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Parker Shaffie: Judge Tosses Out Navigators Insurance's $5 Million Reimbursement Demand Against One Of Its Policyholders

San Francisco, Calif.(May 4, 2026)—A U.S. District Court judge ruled that Navigators Specialty Insurance Company was not entitled to require its policyholder, SVO Building One LLC, to reimburse it for over $5 million for attorney's fees and costs incurred in its defense. (*Navigators Specialty Insurance Company v. SVO Building One, LLC*, Case No. 22-cv-07102-AMO, U.S. District Court, Northern District of California, April 30, 2026)

In 2017, SVO entered into a contract with Vertiv, an equipment manufacturing company, to design a data center in Sacramento, California. In 2019, Vertiv filed a complaint that alleged defamation, among other causes of action, against SVO. Navigators, a division of The Hartford, agreed to assume SVO's defense. After the underlying case was settled, Navigators sued SVO for reimbursement of the attorney's fees and costs, including expert fees totaling over $5 million, contending that it only had a duty to defend the defamation claim. Navigator countersued for breach of the insurance contract and violation of sections of the California Business a& Professions Code by Navigators, among other counterclaims.

SVO moved for summary judgment on the complaint on the grounds that Navigators failed to meet its burden under the controlling case of *Buss v. Superior Court* of allocating defense fees and costs it contended were solely allocable to non-covered claims and that it was required to defend more than just the defamation claim in the complaint. SVO also filed a motion under the *Daubert* case to exclude testimony of Navigators' expert on the grounds that his testimony ignored the applicable standard under *Buss* and was untrustworthy.

Judge Araceli Martínez-Olguín ruled that Navigators had not met its burden under the *Buss* case and that the allegations in the underlying complaint brought by Vertiv against SVO were sufficient to maintain the duty to defend even after the defamation cause of action was dismissed, and granted SVO's motion for summary judgment on the complaint. She also granted SVO's *Daubert* motion to exclude Navigators' expert. The court granted Navigators' motion for summary judgment on SVO's counterclaim for insurance bad faith, but denied it as to SVO's claims for breach of contract, violations of sections of the California Business & Professions Code and declaratory relief, the sole causes of action which remain in the case for trial.

As noted by Bruce Smyth, senior counsel at Parker Shaffie LLP, which represented SVO in the proceedings, "This case underscores the high burden on insurers who seek reimbursement from their own policyholders of attorney's fees and costs incurred in their defense under the *Buss v. Superior Court* decision when there are both covered and non-covered claims. It also demonstrates the negative results when they fail to do so. In this case, the negative results include defending against breach of contract and Business & Professions Code claims, which still remain."

Shawn Shaffie, name partner at Parker Shaffie, noted, "This ruling was a total rejection of the idea that a Fortune 500 insurance company can use its massive resources to bully its own policyholders. The court made it clear. A carrier cannot walk away from its duty to defend by ignoring the actual facts of a case. This ruling is a major victory against the systemic abuse of policyholders by a massive insurer."

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