SUPREME COURT OF TENNESSEE

Tennessee Farmers Mutual Insurance Company v. Brandon Debruce

Tennessee Farmers Mutual Insurance Co. v. Debruce, No. E2017-02078-SC-R11-CV (Tenn. Oct. 16, 2019) · No. E2017-02078-SC-R11-CV · Decided October 16, 2019

SUMMARY

The Tennessee Supreme Court held that an insurer and its insured were the necessary parties to a declaratory judgment action concerning insurance coverage based on the insured's failure to cooperate. An injured claimant who had sued the insured but had not obtained a judgment was not a necessary party and had no interest affected by the coverage determination. The court reversed the Court of Appeals and affirmed the trial court's default judgment denying coverage.

CASE DETAILS

COURT	Supreme Court of Tennessee
WRITING FOR THE COURT	Sharon G. Lee; Jeffrey S. Bivins, C.J.; Cornelia A. Clark; Holly Kirby; Roger A. Page
JURISDICTION	Tennessee
DECIDED	October 16, 2019
DOCKET	E2017-02078-SC-R11-CV
DISPOSITION	reversed
PROCEDURAL POSTURE	The Tennessee Supreme Court granted permission to appeal from the Court of Appeals' reversal of a chancery court declaratory judgment. The trial court had entered a default judgment declaring that Tennessee Farmers had no duty to defend or indemnify Brandon DeBruce because of his failure to notify and cooperate with the insurer. Christina Wright, the claimant in the underlying automobile-accident action, later moved under Tennessee Rule of Civil Procedure 60.02 to set aside the default judgment and to intervene.
STANDARD OF REVIEW	The denial of Wright's Rule 60.02 motion was reviewed for abuse of discretion. The determination that Wright was not a necessary party was also reviewed for abuse of discretion. The court stated that an abuse of discretion occurs when the trial court applies an incorrect legal standard, reaches an illogical decision, or resolves the case on a clearly erroneous assessment of the evidence.

PRECEDENTIAL VALUE	published_state_supreme_court_opinion
PARTIES	Tennessee Farmers Mutual Insurance Company v. Christina Wright

TOPICS

declaratory relief insurance · insurance coverage · joinder · default judgment · appellate procedure

PRACTICE AREAS

insurance law · civil procedure · declaratory judgments · appellate procedure

QUESTIONS PRESENTED

1. Whether a claimant who sued an insured but had not obtained a judgment against the insured was a necessary party to an insurer's declaratory judgment action concerning coverage.
2. Whether the trial court had authority to adjudicate the coverage dispute and enter declaratory relief without joining the claimant.
3. Whether the trial court abused its discretion by denying the claimant's Rule 60.02 motion to set aside the default judgment and her request to intervene.

HOLDINGS

1. An injured claimant who has sued the insured but has not obtained a judgment against the insured is not a necessary party to a declaratory judgment action resolving coverage between the insurer and the insured.
2. The trial court had authority to grant declaratory relief because Tennessee Farmers and DeBruce were the necessary parties to the coverage dispute and were before the court.
3. The trial court did not abuse its discretion by denying Wright's Rule 60.02 motion to set aside the default judgment and her request to intervene.

KEY QUOTATIONS

> *"We hold that the insurance company and its insured—not the claimant—were necessary parties to the declaratory judgment action."* (-1-)

> *"The trial court had authority to grant declaratory relief because all necessary parties were before the court."* (-1-)

> *"Parties are determined to be necessary when their absence from the action could cause recurring litigation on the same subject because the declaratory judgment, if rendered, "would not terminate the uncertainty or controversy giving rise to the proceedings.""* (-5-)

FACTUAL BACKGROUND

Brandon DeBruce rear-ended Christina Wright's vehicle in December 2012 and was insured under an automobile liability policy issued by Tennessee Farmers. After Wright sued DeBruce for personal injuries, DeBruce failed to notify Tennessee Farmers, did not respond to the insurer's calls, and twice failed to appear for an examination under oath, despite policy provisions requiring notice and cooperation. Tennessee Farmers sought a declaration that it had no duty to defend or indemnify DeBruce, and the trial court entered a default judgment without Wright's participation. Wright had sued DeBruce but had not obtained a judgment against him when she sought to intervene.

PROCEDURAL HISTORY

Tennessee Farmers filed a declaratory judgment action against DeBruce in the Bradley County Chancery Court. After DeBruce failed to respond, the trial court entered a default judgment in favor of Tennessee Farmers. Wright later sought relief from that judgment and intervention, arguing that she was an indispensable party. The trial court denied her motion, the Court of Appeals reversed on the ground that Wright was a necessary party and that the trial court lacked subject matter jurisdiction, and the Tennessee Supreme Court reversed the Court of Appeals and affirmed the trial court.

DISPOSITION

reversed

CASES CITED

- Commercial Casualty Insurance Co. v. Tri-State Transit Co. of Louisiana, 146 S.W.2d 135 (Tenn. 1941)
- Henderson v. SAIA, Inc., 318 S.W.3d 328 (Tenn. 2010)
- Rogers v. Estate of Russell, 50 S.W.3d 441 (Tenn. Ct. App. 2001)
- Timmins v. Lindsey, 310 S.W.3d 834 (Tenn. Ct. App. 2010)
- Lee Medical, Inc. v. Beecher, 312 S.W.3d 515 (Tenn. 2010)
- Overstreet v. Shoney's, Inc., 4 S.W.3d 694 (Tenn. Ct. App. 1999)
- Keisling v. Keisling, 196 S.W.3d 703 (Tenn. Ct. App. 2005)
- Kradel v. Piper Industries, Inc., 60 S.W.3d 744 (Tenn. 2001)
- Holiday Inns, Inc. v. Olsen, 692 S.W.2d 850 (Tenn. 1985)
- Huntsville Utility District v. General Construction Co., 839 S.W.2d 403 (Tenn. Ct. App. 1992)
- Reed v. Town of Louisville, No. E2006-01637-COA-R3-CV, 2007 WL 816521 (Tenn. Ct. App. Mar. 19, 2007)
- Largen v. City of Harriman, No. E2017-01501-COA-R3-CV, 2018 WL 3458280 (Tenn. Ct. App. July 17, 2018)
- Adler v. Double Eagle Properties Holdings, LLC, No. W2010-01412-COA-R3-CV, 2011 WL 862948 (Tenn. Ct. App. Mar. 14, 2011)
- Byrn v. Metropolitan Board of Public Education, No. 01-A-0190-003CV00124, 1991 WL 7806 (Tenn. Ct. App. Jan. 30, 1991)
- Dobbs v. Guenther, 846 S.W.2d 270 (Tenn. Ct. App. 1992)

- Shelby County Board of Commissioners v. Shelby County Quarterly Court, 392 S.W.2d 935 (Tenn. 1965)
- Tennessee Farmers Mutual Insurance Co. v. Hammond, 290 S.W.2d 860 (Tenn. 1956)
- Johnson City v. Caplan, 253 S.W.2d 725 (Tenn. 1952)
- Cummings v. Beeler, 223 S.W.2d 913 (Tenn. 1949)
- Wallis v. Brainerd Baptist Church, 509 S.W.3d 896 (Tenn. 2016)
- West v. Shelby County Healthcare Corp., 459 S.W.3d 33 (Tenn. 2014)
- Owner-Operator Independent Drivers Association v. Concord EFS, Inc., 59 S.W.3d 63 (Tenn. 2001)
- Prewitt v. Brown, 525 S.W.3d 616 (Tenn. Ct. App. 2017)
- Leverette v. Tennessee Farmers Mutual Insurance Co., No. M2011-00264-COA-R3-CV, 2013 WL 817230 (Tenn. Ct. App. Mar. 4, 2013)
- Franklin v. St. Paul Fire & Marine Insurance Co., 534 S.W.2d 661 (Tenn. Ct. App. 1975)
- Continental Casualty Co. v. West Machine & Tool, Inc., No. Civ.A.603CV447, 2004 WL 1445812 (E.D. Tex. June 22, 2004)
- Connolly v. Great Basin Insurance Co., 431 P.2d 921 (Ariz. Ct. App. 1967)
- Hartman v. United Heritage Property & Casualty Co., 108 P.3d 340 (Idaho 2005)

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