SUPREME COURT OF NEVADA

Benchmark Insurance Co. v. Sparks, 127 Nev. 407

254 P.3d 617 (2011) · No. No. 46623 · Decided July 7, 2011

SUMMARY

The Supreme Court of Nevada held that an automobile liability insurance policy's exhaustion provision was ambiguous as to whether the insurer could terminate its duty to defend by depositing the policy limits with the court. Construing the provision according to the insured's reasonable expectations, the court held that the insurer's duty to defend continued until it procured a settlement or the policy limits were used to satisfy a judgment, and affirmed the district court's rulings.

CASE DETAILS

COURT	Supreme Court of Nevada
WRITING FOR THE COURT	Parraguirre, J.; Saitta, J.; Hardesty, J.
JURISDICTION	Nevada
DECIDED	July 7, 2011
DOCKET	No. 46623
DISPOSITION	affirmed
PROCEDURAL POSTURE	Benchmark appealed the denial of its motion for summary judgment concerning whether depositing policy limits terminated its duty to defend. Sparks appealed the grant of summary judgment to Universal Underwriters. The Supreme Court of Nevada held that the appeal from Benchmark's order was properly before it as an appeal from a final judgment and reviewed the rulings de novo.
STANDARD OF REVIEW	The court reviewed the district court's rulings de novo. Contract interpretation is a question of law reviewed de novo, and summary judgment is proper when the pleadings and evidence show no genuine issue of material fact and the moving party is entitled to judgment as a matter of law.
PRECEDENTIAL VALUE	Published Nevada Supreme Court opinion; precedential
PARTIES	Benchmark Insurance Company, Robert M. Sparks, individually v. Robert M. Sparks, individually, Universal Underwriters' Insurance Company, Benchmark Insurance Company

TOPICS

duty to defend · insurance coverage · contract interpretation · appellate procedure · standard of review

PRACTICE AREAS

insurance law · civil procedure · appellate procedure · contract law

QUESTIONS PRESENTED

1. Whether Benchmark's automobile liability policy unambiguously allowed Benchmark to terminate its duty to defend Sparks by depositing the policy's liability limits with the district court.
2. Whether the district court properly granted Universal summary judgment on the ground that Universal had no duty to defend or indemnify Sparks.
3. Whether the Supreme Court had appellate jurisdiction over Benchmark's challenge to the denial of summary judgment.

HOLDINGS

1. The exhaustion provision was ambiguous because, read as a whole, it was reasonably susceptible to an interpretation under which Benchmark could exhaust its liability only by settling the claim or defending until a judgment was satisfied, rather than by merely depositing the policy limits with the court.
2. Benchmark's duty to defend continued because it had not procured a settlement on Sparks's behalf and the policy limits had not been used to satisfy a judgment.
3. Universal properly received summary judgment because Benchmark's continuing duty to defend meant that any potential duty Universal might have had to indemnify Sparks as a permissive user was not triggered.
4. Benchmark's appeal was properly before the Supreme Court because the order appealed from constituted a final judgment under NRAP 3A(b)(1), even though an order denying summary judgment ordinarily is interlocutory and not independently appealable.

KEY QUOTATIONS

> *"A district court's order denying summary judgment is an interlocutory decision and is not independently appealable."* (620)

> *"The duty to defend is broader than the duty to indemnify."* (621)

> *"Therefore, we hold that the exhaustion provision in Benchmark's auto liability policy is ambiguous because it is "reasonably susceptible to more than one interpretation.""* (622)

> *"Because a policyholder in Sparks' position would have reasonably expected Benchmark to defend him until it had procured a settlement on his behalf or until the policy's limits had been used to satisfy a judgment entered in his tort lawsuit, the district court properly denied Benchmark's motion for summary judgment, and we therefore affirm the order of the district court."* (623)

FACTUAL BACKGROUND

Sparks was test-driving a vehicle owned by a Las Vegas car dealership when he was involved in an accident that killed one person and seriously injured another. The victims and their families sued Sparks and the dealership, and the potential liability substantially exceeded the $30,000 limit of Sparks's Benchmark automobile liability policy. Benchmark sought to deposit the policy limits with the district court and argued that the deposit exhausted its liability and terminated its duty to defend, while Sparks sought alternative coverage from the dealership's insurer, Universal.

PROCEDURAL HISTORY

After an automobile accident, Benchmark filed an interpleader action seeking to deposit its $30,000 policy limits and moved for summary judgment declaring that its duty to defend Sparks would end upon deposit of those limits. The district court permitted the deposit but denied Benchmark's motion, holding that Benchmark's duty to defend continued. The district court also granted Universal summary judgment, concluding that Universal had no duty to defend or indemnify Sparks. Benchmark and Sparks appealed, and the Supreme Court affirmed both rulings.

DISPOSITION

affirmed

CASES CITED

- Cromer v. Wilson, 126 Nev. ___, 225 P.3d 788 (2010)
- Valley Bank of Nevada v. Ginsburg, 110 Nev. 440, 874 P.2d 729 (1994)
- Wood v. Safeway, Inc., 121 Nev. 724, 121 P.3d 1026 (2005)
- Farmers Ins. Exch. v. Neal, 119 Nev. 62, 64 P.3d 472 (2003)
- United Nat'l Ins. Co. v. Frontier Ins. Co., 120 Nev. 678, 99 P.3d 1153 (2004)
- Farmers Insurance Group v. Stonik, 110 Nev. 64, 867 P.2d 389 (1994)
- Vitale v. Jefferson Ins. Co., 116 Nev. 590, 5 P.3d 1054 (2000)
- Margrave v. Dermody Properties, 110 Nev. 824, 878 P.2d 291 (1994)
- National Union Fire Ins. v. Caesars Palace, 106 Nev. 330, 792 P.2d 1129 (1990)
- Brown v. Lumbermens Mutual Casualty Co., 326 N.C. 387, 390 S.E.2d 150 (1990)
- Emcasco Ins. Co. v. Davis, 753 F. Supp. 1458 (W.D. Ark. 1990)
- Anderson v. U.S. Fidelity & Guar. Co., 177 Ga. App. 520, 339 S.E.2d 660 (1986)
- Stanley v. Cobb, 624 F. Supp. 536 (E.D. Tenn. 1986)
- Aetna Cas. & Sur. Co. v. Sullivan, 33 Mass. App. Ct. 154, 597 N.E.2d 62 (1992)
- Pareti v. Sentry Indem. Co., 536 So. 2d 417 (La. 1988)
- Maguire v. Ohio Cas. Ins. Co., 412 Pa. Super. 59, 602 A.2d 893 (1992)
- Mid-Century Ins. Co. of Texas v. Childs, 15 S.W.3d 187 (Tex. App. 2000)