SUPREME COURT OF PENNSYLVANIA

Kmonk-Sullivan v. State Farm Mutual Automobile Insurance Co.; Midili v. Erie Insurance Group, 567 Pa. 514

788 A.2d 955 (2001) · Decided December 19, 2001

SUMMARY

The Supreme Court of Pennsylvania considered consolidated underinsured motorist claims arising from accidents involving Commonwealth and local government vehicles. The court held that statutory caps on governmental liability can render government vehicles underinsured under Pennsylvania's Motor Vehicle Financial Responsibility Law, and that policy exclusions for government vehicles impermissibly conflict with that law and are invalid. The court affirmed the Superior Court's decisions in favor of the insureds.

CASE DETAILS

COURT	Supreme Court of Pennsylvania
WRITING FOR THE COURT	Newman, Justice; John P. Flaherty, C.J.; Zappala, Justice; Cappy, Justice; Castille, Justice; Nigro, Justice; Saylor, Justice
JURISDICTION	Pennsylvania
DECIDED	December 19, 2001
DISPOSITION	affirmed
PROCEDURAL POSTURE	Insurers sought review of Superior Court decisions holding that policy exclusions for government vehicles violated Pennsylvania's Motor Vehicle Financial Responsibility Law and were invalid.
STANDARD OF REVIEW	Statutory interpretation is reviewed de novo; the court begins with the express words of the statute and goes no further when the statutory language is clear.
PRECEDENTIAL VALUE	Published Pennsylvania Supreme Court opinion; precedential.
PARTIES	State Farm Mutual Automobile Insurance Company, Nationwide Insurance Companies, Commercial Union Insurance Companies, Prudential Insurance Company of America, Aetna, Inc., Erie Insurance Group, Allstate Insurance Company, Progressive Casualty Insurance Company, Metropolitan Life Insurance Company, Liberty Mutual Insurance Group, American States Insurance, Todd Prugar, Patricia Madden, Janet Bradley, Susan Johnson, Paul Johnson, Catherine

Dahlgaard, Donald Edgar, Elaine Kruzynski, Lawrence Pavlok, Joseph Etheridge, Stephanie Beck, Nationwide Insurance Companies, Commercial Union Insurance Companies, Prudential Insurance Company of America, Aetna, Inc., Erie Insurance Group, Allstate Insurance Company, American States Insurance v. Michelle C. Kmonk-Sullivan and other injured insureds, Sandra W. Midili, individually and as Executrix of the Estate of Arnold W. Midili

TOPICS

uninsured motorist | insurance coverage | statutory interpretation | municipal liability | declaratory relief insurance

PRACTICE AREAS

insurance coverage | uninsured motorist | statutory interpretation | municipal liability

QUESTIONS PRESENTED

1. Whether a government vehicle may qualify as an underinsured motor vehicle under Pennsylvania's Motor Vehicle Financial Responsibility Law when statutory sovereign-immunity or governmental-immunity damage caps leave the available self-insurance insufficient to pay the insured's losses.
2. Whether automobile insurance policy provisions excluding government vehicles from the definition of an underinsured motor vehicle conflict with the MVFRL requirement that insurers offer underinsured-motorist coverage.
3. Whether the insureds were legally entitled to recover damages for purposes of 75 Pa.C.S. § 1731(c), notwithstanding the statutory limits on governmental liability.

HOLDINGS

1. A government vehicle is an underinsured motor vehicle under 75 Pa.C.S. § 1702 when statutory damage caps make the available governmental self-insurance insufficient to pay the insured's losses. The statute does not restrict the circumstances or reasons producing the insufficiency.
2. An automobile insurance policy exclusion that removes government vehicles from the definition of an underinsured motor vehicle is contrary to the MVFRL, invalid, and ineffective.

KEY QUOTATIONS

> *“Consequently, where the damages cap causes the available limits of underinsurance to be insufficient, the requirements of 75 Pa.C.S. § 1702 are met.”* (961)

> *“An exception expressly provided in a statute is a strong indication that the legislature did not intend to exclude unexpressed items.”* (962)

> *“Insurers' policy exclusion is contrary to the MVFRL because it attempts to withdraw coverage that the legislature required it to offer.”* (962)

> *"Because the government vehicles in Kmonk-Sullivan and Midili are underinsured motor vehicles as defined by the MVFRL, and are not excluded by that statute, the Superior Court correctly determined that the insurance policies, which purported to apply a more restrictive definition of underinsured motor vehicles, are inconsistent with the statute."* (962)

FACTUAL BACKGROUND

Approximately fifty passengers were injured when two Port Authority of Allegheny County buses collided. Because statutory sovereign-immunity limits restricted the amount recoverable from the Commonwealth agency, the injured passengers recovered only about one-third of their damages and then sought underinsured-motorist benefits. In the companion case, Arnold Midili was killed by a vehicle operated by an Allegheny County employee; the county paid the statutory maximum of $500,000, but his widow sought additional UIM benefits after Erie denied coverage under a government-vehicle exclusion.

PROCEDURAL HISTORY

In Kmonk-Sullivan, the Allegheny County Court of Common Pleas entered judgment for the insureds on stipulated facts, and the Superior Court ultimately affirmed en banc after initially reversing in a panel decision. In Midili, a board of arbitrators ruled for Erie, the Washington County Court of Common Pleas adopted the award, and the Superior Court ultimately reversed and remanded after reargument en banc. The Supreme Court of Pennsylvania consolidated the matters for review and affirmed the Superior Court.

DISPOSITION

affirmed

CASES CITED

- Philadelphia Housing Authority v. Commonwealth of Pennsylvania Labor Relations Board, 508 Pa. 576, 499 A.2d 294 (1985)
- Kmonk-Sullivan v. State Farm Mutual Automobile Insurance Co., 746 A.2d 1118 (Pa. Super. 1999)
- Midili v. Erie Insurance Group, 746 A.2d 1126 (Pa. Super. 2000)
- Hall v. Amica Mutual Insurance Co., 538 Pa. 337, 648 A.2d 755 (1994)
- Gabriel v. Minnesota Mutual Fire and Casualty, 506 N.W.2d 73 (N.D. 1993)
- Kyrkos v. State Farm, 121 Wash. 2d 669, 852 P.2d 1078 (1993)
- Martin v. State Farm, 755 S.W.2d 638 (Mo. Ct. App. 1988)
- Young v. Greater Portland Transit District, 535 A.2d 417 (Me. 1987)
- Karlson v. Oklahoma City, 711 P.2d 72 (Okla. 1985)
- Hillhouse v. Farmers Insurance Co., Inc., 226 Kan. 68, 595 P.2d 1102 (1979)
- Hanover Insurance Co. v. Gaudette, 408 Mass. 591, 562 N.E.2d 815 (1990)