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Arizona Supreme Court Defines "Fortuitous Loss" in Insurance Coverage Disputes

In a significant decision for insurers and policyholders, on September 1, 2026, the Arizona Supreme Court in *Industrial Park Center, LLC v. Great Northern Insurance Co.* defined what constitutes a “fortuitous loss” in an insurance policy in response to a certified question from the U.S. Court of Appeals for the Ninth Circuit. Under Arizona law, a loss must be fortuitous to be insurable. The court held that a fortuitous loss is one that, to the parties’ knowledge, is dependent on chance. Conversely, a loss is non-fortuitous, and therefore not covered, if the policyholder knew, at the time the policy took effect, that the loss-causing event had already happened, was already happening, or was certain to happen because no material contingency remained between the facts known to the insured and the loss-causing event. The court adopted a subjective knowledge standard based on the policyholder’s actual knowledge at the time coverage attaches. The court rejected an objective standard adopted by other jurisdictions.

For members of the insurance industry in Arizona, *Industrial Park Center* resolves a longstanding jurisprudential tension by defining both fortuitous and non-fortuitous loss. The definitions provide a clearer standard with respect to categorizing insurable and uninsurable loss. However, the facts of each loss, including the terms of the policy contract and the nature of the loss, remain highly relevant to any coverage dispute.

The court clarified that insurers retain several mechanisms for managing exposure. Insurers may assess risk during underwriting and decline coverage or include specific, clearly communicated exclusions in the policy. In light of this decision, insurers may evaluate their underwriting practices and standard policy forms to evaluate risk exposure.

This decision will shape future insurance coverage disputes in Arizona, and insurers and policyholders alike should monitor how courts apply the fortuitous loss standard from *Industrial Park Center* in future cases. Please contact Andrew McNichol, Jared Bruttig, or your Husch Blackwell attorney with any questions.

The opinion is available at:

<https://www.azcourts.gov/Portals/o/OpinionFiles/Supreme/2026/CV250330CQ.pdf>.

This article provides general legal information. It does not constitute legal advice to the reader and does not create an attorney-client relationship between the reader and Husch Blackwell LLP. The reader should seek legal advice if they have questions about how this legal information may apply to their own circumstances.