Widow settles insurance suit for $47,000

Boonton woman gets almost what she sought from Iowa firm after two trials and appeals

By Bill Riley
STAR-LEDGER STAFF

A Boonton woman's four-year dispute with an Iowa life insurance company that has been the subject of two Morris County civil trials and two appeals has been settled for $47,000.

Livingston attorney Adam Slater said yesterday the out-of-court settlement between his client, Carol Feinman, and the Life Investors Insurance Co. of America, was reached last week.

The agreement ends litigation begun when the company balked at paying the woman's $100,000 claim following the death of her 61-year-old husband, Howard Feinman, in November 1994. The firm claimed there was only $50,000 worth of coverage, the amount it paid Carol Feinman. The settlement brings the total to within $3,000 of her claim.

"Mr. Feinman believed he had purchased a $100,000 policy through his American Express account and had a letter in which Life Investors acknowledged that was the case. Following his death, however, the company said the sum mentioned in the letter was a mistake and would only pay the $50,000," Slater said.

According to the lawyer, Superior Court Judge Salem Ahto dismissed Carol Feinman's suit before a jury could decide the issues in a 1996 proceeding. He ruled the insurance company proved information in the letter stating there was $100,000 worth of coverage was a clear mistake.

The Appellate Division later overturned the dismissal and ordered a new trial, however, ruling state law gives insurance policy holders the benefit of the doubt regarding coverage unless it is shown they have special knowledge about a policy's language and meaning.

In a nonjury proceeding in December, Superior Court Judge Catherine Langlois ruled the letter could have created an ambiguity in Feinman's belief and ordered Life Investors to pay Carol Feinberg an additional $50,000 to cover the full amount of the claim. The insurance firm appealed that ruling, which becomes moot in light of the settlement.

Slater likened the case to David vs. Goliath, but Cedar Knolls attorney James Gill, who represented the insurance company, said the settlement was reached "as a matter of economics."

Gill explained Howard Feinman contacted Life Investors to request a reduction of his policy limit to $50,000 when he reached his 60th birthday and his premiums increased substantially on coverage of $100,000.

"Unfortunately, my client sent him a reply that contained erroneous information. A letter confirmed a reduction in the amount of the policy, but erroneously mentioned coverage of $100,000 continuing instead of a reduction to $50,000," Gill said. "I think we proved there was no bad faith involved, but Judge Langlois ruled it was ambiguous enough to inure to the policy holder's benefit. We may have prevailed on appeal, but my client decided to settle instead of continuing to litigate."