documents by reference to their contents, dates, authors, recipients or purposes. Instead, the insurer relied on broad assertions that communications with counsel concerning settlement offers, claim valuation, legal analysis and arbitration strategy were privileged.

In rejecting AmGuard's position, the court emphasized that it would not develop arguments on an appellant's behalf. Because AmGuard failed to provide sufficient facts demonstrating that the privilege or work-product doctrine applied, the court declined to disturb the production order.

Notably, the decision does not establish that communications arising from UIM arbitration are categorically discoverable or that such communications can never be privileged. Rather, Rheingold underscores the importance of preparing defensible privilege logs and evaluating withheld materials individually. Insurers should distinguish ordinary claim-handling documents from confidential legal communications and qualifying attorney work product, documenting the basis for each assertion.

Although the opinion does not eliminate legitimate privilege protections, it demonstrates that generalized descriptions and blanket assertions may be insufficient to sustain them in Pennsylvania bad faith litigation.

Conclusion

Taken together, these decisions reinforce several important principles for insurers that issue policies in Pennsylvania.

RI Settlement Trust confirms that courts will not necessarily infer a public policy bar to coverage merely because the underlying allegations involve criminal conduct, emphasizing the importance of express policy language and applicable exclusions.

Mathews underscores that follow-form provisions do not automatically expand an umbrella policy beyond its own insuring agreement, highlighting the need for careful policy drafting and analysis.

Meanwhile, Rheingold demonstrates that insurers must substantiate privilege assertions with sufficient document-specific detail when responding to discovery in bad faith litigation. Although each decision addresses a distinct issue, all three emphasize the importance of careful policy interpretation, disciplined claims practices and thorough documentation.

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[1] Samsung Fire & Marine Insurance Co., Ltd. (U.S. Branch) v. RI Settlement Trust, 360 A.3d 895 (Pa. 2026).

[2] Mathews v. Ace Property & Casualty Insurance Co., 2026 Pa. Super. LEXIS 457 (Sept. 4, 2026).

[3] Rheingold v. AmGuard Insurance Co., 2026 Pa. Super. LEXIS 475 (Sept. 16, 2026).