

\$1.25M Settlement for Broker Who Failed to Advise of the Risks of an Unlicensed Insurer

March 23, 2015

A businessman who purchased a financial guarantee bond from a fraudulent insurance company agreed to a \$1.25 million settlement with one of his insurance brokers who was involved in the purchase of the bond. In *Harrington v. Sikora Associates, Inc.*, Tim Harrington sued three insurance brokers alleging that they failed to advise him that a financial guarantee bond that he was purchasing in the amount of \$4.75 million was being placed with an insurer that was not licensed or admitted in New Jersey or any other state. Harrington alleged that the brokers failed to warn him about the risks of purchasing the bond from such a company.

Harrington sold his controlling interest in Able Energy, Inc. to All American Plazas, Inc. in 2005. As part of the sale, All American provided a \$4.5 million promissory note that was allegedly guaranteed by the \$4.75 million bond used by United Assurance Company, LTD. Harrington paid over \$500,000 for the United Assurance bond.

After a number of years, All American fell behind on its payments under the promissory note. Harrington sued All American, which subsequently filed for bankruptcy. Harrington submitted a claim against United Assurance under the bond, only to learn that United Assurance is not licensed or admitted in any jurisdiction in the United States. United Assurance defaulted and Harrington obtained a default judgment against United Assurance in excess of \$5 million.

In 2009, Harrington sued the three insurance brokers who he had retained to assist in the purchase of the United Assurance bond. Two of the brokers settled in August 2011. A trial was held against the remaining broker, Sikora Associates, Inc., in April 2012. At trial, the jury found that all three brokers had breached their duty to Harrington and that the breach was a proximate cause of Harrington's damages. Damages were stipulated at \$4.75 million. After a ruling by the Appellate Division determined that a third-party defendant should not have been listed on the jury verdict sheet, the liability verdict was upheld and the matter was remanded for a re-trial on allocation of liability only.

The allocation only trial was scheduled for March 23, 2015 before Judge Hany Mawla. The \$1.25 million settlement was reached with retired Judge Jack Lintner of Norris McLaughlin serving as the mediator.

Harrington was represented by Charles J. Stoia of Porzio, Bromberg & Newman. Sikora was represented by Anthony Pasquarelli of Sweet Pasquarelli.