SUPREME COURT OF ALABAMA

James C. White, Sr., and WhiteGroup v. State Farm Fire & Casualty Company

953 So. 2d 340 (Ala. 2006) · No. 1040748 · Decided August 4, 2006

SUMMARY

The Alabama Supreme Court reviewed a summary judgment favoring State Farm in a dispute over coverage for storm damage to a commercial building's roof. The court held that material factual disputes existed concerning whether State Farm authorized the repairs, whether the replacement roof was of like kind and quality, whether State Farm acted in bad faith, and whether the insured engaged in bad faith. It reversed the judgment and remanded for further proceedings.

CASE DETAILS

COURT	Supreme Court of Alabama
WRITING FOR THE COURT	Per Curiam; Chief Justice Nabers; Justice See; Justice Harwood; Justice Woodall; Justice Smith; Justice Lyons; Justice Bolin; Justice Parker; Justice Stuart
JURISDICTION	Alabama
DECIDED	August 4, 2006
DOCKET	1040748
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from a summary judgment entered for State Farm on claims arising from State Farm's partial payment of a commercial property insurance claim. The Supreme Court of Alabama reversed and remanded as to State Farm; the appeal did not challenge the judgment in favor of agent Don Taylor.
STANDARD OF REVIEW	Summary judgment is reviewed de novo under the same standard applied by the trial court. The evidence must be viewed in the light most favorable to the nonmovant, with reasonable doubts resolved against the movant; summary judgment is proper only when no genuine issue of material fact exists and the movant is entitled to judgment as a matter of law.
PRECEDENTIAL VALUE	Published precedential opinion of the Supreme Court of Alabama

PARTIES	James C. White, Sr., WhiteGroup, a partnership v. State Farm Fire & Casualty Company

TOPICS

insurance bad faith · insurance coverage · fraud · negligent supervision · summary judgment

PRACTICE AREAS

insurance bad faith · insurance coverage · fraud · negligent supervision · civil procedure

QUESTIONS PRESENTED

1. Whether genuine issues of material fact precluded summary judgment on WhiteGroup's normal or abnormal bad-faith failure-to-pay claim.
2. Whether genuine issues of material fact precluded summary judgment on the misrepresentation claim based on alleged State Farm authorization to proceed with roof repairs.
3. Whether genuine issues of material fact precluded summary judgment on the negligent or wanton supervision claim concerning State Farm's supervision of its adjuster.
4. Whether the trial court could sustain summary judgment based on unclean hands or contributory bad faith despite the disputed facts and the absence of a pleaded defense.
5. Whether Alabama should recognize contributory bad faith by an insured as a defense to a bad-faith failure-to-pay claim; the court pretermitted this issue.

HOLDINGS

1. Summary judgment was improper because genuine issues of material fact existed concerning whether State Farm breached the insurance contract, whether it had a legitimate or arguable basis for withholding the disputed roof-replacement amount, whether it properly investigated and evaluated the claim, and whether the EPDM roof was of like kind and quality to the damaged built-up roof.
2. Summary judgment was improper because material factual disputes existed concerning whether State Farm's adjuster authorized WhiteGroup to proceed with the roof repairs and whether WhiteGroup reasonably relied on that representation.
3. Summary judgment was improper on the claim that State Farm negligently or wantonly failed to supervise its adjuster because material factual disputes existed concerning the adjuster's experience, use of an estimating program, and the adequacy of State Farm's supervision.
4. The conflicting evidence concerning White's knowledge of the lower roofing proposal did not support affirmance of summary judgment on the unclean-hands ground. The court expressly pretermitted whether Alabama should recognize contributory bad faith by an insured as a defense to a bad-faith failure-to-pay claim and, if so, what effect it would have.

KEY QUOTATIONS

> *“So, a plaintiff has two methods by which to establish a bad-faith refusal to pay an insurance claim: he or she can prove the requirements necessary to establish a “normal” case, or, failing that, can prove that the insurer's failure to investigate at the time of the claim presentation procedure was intentionally or recklessly omissive.”* (953 So. 2d at 348)

> *“The policy provides that State Farm will replace damaged property with property “of like kind and quality.” Whether the EPDM roof was “of like kind and quality” as compared to a built-up roof is a critical question that cannot be answered at this stage in these proceedings.”* (953 So. 2d at 350)

> *“A summary judgment at this stage of the proceedings on the claim that State Farm failed to adequately supervise Lingard is premature.”* (953 So. 2d at 354)

FACTUAL BACKGROUND

A severe February 2001 thunderstorm damaged WhiteGroup's Birmingham office building, including its roof and interior. WhiteGroup reported the loss to State Farm, and State Farm personnel allegedly told White or his office manager to proceed with repairs, while a State Farm adjuster allegedly authorized replacement of the roof under a roofing proposal. WhiteGroup installed an EPDM single-ply roof, but State Farm paid only the amount it estimated for replacing the original built-up roof and disputed whether the EPDM roof was an upgrade. The record contained conflicting evidence concerning the authorization to repair, the type and cost of the replacement roof, the adequacy of State Farm's investigation, and White's knowledge of a later lower roofing proposal.

PROCEDURAL HISTORY

White and WhiteGroup sued State Farm and Taylor for bad-faith failure to pay an insurance claim, breach of contract, misrepresentation, and negligent or wanton supervision. The trial court granted summary judgment for State Farm and Taylor, relying in part on unclean hands based on White's failure to disclose a lower roofing proposal, although that defense had not been pleaded. White and WhiteGroup appealed only the judgment in favor of State Farm. The Supreme Court held that genuine issues of material fact precluded summary judgment on the appealed claims and remanded.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

Proceed with further proceedings on the claims against State Farm, allowing the fact-finder to determine whether State Farm breached the policy, whether any breach was in bad faith, whether State Farm's conduct constituted abnormal bad faith if no contractual breach is shown, whether the alleged authorization was actionable and reasonably relied upon, and whether State Farm negligently or wantonly failed to supervise its adjuster.

CASES CITED

- National Security Fire & Casualty Co. v. Bowen, 417 So. 2d 179, 183 (Ala. 1982)
- Employees' Benefit Ass'n v. Grissett, 732 So. 2d 968, 976 (Ala. 1998)

- State Farm Fire & Casualty Co. v. Slade, 747 So. 2d 293, 303-04, 306-07, 318, 320 (Ala. 1999)
- Singleton v. State Farm Fire & Casualty Co., 928 So. 2d 280, 283 (Ala. 2005)
- Blackburn v. Fidelity & Deposit Co. of Maryland, 667 So. 2d 661 (Ala. 1995)
- Thomas v. Principal Financial Group, 566 So. 2d 735 (Ala. 1990)
- Gulf Atlantic Life Insurance Co. v. Barnes, 405 So. 2d 916, 924 (Ala. 1981)
- Jones v. Alabama Farm Bureau Mutual Casualty Co., 507 So. 2d 396, 401 (Ala. 1986)
- Seward v. Dickerson, 844 So. 2d 1207 (Ala. 2002)
- Waddell & Reed, Inc. v. United Investors Life Insurance Co., 875 So. 2d 1143, 1167 (Ala. 2003)
- Payton v. Monsanto Co., 801 So. 2d 829, 832-33 (Ala. 2001)
- Ex parte Alfa Mutual General Insurance Co., 742 So. 2d 182, 184 (Ala. 1999)
- Ex parte Lumpkin, 702 So. 2d 462, 465 (Ala. 1997)
- Hanners v. Balfour Guthrie, Inc., 564 So. 2d 412 (Ala. 1990)
- Bass v. SouthTrust Bank of Baldwin County, 538 So. 2d 794, 797-98 (Ala. 1989)
- West v. Founders Life Assurance Co. of Florida, 547 So. 2d 870, 871 (Ala. 1989)
- Mantiply v. Mantiply, 951 So. 2d 638, 653 (Ala. 2006)
- Ziade v. Koch, 952 So. 2d 1072 (Ala. 2006)

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