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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

NY Judge Halts Excess Coverage Denial For 'Mutual Mistake'

By **Abraham Gross**

Law360 (December 23, 2025, 8:13 PM EST) -- A New York federal judge undid an excess insurer's denial of coverage for a plumbing company facing lawsuits over a building fire, saying that both parties agreed to the policy under a "mutual mistake" over the scope of coverage.

In a **decision issued Monday**, Judge J. Paul Oetken of New York's Southern District said that Systems 2000 Plumbing Service and GuideOne National Insurance Co. had a shared but incorrect understanding of what work was covered and that the insurer could not enforce an exclusion that would render coverage illusory.

Judge Oetken found that both insurer and insured agreed to the policy with the intent that it cover work on residential buildings, and that neither party had seen the exclusion for such work that was contained in the primary policy issued by a Travelers unit.

"Because all of Systems 2000's work was performed in residential buildings, enforcement of the residential-work exclusion would result in no coverage for the entirety of the insured's work, thus providing illusory coverage," he said, concluding that the only way to enforce the original intent was to strike the exclusion.

The dispute originates in a March 2021 fire at a Manhattan co-op where Systems 2000 had been working to replace valves in the building's plumbing system, according to court documents.

Systems 2000 had a \$2 million Travelers primary general liability policy and GuideOne's \$4 million excess policy, which went into effect eight days before the fire.

Judge Oetken found that, despite the residential-work exclusion in the primary policy, Systems 2000 had only seen "a confusingly worded" reference in Travelers' proposal at the time of the fire, and would not receive the full text of the exclusion until eight days after the fire.

Travelers itself had initially denied coverage based on the exclusion before "reforming" the policy to remove it, the court noted, while GuideOne maintained its denial.

GuideOne argued that Systems 2000 knew or should have known about the exclusion, that the exclusion would carry forward into the excess policy, and that there was no mutual mistake because there was no "meeting of the minds" between insurer and insureds.

Judge Oetken, however, noted that repeated communications between the two constantly referred to the plumber's work in residential buildings and that communications with Travelers likewise referenced the nature of Systems 2000's work.

The court also noted that Derek Schiavone, GuideOne's head of excess and surplus casualty when the policy was issued, as well as the underwriter for the policy testified that their intent was to provide excess coverage for Systems 2000 as a plumber doing work in apartment buildings.

"In short, GuideOne plainly knew that Systems 2000 did work in residential buildings in New York City and intended to insure the risk for that work," Judge Oetken said, adding that the company did not engage in any misrepresentation or deception that would make it inequitable to reform the policy.

Marina Spinner of Nicoletti Spinner Ryan Gulino Pinter LLP, who represents Systems 2000, said in an email to Law360 on Tuesday that she was not surprised by the ruling because the evidence they presented was overwhelmingly in their favor.

"I felt that the position that GuideOne had taken throughout the entire litigation and at trial was shocking in light of their own underwriter's testimony which proved GuideOne clearly intended to provide insurance coverage for the only type of work my client Systems 2000 performed and negotiated insurance coverage for," she said.

She added that the excess policy will likely be fully exhausted; the remaining outstanding issue in the case is payment of attorney fees, which they believe Systems 2000 is entitled to "given that they were cast in a defensive posture to defend this protracted coverage litigation."

Counsel for GuideOne and spokespersons for Travelers did not immediately respond to requests for comment Tuesday.

GuideOne National Insurance is represented by Daniel C. Rosenberg of Reiners & Rosenberg.

Systems 2000 Plumbing Service is represented by Marina A. Spinner, Claire M. Rush and Alexandra Spinner of Nicoletti Spinner Ryan Gulino Pinter LLP.

The case is GuideOne National Insurance Co. v. Systems 2000 Plumbing Service Inc. et al., case number 1:22-cv-05018, in the U.S. District Court for the Southern District of New York.

--Editing by Leah Bennett.