resulting from liability of the insured under insurance contracts or due to an inspection, title search, or survey that was made, not made, or improperly made. Applying a prior case that held that the exclusion applied to only honest mistakes, the trial court ordered payment on the bond. The court of appeals reversed.

In holding that the exclusion was effective to prevent payment on the bond for the dishonest acts of the employee in issuing title policies, the court reasoned that the policy could not exclude what was not initially covered. Since there was no coverage for losses due to honest brokerage, an exclusion for honest mistakes was meaningless. As the court stated, exclusions must be construed to subtract from the existing broad coverage. Further, the court found that the policy continue to cover other wrongful acts such as employee theft and forgery. Thus, the policy continued to cover a significant area of risk despite the exclusion.

Coverage of Punitive Damages

Home Insurance Co. v. American Home Products Corp., 75 N.Y.S.2d 196 (N.Y. 1990).

On a question presented to it by a federal court, the New York Court of Appeals concluded that public policy would prevent insurance coverage of punitive damages arising from a strict liability claim for failure to warn. American Home Products suffered $9.2 million in compensatory damages and $13 million in punitive damages because it failed to warn of known dangers of one of its drugs. It looked to Home for coverage of the excess damages not covered by its primary insurer. Home filed suit for a declaration that it was not responsible for the punitive damages not paid by the primary insurer. The federal court presented the question to the New York Court of Appeals which agreed with the insurer.

The court stated the general policy that insurers were not responsible for indemnifying punitive damages because payment would undermine the punitive rationale. The court then determined that the facts in the product liability case warranted the application of the principle. At the trial, the jury was instructed that the evidence must show that the manufacturer showed utter indifference. The court found the instruction sufficient to warrant a similar award under New York law. Thus, the jury finding against American Home Products precluded excess coverage indemnity from Home.

Pharmacist's Duty to Warn

McKee v. American Home Products Corp., 113 Wash. 2d 701, 782 P.2d 1045 (1989).

The Washington Supreme Court affirmed a decision that a pharmacist has not duty to warn a patient receiving medicine by doctor's prescription of the effects of the drug absent special circumstances. For ten years, McKee's doctor prescribed an amphetamine as a means of weight control. The manufacturer's package insert warned that the drug was potentially addictive and that the

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