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Arizona jury awards $55M in MetLife auto insurance case

by Nora Tooher

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An Arizona jury has ordered MetLife to pay $55 million for refusing to cover a $30,400 claim from a couple whose SUV was stolen and vandalized.

Kenneth and Tammy Nardelli's new Ford Explorer was stolen from a Mesa, Ariz. shopping mall parking lot in 2002. It was found abandoned and severely damaged several weeks later in Mexico.

The couple fought MetLife's Auto & Home division for six and a half years over its refusal to cover their claim. Although the Nardellis said the vehicle was a total loss and could never be restored to its original condition, MetLife refused to replace the SUV. Instead, the insurer cut them a check for $10,759 and cut off payments for a rental car.

Richard Dillenburg, an attorney for the Nardellis, said that MetLife was determined to boost profits within its Warwick, R.I.-based Auto & Home division, and had told its adjusters to get tough on claims.

The Nardellis sued, accusing MetLife of a deliberate scheme to deny them their rights under their insurance policy.

"When you buy an insurance policy, you're paying money for a piece of paper that promises when your claim happens they're going to be there," Dillenburg said.

The Nardellis' lawyers did not specify an amount of damages they were seeking, but urged the jury to compensate the couple for their emotional distress and award sufficient punitive damages to punish MetLife and set an example for other insurers.

After a month-long trial, a 10-person jury deliberated for just an hour and a half before finding MetLife had acted in bad faith in handling the Nardellis' claim.

Jurors unanimously awarded the couple $155,000 in compensatory damages and $55 million in punitives.

"The jury vindicated the Nardellis and also sent a strong message to this company and other insurance companies," Dillenburg said.

Defense counsel Timothy M. Strong emailed a statement that said: "MetLife Is surprised and disappointed by the jury's verdict, which it believes is inconsistent with the facts of the case and applicable law. We are taking appropriate steps to have the jury's decision reviewed by either the judge who presided over the case, the appeals court, or both. Regarding the punitive damages award, MetLife has submitted a motion for Reduction of Punitive Damages Award as a Matter of Law, which is on file with the court."

'Begged the company'

Kenneth Nardelli, a disabled former corrections officer, and Tammy, a billing coder, are a "typical, middle class family," according to Dillenburg.

When their new SUV was stolen on Sept. 3, 2002, just nine months after they bought it, they reported the theft to MetLife. The car was recovered across the border in Puerto Penasco, Mexico on Sept. 18, and returned to Arizona nine days later.

"From the outside, it looked pretty good," Dillenburg said, "but inside, it was trashed."

Wires were cut, the seats were slashed and all the Vehicle Identification Numbers except for a hidden VIN had been stripped. After the vehicle was towed back to Arizona, the Nardellis discovered that the engine was destroyed.

A body shop estimated repairs would cost $11,009. But the Nardellis worried that because the VIN plate had been stripped from the SUV, the vehicle would be very difficult to resell in the future.

They asked MetLife to total the vehicle. But even though the car had been stolen, sustained extensive damage, possibly used in criminal activities and stripped of its VIN Plate, MetLife insisted on repairs, according to Dillenburg.

During two conversations in late October 2002, Dillenburg said, the Nardellis tried to explain to the adjusters that the car would have a diminished value and be almost impossible to resell, and asked that MetLife consider the SUV a total loss.

"They begged the company to total it," he said.

The couple told MetLife that they had purchased GAP insurance, and that if the insurer would consider the vehicle a total loss, the GAP insurance would make up the difference in value between the total loss and the car loan they owed the bank.

On Oct. 31, 2002, MetLife sent the Nardellis a check for $10,759 for repairs - $19,673 less than they owed on their car loan. MetLife also told the Nardellis it would no longer pay for a rental car they were using.

Unconvinced that the vehicle would ever be the same, the Nardellis allowed the bank to repossess it. The bank later sold the car at auction for $13,500.

'Ambitious profit goal'

Internal MetLife documents offered some explanation, said Dillenburg.

"According to some of [their] own documents, the car qualified for a total loss, and it should have been totaled," he said. "But we learned that that year they had an ambitious profit goal."

The company had stated publicly that it had a profit goal of $155 million for 2002, an increase of about $100 million from the previous year.

"And there was an indication in the documents that if they didn't make that goal, [the division] would be sold," Dillenburg said.

Exhibits - many of them marked confidential - showed there was "extreme pressure on the claims department to assist in making that goal," Dillenburg said.

Jurors viewed videos and documents produced by MetLife's home office and distributed to the claims office that encouraged staff to get tough on claims.

According to Dillenburg, MetLife also concealed information from the Nardellis that there was a provision in their policy stating that if the vehicle was less than a year old and had fewer than 15,000 miles, they were entitled to a replacement vehicle if theirs was totaled.

In a last-ditch effort to resolve the matter, the Nardellis sent a letter to Catherine Rein, who at the time was the president of MetLife Auto & Home, asking for her help. But neither Rein nor the assistant she asked to handle it ever read the letter, according to Dillenburg.

Instead, the assistant gave the letter back to the manager who had denied the Nardellis' claim, in violation of MetLife's complaint-handling procedures.

"Our argument was that the Nardellis' claim was not handled fairly because they put these profit goals first," Dillenburg said. "The policy said the obligation was to restore the vehicle to pre-loss condition. Our position was that you couldn't restore it to pre-loss condition because it lacked the VIN plate and had a re-manufactured engine."

Plaintiffs' witnesses included the Nardellis, a claims practices expert and a credit expert, who testified about the damage to the couple's credit reputation after the car was repossessed.

An automotive engineering expert also testified that "a remanufactured engine does not restore a vehicle to pre-loss condition," Dillenburg said.

MetLife argued that the SUV "wasn't even close to a total loss," Dillenburg said, and that its refusal to total the vehicle had nothing to do with the drive for profits.

Dillenburg and co-plaintiffs' counsel Steven Dawson and Anita Rosenthal split trial duties.

Plaintiffs' attorneys: Richard A. Dillenburg of The Law Office of Richard A. Dillenburg in Tempe, Ariz.; Steven C. Dawson and Anita Rosenthal of Dawson & Rosenthal in Sedona, Ariz.
Defense attorneys: Timothy M. Strong and Floyd P. Bienstock of Steptoe & Johnson in Phoenix.

The case: *Nardelli v. MetLife*; March 20, 2009; Superior Court of Arizona, Maricopa County; Judge A. Craig Blakey II.

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