INDIANA SUPREME COURT

Howard Justice v. American Family Mutual Insurance Company

4 N.E.3d 1171 (Ind. 2014) · No. 49S02-1303-PL-221 · Decided March 13, 2014

SUMMARY

The Indiana Supreme Court interpreted an underinsured-motorist insurance policy provision reducing coverage limits by payments received from a tortfeasor and under workers' compensation. The court held that the provision unambiguously operated against the policy limit but was unenforceable to the extent it reduced coverage below Indiana's statutory minimum. Because the plaintiff received $25,000 from the tortfeasor and the required minimum coverage was $50,000, the court held he was entitled to recover the remaining $25,000 from the insurer and reversed the grant of summary judgment.

CASE DETAILS

COURT	Indiana Supreme Court
WRITING FOR THE COURT	Justice Massa; Chief Justice Dickson; Justice Rucker; Justice David; Justice Rush
JURISDICTION	Indiana
DECIDED	March 13, 2014
DOCKET	49S02-1303-PL-221
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from a grant of summary judgment for the insurer in a breach-of-contract action involving underinsured motorist coverage; the Indiana Supreme Court granted transfer after the Indiana Court of Appeals reversed.
STANDARD OF REVIEW	Summary judgment and interpretation of the insurance policy and statute are reviewed de novo. When relevant facts are undisputed, summary judgment is proper only when no genuine issue of material fact exists and the moving party is entitled to judgment as a matter of law; evidence and doubts are construed in favor of the nonmoving party.
PRECEDENTIAL VALUE	Published Indiana Supreme Court opinion; precedential and binding in Indiana.
PARTIES	Howard Justice v. American Family Mutual Insurance Company

TOPICS

uninsured motorist · insurance coverage · contract interpretation · statutory interpretation · remedies

PRACTICE AREAS

insurance law · contract law · appellate procedure

QUESTIONS PRESENTED

1. Whether the workers' compensation exclusion in the underinsured motorist endorsement prevented American Family from applying the policy's workers' compensation setoff provision.
2. Whether the phrase "limits of liability of this coverage" required reductions to be applied against the policy limit or against the insured's total damages.
3. Whether applying the setoff provisions to reduce the $50,000 underinsured motorist limit to zero violated Indiana Code section 27-7-5-2(a).

HOLDINGS

1. The policy's workers' compensation exclusion did not invalidate or prevent application of the separate workers' compensation setoff provision.
2. The phrase "limits of liability of this coverage" unambiguously referred to the $50,000 policy limit, not to Justice's total damages.
3. Although the policy unambiguously applied the setoff against the policy limit, the setoff provision was unlawful and unenforceable because it reduced coverage below Indiana's statutory minimum.

KEY QUOTATIONS

> *"This case raises a question of contract interpretation: in an insurance policy, does the phrase "limits of liability of this coverage" refer to the policy limit or to the insured's total damages?"* (1)

> *"Thus, in light of that statutory purpose and the holdings of Leist and Hardiman, we conclude Justice is entitled to recover the remaining $25,000 from American Family. Any policy provision to the contrary is unlawful and unenforceable."* (12)

FACTUAL BACKGROUND

Howard Justice was injured in a collision with an underinsured motorist while driving an IndyGo bus. He received $77,469.56 in workers' compensation benefits, settled the workers' compensation lien for $5,511.06, and received $25,000 from the tortfeasor's insurer. Justice's American Family policy provided $50,000 per-person underinsured motorist coverage and allowed reductions of the coverage limits for payments from legally liable parties and workers' compensation benefits.

PROCEDURAL HISTORY

Justice sued American Family after it denied his underinsured motorist claim. The Marion Superior Court granted American Family summary judgment, concluding that workers' compensation benefits reduced the

$50,000 policy limit to zero. The Indiana Court of Appeals reversed, but the Indiana Supreme Court granted transfer, vacated the Court of Appeals opinion, reversed the trial court, and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remanded to the trial court for further proceedings consistent with the opinion, including proceedings recognizing Justice's entitlement to recover the remaining $25,000 in underinsured motorist benefits.

CASES CITED

- Justice v. Am. Family Mut. Ins. Co., 971 N.E.2d 1236 (Ind. Ct. App. 2012)
- Justice v. Am. Family Mut. Ins. Co., 985 N.E.2d 338 (Ind. 2013) (table)
- Woodruff v. Ind. Family & Soc. Servs. Admin., 964 N.E.2d 784 (Ind. 2012)
- Travelers Indem. Co. of Am. v. Jarrells, 927 N.E.2d 374 (Ind. 2010)
- Reed v. Reid, 980 N.E.2d 277 (Ind. 2012)
- Holiday Hospitality Franchising, Inc. v. AMCO Ins. Co., 983 N.E.2d 574 (Ind. 2013)
- Miller v. Dobbs, 991 N.E.2d 562 (Ind. 2013)
- Colonial Penn Ins. Co. v. Guzorek, 690 N.E.2d 664 (Ind. 1997)
- Dunn v. Meridian Mut. Ins. Co., 836 N.E.2d 249 (Ind. 2005)
- State v. Int'l Bus. Machs. Corp., 964 N.E.2d 206 (Ind. 2012)
- Walkup v. Wabash, 702 N.E.2d 713 (Ind. 1998)
- Everett Cash Mut. Ins. Co. v. Taylor, 926 N.E.2d 1008 (Ind. 2010)
- Wagner v. Yates, 912 N.E.2d 805 (Ind. 2009)
- Am. States Ins. Co. v. Kiger, 662 N.E.2d 945 (Ind. 1996)
- Haag v. Castro, 959 N.E.2d 819 (Ind. 2012)
- Beam v. Wausau Ins. Co., 765 N.E.2d 524 (Ind. 2002)
- Medley v. Am. Econ. Ins. Co., 654 N.E.2d 313 (Ind. Ct. App. 1995)
- Bush v. State Farm Mut. Auto. Ins. Co., 905 N.E.2d 1003 (Ind. 2009)
- United Nat. Ins. Co. v. DePrizio, 705 N.E.2d 455 (Ind. 1999)
- Lakes v. Grange Mut. Cas. Co., 964 N.E.2d 796 (Ind. 2012)
- City of Gary v. Allstate Ins. Co., 612 N.E.2d 115 (Ind. 1993)
- Patton v. Safeco Ins. Co. of Am., 148 Ind. App. 548, 267 N.E.2d 859 (1971)
- Cannon v. Am. Underwriters, Inc., 150 Ind. App. 21, 275 N.E.2d 567 (1971)
- Leist v. Auto-Owners Ins. Co., 160 Ind. App. 322, 311 N.E.2d 828 (1974)
- Hardiman v. Govt'l Interins. Exch., 588 N.E.2d 1331 (Ind. Ct. App. 1992)
- Vantine v. Aetna Cas. & Sur. Co., 335 F. Supp. 1296 (N.D. Ind. 1971)

- Simpson v. State Farm Mut. Auto. Ins. Co., 318 F. Supp. 1152 (S.D. Ind. 1970)