

Jury Rules Against Princess's Insurance Claim

Defense said couple exaggerated worth of burned barn

By CHRISTIAN NOLAN

The Estate of Frederick Mali and Lucretia Mali v. Federal Insurance Co.: A federal jury decided that a Russian princess, whose Litchfield County barn burned to the ground six years ago, fabricated numbers when she told her insurance company that the building and all of the antiques inside it were worth nearly \$3 million.

Because the jury ruled that the woman had misrepresented the value of the barn, which was built in 1830 and essentially served as a farmhouse, her policy was voided and she will not collect a cent for either the damage to the building or the antiques.

"The moral of the story is if you suffer a loss, be truthful in your claim," said Mark Seiger, of Seiger Gfeller Laurie LLP in Hartford, who represented the insurance company.

The unique tale begins on April 1, 2005 when a fire destroyed a barn, which contained a two-story living area, on the 400-acre Winsted estate of Frederick and Lucretia Mali. A larger farmhouse on the same property was not set ablaze.

Frederick Mali, who died at age 76 after the fire but prior to the resolution of this case, was the president and CEO of HWT Mali & Co., the oldest continuously operating family-run business in New York City. The company has been supplying the signature green cloth on pool tables since 1826.

Mali, whose great grandfather founded the Metropolitan Museum of Art, married a Russian princess, HSH Lucretia Oblensky-Mali. (The HSH standing for Her Serene Highness). The couple traveled to their Litchfield County property on weekends and holidays during the warmer months. They otherwise resided in Manhattan.

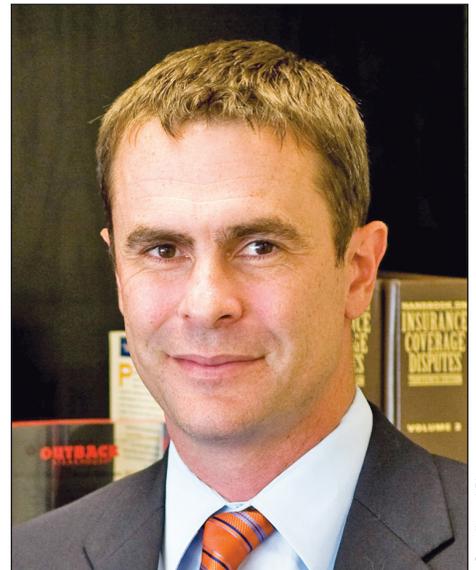
The Malis were not present when the fire broke out. Though there was never an official ruling on the cause of the fire, it is believed to have been electrical in nature, said Seiger.

After the fire, the Malis reported it to their homeowners insurance carrier, Federal Insurance Co., part of the Chubb group of insurance companies.

Robert D. Laurie, also of Seiger Gfeller Laurie LLP, said the Malis' story about the building and its contents began to take on the life of "a fishing story." That is, over time, things kept getting bigger. Initially, he said the couple claimed the barn encompassed 1,186 square feet with one room downstairs and five rooms upstairs.

But "all of a sudden it started to grow," said Laurie. They soon claimed the farm building was actually about 3,200 square feet with 14 rooms, with nine downstairs and five upstairs. They also put the value of the Delft tile bathroom floor alone at \$629,000.

Laurie said such premium tiling doesn't burn but there were no remnants of any such tiles after the fire. Additionally, the Malis claimed the barn contained various high-end appliances, hardwood floors, ceramic tile, four



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Attorneys Mark Seiger and Robert D. Laurie noted that they represented an insurer who seldom took claims to trial, but in this case made an exception because the weight of the evidence was overwhelming.

skylights on the roof of the barn and other top-of-the-line items. Further, the Malis claimed they lost \$790,000 worth of valuable antiques, a total that Seiger admitted they were pretty consistent with throughout the case.

Laurie said the Malis' claim ended up to be at least \$2.3 million and they eventually asked a jury for about \$2.7 million. Meanwhile, the insurance company valued the property at \$900,000 for rebuilding purposes. The policy limit for contents was \$300,000.

Unable to reach any sort of compromise and with such a discrepancy, the Malis, through their lawyer, Jamie Brickell, of the New York City firm Pryor Cashman LLP, filed a claim in Connecticut federal court for bad faith, breach of contract and sought a declaratory judgment. Judge Ellen Bree Burns denied the claim.

Following a discovery period that included over 25 witness depositions, the production of thousands of documents, a forensic structural engineering investigation and multiple discovery disputes, the case finally went to trial in late July.

During the two-week trial, the plaintiffs presented two witnesses who attempted to describe the contents of the barn before and after the fire. Lucretia Mali, 73, also testified about the condition of the property before the fire. The plaintiff's testimony took six days.

The defense lawyers, meanwhile, presented physical evidence that called into question the size of the barn and its contents. For instance, the defense called the architect who converted the barn into living space. The architect put the building's size at about 1,100 square feet. Also testifying was a fire marshal, who provided a similar estimate of the structure's size and also described its contents.

Additionally, the defense presented aerial photographs, taken by the state of Connecticut, which showed the barn prior to the fire. "The photos showed the barn had no sky-

lights," said Laurie.

After deliberating for less than an hour, the jury ruled July 28 in favor of the insurance company. As a result of the defense verdict, the Malis' homeowner's policy was void.

"We are very pleased that the jury reached the correct decision in this complicated case and vindicated the actions of our client, Federal [Insurance], who took a stand against an insured who materially misrepresented their insurance claim," said Seiger.

Seiger noted that Chubb is a conservative corporation and rarely take cases to trial, but that it "took a hard line in this case because of the evidence."

Laurie said the key to the defense verdict was likely the "significant amount of evidence that was impartial and that could be viewed by the jury," such as the aerial photographs and testimony of fire scene witnesses.

Brickell, the lawyer for the Malis, said his client is still contemplating whether to appeal the jury's verdict. The attorney said there was certain evidence he wanted to present at trial, but that Judge Burns wouldn't permit it. "The judge prevented us from putting on our case," said Brickell, who declined to elaborate further.

Seiger said Lucretia Mali has not had the barn rebuilt. He's unsure if she still visits her Winsted property.

The defense lawyers, who specialize in defending commercial litigation, said misrepresentations of this type are rare. "It doesn't happen that often," said Seiger. But, he added, for the policy holders to come away with nothing "is a harsh consequence and insurance companies are pretty diligent in rooting this out and dealing with it."

"I hope [the verdict] is a deterrent," continued Seiger. "If we could root out the fraud that takes place in the insurance industry everybody's premiums could come down." ■