UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

State Farm Lloyds v. Janet Richards

No. 18-10721, United States Court of Appeals for the Fifth Circuit (September 9, 2019)

SUMMARY

The Fifth Circuit certified a question to the Texas Supreme Court regarding whether a policy-language exception to the eight-corners rule exists under Texas law. The case involves a homeowner's insurance policy where the insurer relied on extrinsic evidence to prove policy exclusions (motor-vehicle and insured exclusions) in an ATV-accident death case, but the policy did not contain the standard "groundless, false or fraudulent" language. The district court had held that the eight-corners rule did not apply and allowed extrinsic evidence, but the Fifth Circuit declined to make an Erie guess and instead certified the question, noting no controlling Texas Supreme Court precedent on the issue.

CASE DETAILS

COURT	United States Court of Appeals for the Fifth Circuit
WRITING FOR THE COURT	Jennifer Walker Elrod; Don R. Willett
JURISDICTION	Federal
DECIDED	September 9, 2019
DOCKET	18-10721
DISPOSITION	other
PROCEDURAL POSTURE	Appeal from summary judgment in favor of plaintiff-insurer in declaratory judgment action
STANDARD OF REVIEW	de novo
PRECEDENTIAL VALUE	unpublished
PARTIES	Janet Richards, Melvin Richards, Amanda Culver Meals v. State Farm Lloyds

TOPICS

insurance coverage · declaratory relief insurance · summary judgment · civil procedure · appellate procedure

PRACTICE AREAS

Insurance · Civil Procedure

QUESTIONS PRESENTED

1. Whether, under Texas law, a policy-language exception to the eight-corners rule permits consideration of extrinsic evidence to determine the insurer's duty to defend when the policy does not contain language requiring the insurer to defend even if the allegations are groundless, false, or fraudulent.

KEY QUOTATIONS

> *"Because the district court concluded that State Farm's duty to defend in this case arose only if a suit was brought to which the coverage applies, it reasoned that extrinsic evidence was admissible to make that determination."* (at 4)

> *"Under the eight-corners rule, the duty to defend is determined by the claims alleged in the petition and the coverage provided in the policy."* (at 6)

FACTUAL BACKGROUND

In summer 2017, a 10-year-old boy died in an ATV accident at his grandparents' (the Richards') house. The boy's mother sued the Richards in Texas state court, alleging negligence in failing to supervise and instruct. The Richards sought a defense from their homeowner's insurer, State Farm Lloyds.

PROCEDURAL HISTORY

State Farm sued the Richards seeking a declaration that it had no duty to defend or indemnify them in a state-court wrongful death lawsuit. The district court granted summary judgment for State Farm, holding that extrinsic evidence was admissible to determine coverage. The Richards appealed.

DISPOSITION

other

REMAND INSTRUCTIONS

Certification of question to the Supreme Court of Texas. Case held in abeyance pending response.

CASES CITED

- Northfield Ins. Co. v. Loving Home Care, Inc., 363 F.3d 523 (5th Cir. 2004)
- GuideOne Elite Ins. Co. v. Fielder Rd. Baptist Church, 197 S.W.3d 305 (Tex. 2006)
- Pine Oak Builders, Inc. v. Great Am. Lloyds Ins. Co., 279 S.W.3d 650 (Tex. 2009)
- Zurich Am. Ins. Co. v. Nokia, Inc., 268 S.W.3d 487 (Tex. 2008)
- B. Hall Contracting, Inc. v. Evanston Ins. Co., 447 F. Supp. 2d 634 (N.D. Tex. 2006)
- International Service Insurance Co. v. Boll, 392 S.W.2d 158 (Tex. Civ. App.—Houston 1965, writ ref'd n.r.e.)
