[Insurer Name]
[Insurer Address]
[City, State, Zip Code]

[Date]

[Policyholder Name]
[Policyholder Address]
[City, State, Zip Code]

RE: Notice of Reservation of Rights
Claim Number: [Claim Number]
Policy Number: [Policy Number]
Matter: [Plaintiff Name] v. [Policyholder Name]
Date of Loss: [Date of Incident]

Dear [Policyholder Name],

We are currently defending you in the lawsuit referenced above. We are writing to formally notify you that [Insurance Company Name] is reserving its rights under your insurance policy regarding the claim for punitive or exemplary damages.

The complaint filed against you seeks both compensatory damages and punitive damages. Please be advised that your policy provides coverage for compensatory damages resulting from an occurrence, subject to the policy's terms and limits. However, the policy contains exclusions or is governed by state laws that may prohibit the indemnification of punitive damages.

Specifically, we direct your attention to the following sections of your policy:

[Insert Specific Policy Language/Exclusion Clause Here]

Because punitive damages are intended to punish a defendant rather than compensate a claimant, many jurisdictions and policy forms exclude coverage for such awards. Therefore, while we will provide a legal defense for the entire lawsuit, [Insurance Company Name] will not pay any portion of a judgment or settlement that is attributed to punitive or exemplary damages.

You have the right to retain personal counsel, at your own expense, to represent your interests regarding the uninsured portion of this claim and to monitor the defense provided by this company.

Our investigation into this matter is ongoing. We reserve the right to amend this reservation or to raise additional defenses as more information becomes available. No action taken by us in the investigation or defense of this claim should be construed as a waiver of any rights under the policy.

Sincerely,

[Adjuster/Representative Name]
[Title]
[Insurance Company Name]