

## PUNITIVE DAMAGE AWARD UNCONSTITUTIONALLY EXCESSIVE

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*Nardelli v. Metro. Group Prop. & Cas. Ins. Co.*  
Ct. Appeals, Div. One, May 1, 2012

[JSH Appellate Team](#) Authored by the

Nardelli purchased a new car which was stolen about a year later. The car eventually was found in Mexico with a heavily damaged interior and ruined engine. Nardelli's insurer, Metlife, performed an initial repair appraisal and estimated the damage could be repaired for \$815. As it turned out, the appraiser never even checked under the hood. Eventually the car was taken to the dealership and a thorough inspection was made, which revealed damages approaching 75% of the actual cash value

of the car. Nardelli and Metlife battled over whether the car should be totaled, and eventually Metlife sent Nardelli and his lien holder a check for much less than the repairs would cost. Metlife then allegedly told Nardelli to take his car and do whatever he wanted. Metlife made it clear to Nardelli that they were not going to consider totaling his car.

Evidence at trial showed that at the time of Nardelli's loss, Metlife had an internal policy of trying to generate a company-wide profit of \$155 million, giving seminars for claims handlers on how to reduce payouts on claims. Handlers did not have specific numerical goals, but were expected to contribute to the \$155 million target. Metlife stressed that if the auto and home division did not meet their earnings goal, those divisions would likely be put up for sale. Metlife did not take steps to ensure that such claims handlers continued to comply with their full duty of good faith to its insureds. Evidence also showed that the Nardellis' handlers did not inform them of pertinent policy provisions, and did not give equal consideration to other alternatives, such as totaling the vehicle or investigating a salvage title.

The Nardellis succeeded on their bad faith claims and were awarded \$155,000 compensatory and \$55 million punitive damages. The trial court reduced the punitive damages award to \$620,000 – resulting in a punitive/compensatory ratio to 4:1. On appeal, in addition to arguing against any punitive damages, Metlife argued that the punitive award should be no more than 1:1 punitive to compensatory. Nardelli argued that the court should not have reduced the punitive award at all.

The court of appeals reduced the punitive damage award to a 1:1 ratio. The Constitution's Due Process Clause requires the court to analyze the evidence for (1) the degree of reprehensibility of defendant's conduct; (2) the disparity between actual potential harm suffered by plaintiff and punitive damages award; and (3) the difference between punitive damages awarded and civil penalties authorized in comparable cases. In this case, the jury's 355:1 ratio was unfounded, and the reprehensibility of the conduct was so low that even a ratio of 4:1 was too high.