LAW360 Insurance Authority

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4th Circ. To Weigh Hotel Liability In Trafficking Claims

By **Jennifer Mandato**

Law360 (September 10, 2026, 7:00 PM EDT) -- The Fourth Circuit is set to weigh in on the ongoing debate about whether hotel owners are owed coverage for legal claims related to the federal Trafficking Victims Protection Reauthorization Act, or TVPRA.

Insurance experts say the case could help clear a pathway to success for policyholders looking to secure coverage, or even get the issue before the U.S. Supreme Court if the case results in more disagreement.

At an upcoming hearing, Peerless Indemnity Insurance Co. and Ohio Security Insurance Co. will argue that a Virginia district court erred in finding that the carriers must defend hotel franchisee Tilma Inc. The business is facing an underlying lawsuit brought by a woman alleging she was a victim of sex trafficking while staying at the hotel.

In their opening brief, Peerless and Ohio Security told the Fourth Circuit that any of Doe's allegations related to detention or imprisonment are "inextricably linked" with claims for "bodily injury," which are dictated by Coverage A of Tilma's commercial general liability policy. For Coverage A to apply, bodily injury must be caused by an "occurrence," and the allegations against Tilma do not meet that threshold, the insurers said.

Tilma maintains that the lower court got it right on the grounds that the underlying plaintiff's claims fall within the scope of its commercial general liability policy's Coverage B form.

According to the franchisee, coverage under policy language related to "personal and advertising injuries," including injuries stemming from detention, was triggered by the woman's claims that hotel staff heard her attempted escape.

Here, Law360 Insurance Authority breaks down the case in advance of oral arguments Sept. 14.

What's at Stake

With growing public awareness of sex trafficking, litigation over sex trafficking has proliferated in recent years, including for hotel owners, operators and insurers.

While the Pennsylvania Supreme Court in July dropped a major ruling that hotel insurers couldn't cite public policy to automatically deny a duty to defend, many such disputes are highly claim-and-fact specific.

Policyholder attorney Joseph K. Cole, a partner at Shumaker Loop & Kendrick LLP, said the underlying claims in the Peerless case will require the Fourth Circuit to take a close look at what is actually being alleged.

"I agree with the insurers' position that the damages here are inextricably intertwined," Cole said. "There are a lot of overlapping allegations and so you have to look at the underlying allegations, not the specific legal theories."

Dennis J. Nolan, a shareholder and policyholder attorney at Anderson Kill PC, told Law360 it's not surprising that the insurers made the argument that Coverage A and Coverage B are intertwined and that neither provides coverage for Tilma.

This argument, however, doesn't hold up because a claim can trigger multiple coverages, Nolan said. Here, the insurers may think they have a better chance at disclaiming a duty to defend under Coverage A, hence their argument that the underlying claims are connected to this coverage form, he said.

Cole said that since the TVPRA defines beneficiary liability fairly broadly, courts around the country are being left to decide what it actually means to participate in a sex trafficking venture and what level of culpability meets that threshold.

In addition to the policyholder win at the Pennsylvania Supreme Court, an Ohio federal court ruled in March that a Liberty Mutual unit must defend hotel chain Red Roof Inn in 11 suits related to human trafficking claims.

Given policyholders' recent success in securing coverage for TVPRA-related claims, Cole told Law360 it will be interesting for the Fourth Circuit to add its own thoughts to the conversation. Depending on where the court lands, the decision could help settle or add to growing split in circuits, setting up a potential trip to the U.S. Supreme Court, he said.

How We Got Here

Peerless and Ohio Security **sued** Tilma in August 2024, arguing that the hotel owner wasn't owed a defense against underlying trafficking claims brought by a Virginia resident.

The woman, identified in the case as Jane Doe, had sued Tilma five months prior, maintaining that Tilma ignored the signs of sex trafficking and made it easier for the perpetrators to operate within a Chesapeake hotel between 2012 and 2014.

Doe alleged that Tilma "knew or should have known" sex trafficking was occurring at its facility, particularly after hotel managers saw her "emotional, nervous, scared, and often bruised" by her captors.

Hotel staff also "overheard her screaming while her trafficker caught her, dragged her back to her hotel room, and beat her following her attempt to escape her trafficker," according to court records.

In July 2025, a Virginia federal judge granted Tilma's motion to dismiss the insurers' suit, determining that the policy language covers Doe's claims that Tilma staff overheard her attempted escape. In reaching that conclusion, Judge Walker interpreted Coverage B of Tilma's CGL policy, which covers "personal and advertising injuries," including those arising out of false arrest, detention or imprisonment.

Judge Walker also rejected the insurers' argument that the alleged conduct triggers exclusions for intentional torts, crimes and contractual liability because Doe didn't allege that Tilma itself sexually trafficked Doe or directed Doe's traffickers.

The Insurers' Stance

In appealing to the Fourth Circuit, the insurers argued that Doe did not allege she was detained at Tilma's hotel; rather, she alleged that she was sex trafficked there.

"Even if she had alleged she was detained, any 'personal and advertising injury' caused by detention was inextricably intertwined with her alleged sex trafficking, meaning that those claims must be assessed under Coverage A," the insurers said.

Tilma is not owed defense under Coverage A either because Doe did not allege an "occurrence," the insurers argued.

Tilma's Stance

Tilma urged the Fourth Circuit to affirm the lower court's conclusion that the duty to defend under Coverage B was satisfied because the underlying complaint alleges that when Tilma rented Doe a room, the hotel owner "knew or should have known" she was being detained, imprisoned or trafficked.

While the carriers argue that Coverage B requires Tilma to have proximately caused Doe's injuries, Virginia law does not insert this concept into the at-issue policy, Tilma said.

Should the Fourth Circuit agree with the insurers that Tilma's prospective liability is "participation in a sex-trafficking venture," the appellate court would be straying from other appellate courts' findings that participation in a venture is separate and distinct from a defendant's knowledge of a violation by the venture, Tilma stated.

Representatives for the parties did not immediately respond to requests for comment Thursday.

The insurers are represented by Nancy D. Adams, Alec J. Zadek, Mitchell J. Clough and Allison R. Radocha of Mintz Levin Cohn Ferris Glovsky and Popeo PC and E. Ford Stephens of Christian & Barton PC.

Tilma is represented by Patrick H. O'Donnell, Sharon K. Reyes and Christopher M. Seelie of Kaufman & Canoles PC.

The case is Peerless Indemnity Insurance Company v. Tilma, Inc., case number 25-1980, in the U.S. Court of Appeals for the Fourth Circuit.

--Additional reporting by Elizabeth Daley. Editing by Abbie Sarfo.