Lindenberg v. Jackson National Life Insurance Co. (TN S.Ct.)

Topics Covered: Professional Liability, Tort Reform

Issue

The issue in this case is whether the Tennessee statutory cap on punitive damages violates the guaranties in the Tennessee Constitution of trial by jury and separation of governmental powers.

AMA Interest

Medical liability reform is the AMA's highest legislative priority.

Case Summary

The case arose from a claim under a life insurance policy, which had death benefits of $350,000. The suit was originally brought in the United States District Court for the Western District of Tennessee.

The policy holder and his ex-wife were divorced. The divorce agreement required that the policy proceeds be made payable to the parties' minor children. However, the policy itself named the ex-wife as the principal beneficiary. The policy holder died, and the insurance company delayed payment while attempting to ascertain the proper payee. About six months after the death, the ex-wife and the children sued the insurance company for breach of contract and bad faith delay.

A federal court jury awarded the plaintiffs compensatory damages and interest in the amount of $366,363.22. In addition, the jury awarded $3 million in punitive damages. Under Tennessee Code § 29-39-104(a)(5), punitive damages cannot exceed the greater of twice the compensatory damages or $500,000. The punitive damages award under the jury's verdict would have exceeded that cap, but the federal judge was uncertain whether the statutory cap was constitutional. The federal court therefore certified the question of the constitutionality of the statutory limit to the Tennessee Supreme Court.

Litigation Center Involvement

The Litigation Center, along with the Tennessee Medical Association and other organizations, filed an amicus brief to argue to support the cap on punitive damages.

Supreme Court of Tennessee brief