SUPREME COURT OF VERMONT

Travelers Indemnity Co. of America v. Deguise

2006 VT 87, 180 Vt. 214 (2006) · Decided August 18, 2006

SUMMARY

The Vermont Supreme Court held that tenants were not implied coinsureds under their landlord's fire insurance policy and therefore could be pursued by the insurer in subrogation for negligently caused fire damage. The court concluded that the lease's reference to insurance premiums did not overcome express provisions making tenants responsible for damage caused by their negligence. A dissent would have found an implied agreement that the landlord's insurance benefited the tenants and barred subrogation.

CASE DETAILS

COURT	Supreme Court of Vermont
WRITING FOR THE COURT	Burgess, J.; Dooley, J.; Johnson, J.; Reiber, J.; Skoglund, J.
JURISDICTION	Vermont
DECIDED	August 18, 2006
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the superior court's grant of summary judgment to the insurer in a subrogation action and denial of the tenants' cross-motion for summary judgment.
STANDARD OF REVIEW	Summary judgment is reviewed de novo under the same standard applied by the trial court; it is appropriate when undisputed facts demonstrate that a party is entitled to judgment as a matter of law.
PRECEDENTIAL VALUE	Published precedential opinion
PARTIES	Defendants-tenants v. Travelers Indemnity Co. of America

TOPICS

subrogation · insurance coverage · contract interpretation · contracts · remedies

PRACTICE AREAS

insurance · real estate · contracts · remedies

QUESTIONS PRESENTED

1. Whether the tenants were implied coinsureds under the landlord's fire insurance policy and therefore protected from the insurer's subrogation claim.
2. Whether the lease, considered as a whole, demonstrated an intent or reasonable expectation that the landlord's insurance would benefit the tenants or relieve them of liability for negligently caused fire damage.
3. Whether public-policy and equitable considerations concerning the tenants' income and bargaining power barred the insurer's subrogation claim.

HOLDINGS

1. The tenants were not implied coinsureds under the landlord's fire insurance policy because the lease, considered as a whole, did not establish that the landlord intended to insure for the tenants' mutual benefit or waive recovery for negligently caused damage.
2. Public-policy and equitable considerations did not override the express terms of the lease or defeat subrogation on this record.
3. Summary judgment for the insurer was proper because the material facts were undisputed and the insurer was entitled to judgment as a matter of law.

KEY QUOTATIONS

> *"the mere mention of insurance in the "Hazards" provision of the lease is insufficient to overcome other express provisions in the lease that clearly outline tenants' responsibility to pay for damages caused by their negligence."* (180 Vt. at 217-218)

> *"It is the role of courts to enforce the contract the parties made, "'not one we wish they made.'""* (180 Vt. at 220)

FACTUAL BACKGROUND

The tenants leased an apartment from Northgate Housing Limited Partnership under a written lease. They admitted that they emptied smoldering material from an ashtray into a trash can or wastebasket, causing a fire that damaged the apartment. The landlord submitted a claim under its fire insurance policy, and Travelers paid $10,711.66 for the fire-related property damage.

PROCEDURAL HISTORY

After a fire caused by tenants' negligence, the insurer paid the landlord $10,711.66 under the landlord's fire insurance policy and brought a subrogation action against the tenants. The superior court granted the insurer summary judgment, denied the tenants' cross-motion, and entered judgment because negligence and damages were uncontested. The Vermont Supreme Court affirmed.

DISPOSITION

affirmed

CASES CITED

- Hardwick Recycling & Salvage, Inc. v. Acadia Ins. Co., 2004 VT 124, 177 Vt. 421, 869 A.2d 82
- Town of Stowe v. Stowe Theatre Guild, 2006 VT 79, 180 Vt. 165, 908 A.2d 447
- Union Mut. Fire Ins. Co. v. Joerg, 2003 VT 27, 175 Vt. 196, 824 A.2d 586
- Fairchild Square Co. v. Green Mountain Bagel Bakery, Inc., 163 Vt. 433, 658 A.2d 31
- United States Fire Insurance Co. v. Phil-Mar Corp., 139 N.E.2d 330 (Ohio 1956)
- Norfolk & Dedham Fire Ins. Co. v. Aetna Cas. & Sur. Co., 132 Vt. 341, 318 A.2d 659
- Peterson v. Silva, 704 N.E.2d 1163 (Mass. 1999)
- Houle v. Quenneville, 173 Vt. 80, 787 A.2d 1258
- Rausch v. Allstate Ins. Co., 882 A.2d 801 (Md. 2005)
- Windsor at Seven Oaks v. Kelly, 448 N.E.2d 251 (Ill. App. Ct. 1983)
- Garneau v. Curtis & Bedell, Inc., 158 Vt. 363, 610 A.2d 132
- Viles v. Vermont State Colleges, 168 Vt. 459, 724 A.2d 448
- Nationwide Mut. Fire Ins. Co. v. Gamelin, 173 Vt. 45, 786 A.2d 1078