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Insurance Companies Cannot "Check Out": Courts Reject Insurance Companies' Efforts To Avoid TVPRA Defense Obligations

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The surge in litigation against hotels under the Trafficking Victims Protection Reauthorization Act, 18 U.S.C. § 1591 et seq. ("TVPRA") has been accompanied by insurance companies' efforts to sidestep coverage for these claims (according to the Human Trafficking Legal Center, over 80% of filed cases involved hotels and the hospitality industry). Recent decisions, however, make clear that insurance companies cannot simply "check out" when their policyholders face potential TVPRA liability. In two recent cases – Red Roof Inns, Inc. v. Liberty Mutual Fire Insurance Co. and Peerless Indemnity Insurance Co. v. Tilma Inc. – courts held that the insurance companies owed a duty to defend hotels alleged to have violated the TVPRA by knowingly benefiting from participation in ventures engaged in trafficking activities. These decisions reinforce the broad scope of the duty to defend, even where the underlying complaints alleged awareness of, or knowing participation in, the trafficking conduct.

I. Red Roofs Inns: Coverage Available for TVPRA Claims Under Bodily Injury and Property Damage Coverage

Recently, in Red Roof Inns, Inc., et al. v. Liberty Mutual Fire Insurance Co., No. 2:25-cv-00352, 2026 WL 775589 (S.D.Oh. 2026) ("Red Roof Inns"), the Southern District of Ohio considered whether Liberty Mutual owed a duty to defend Red Roof under its commercial general liability policy against multiple lawsuits alleging violations of the TVPRA.

The underlying plaintiffs alleged that they were victims of sex trafficking at Red Roof properties and sought to hold Red Roof liable under the TVPRA's beneficiary-liability provision, which authorizes claims against entities that knowingly benefit from participation in a venture that they knew or should have known was engaged in trafficking activity.

Liberty Mutual argued that the complaints failed to allege an "occurrence," – defined as an "accident" under the policy's bodily injury liability coverage section – because participation in a trafficking venture necessarily involves intentional conduct and therefore cannot constitute an accident. The court disagreed, emphasizing that the duty to defend is triggered whenever the allegations potentially or arguably fall within coverage.

The court distinguished between allegations of intentional conduct and allegations of intentional harm. According to the court, neither "participation in a venture" nor allegations that an entity "knew or should have known" of trafficking activity necessarily establish an intent to harm the underlying plaintiffs. The court explained that "participation" may be established through indirect association, such as a "continuous business relationship" with the trafficking venture. While such allegations may involve intentional conduct, they do not establish that the defendant intended to cause the plaintiffs' injuries. Likewise, allegations that an entity "should have known" of trafficking activity do not necessarily allege actual knowledge or a deliberate intent to cause harm. Therefore, the court concluded that the claims potentially alleged an "occurrence," triggering Liberty Mutual's duty to defend. The decision in Red Roof Inns reiterates a recurring principle in coverage litigation: allegations of negligent or reckless conduct – even when connected to intentional wrongdoing by third parties –still triggers a defense obligation where the policyholder is not alleged to have intended the resulting harm.

II. Tilma: Coverage Available for TVPRA Claims Under Personal and Advertising Injury Coverage

The Eastern District of Virginia reached a similar conclusion in Peerless Indemnity Insurance Co., et al., v. Tilma Inc., et al., No. 2:24-cv-492, 2025 WL 2052479 (E.D.Va. 2025) ("Tilma"), holding that the insurance companies owed both a duty to defend and a duty to indemnify a hotel facing claims under the TVPRA.

There, the underlying plaintiff sought relief under the TVPRA's beneficiary-liability provision, alleging that Tilma knowingly benefited from the trafficking venture at its hotel by turning a blind eye to the traffickers' activities.

Tilma sought coverage under its commercial general liability policy's "personal and advertising injury" provision, which covered injuries arising out of "[f]alse arrest, detention or imprisonment." The court concluded that allegations that Tilma knew or should have known that the plaintiff was being detained and trafficked at the hotel were sufficient to potentially trigger coverage under that provision.

The court further held that no policy exclusion barred coverage. For example, the court rejected the insurance companies' reliance on the intentional torts exclusion, explaining that although the complaint alleged that Tilma was aware of the traffickers' conduct and acted in ways to allow the trafficking, it did not allege that Tilma itself committed or directed an intentional tort. The court likewise rejected the insurance company's reliance on the crime exclusion, explaining that the underlying complaint did not allege that Tilma itself "committed" or "direct[ed]" the criminal conduct. Thus, the court found that the insurance companies owed both a duty to defend and a duty to indemnify Tilma against the TVPRA claims.

Notably, both Red Roof Inns and Tilma rejected the insurance companies' arguments that coverage for TVPRA claims should be barred as a matter of public policy. In each case, the courts emphasized that the underlying claims rested on negligence-based theories of liability – namely, that the policyholder knew or should have known of the trafficking activity – rather than allegations that the policyholders intended to cause the underlying plaintiffs' injuries.

III. Key Takeaways

Taken together, Red Roof and Tilma reflect a growing judicial reluctance to permit insurance companies to avoid coverage obligations based solely on allegations that a policyholder knowingly benefited from, or failed to prevent, trafficking activity. The decisions reaffirm that the duty to defend remains broader than the duty to indemnify and that allegations falling short of intentional harm are sufficient to trigger coverage under general liability policies.

For hotel owners, operators, and franchisees, these cases highlight the importance of maintaining robust liability coverage and ensuring that appropriate additional-insured protections are in place. Those considerations may become even more significant as the hospitality industry prepares for the increased travel, lodging demand, and heightened anti-trafficking regulatory scrutiny associated with major events such as the 2026 FIFA World Cup.

As courts continue to address the intersection of insurance coverage and human-trafficking liability, Red Roof Inns and Tilma reinforce a fundamental principle of insurance law: where claims potentially fall within coverage, insurance companies cannot simply "check out" of their defense obligations.

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