SUPREME COURT OF DELAWARE

Randy and Eileen O'Brien v. Progressive Northern Insurance Company; Steven D. Connelly v. Keystone Insurance Company; John E. Hocutt, Jr. v. State Farm Mutual Automobile Insurance Company

785 A.2d 281 (Del. 2001) · No. Nos. 58, 2001; 22, 2001; 134, 2001 · Decided November 9, 2001

SUMMARY

The Delaware Supreme Court consolidated three appeals concerning whether automobile insurance policies covering repair or replacement also required insurers to compensate policyholders for diminished vehicle value after repairs. The Court held that the policies did not expressly cover diminished value and that their repair-or-replace provisions were clear and unambiguous. The Court affirmed the Superior Court's dismissal of the plaintiffs' claims.

CASE DETAILS

COURT	Supreme Court of Delaware
WRITING FOR THE COURT	Steele, Justice; Walsh, Justice; Holland, Justice
JURISDICTION	Delaware
DECIDED	November 9, 2001
DOCKET	Nos. 58, 2001; 22, 2001; 134, 2001
DISPOSITION	affirmed
PROCEDURAL POSTURE	Consolidated appeals from Superior Court orders granting the insurers' motions to dismiss claims seeking payment for diminished vehicle value after covered vehicles were repaired.
STANDARD OF REVIEW	The interpretation of contractual language, including insurance policies, is reviewed de novo as a question of law.
PRECEDENTIAL VALUE	Published Delaware Supreme Court opinion; precedential.
PARTIES	Randy and Eileen O'Brien, Steven D. Connelly, John E. Hocutt, Jr. v. Progressive Northern Insurance Company, Keystone Insurance Company, State Farm Mutual Automobile Insurance Company

TOPICS

insurance coverage casualty insurance litigation contract interpretation appellate procedure standard of review

PRACTICE AREAS

insurance law contract law appellate procedure

QUESTIONS PRESENTED

1. Whether automobile insurance policy limits allowing the insurer to pay the lesser of actual cash value or the amount necessary to repair or replace damaged property provide coverage for post-repair diminished vehicle value.
2. Whether the repair-or-replace provisions are ambiguous and therefore must be construed in favor of the insured.
3. Whether extrinsic evidence, including conflicting judicial interpretations, insurer internal documents, or a later policy clarification, may establish ambiguity where the policy language is clear on its face.

HOLDINGS

1. Automobile insurance policies that limit liability to the lesser of the vehicle's actual cash value or the amount necessary to repair or replace the damaged property do not require payment for diminution in market value that remains after workmanlike repairs return the vehicle to substantially the same physical, operating, and mechanical condition as before the loss.
2. The repair-or-replace language is clear and unambiguous and is not reasonably susceptible to an interpretation requiring coverage for diminished value.
3. An insurer's later effort to clarify policy language, including Progressive's later express exclusion of diminished-value coverage, is not evidence that the earlier policy was ambiguous or covered diminished value.

KEY QUOTATIONS

> *"Under the "repair or replace" limitations on the policy, the insurer's liability to a claimant is "capped at the cost of returning the damaged vehicle to substantially the same physical, operating, and mechanical condition as existed before the loss.""* (290)

> *"A plain reading of the limits on liability in the policies in question unambiguously give the insurers the option to choose between the cost of repair or the full value of the vehicle before the covered damage occurred."* (291)

FACTUAL BACKGROUND

The plaintiffs' vehicles were stolen or damaged in accidents and were repaired by or at the expense of their insurers under comprehensive or collision coverage. Each plaintiff alleged that the vehicle retained physical evidence of repair or other residual damage and therefore had a lower market value after repair than before the covered incident. The plaintiffs sought additional indemnification for this alleged diminished value even though the vehicles had been repaired in a workmanlike manner.

PROCEDURAL HISTORY

The Superior Court granted Keystone's motion to dismiss Connelly's action, Progressive's motion to dismiss the O'Briens' action, and State Farm's motion to dismiss Hocutt's action. The Delaware Supreme Court consolidated the appeals because they presented nearly identical questions and affirmed the dismissals.

DISPOSITION

affirmed

CASES CITED

- O'Brien v. Progressive Northern Insurance Co., 2000 WL 33113833 (Del. Super. Ct. 2000)
- Emmons v. Hartford Underwriters Insurance Co., 697 A.2d 742 (Del. 1997)
- Rhone-Poulenc Basic Chemicals Co. v. American Motorists Insurance Co., 616 A.2d 1192 (Del. 1992)
- Rohner v. Niemann, 380 A.2d 549 (Del. 1977)
- Grissom v. Nationwide Mutual Insurance Co., 599 A.2d 1086 (Del. Ch. 1991)
- Whalen v. On-Deck, Inc., 514 A.2d 1072 (Del. 1986)
- Delledonne v. State Farm Mutual Automobile Insurance Co., 621 A.2d 350 (Del. Super. Ct. 1992)
- Aetna Casualty and Surety Co. v. Kenner, 570 A.2d 1172 (Del. 1990)
- Warner Communications Inc. v. Chris-Craft Industries, Inc., 583 A.2d 962 (Del. Ch. 1989), aff'd, 567 A.2d 419 (Del. 1989) (table)
- Sonitrol Holding Co. v. Marceau Investissements, 607 A.2d 1177 (Del. 1992)
- Seabreak Homeowners Association v. Gresser, 517 A.2d 263 (Del. Ch. 1986), aff'd, 538 A.2d 1113 (Del. 1988) (table)
- Steigler v. Insurance Co. of North America, 384 A.2d 398 (Del. 1978)
- Inter Medical Supplies, Ltd. v. EBI Medical Systems, Inc., 181 F.3d 446 (3d Cir. 1999)
- E.I. du Pont de Nemours & Co. v. Allstate Insurance Co., 693 A.2d 1059 (Del. 1997)
- Hallowell v. State Farm Mutual Automobile Insurance Co., 443 A.2d 925 (Del. 1982)
- Holland v. Hannan, 456 A.2d 807 (D.C. 1983)
- Jones v. State Farm Mutual Automobile Insurance Co., 610 A.2d 1352 (Del. 1992)
- E.I. du Pont de Nemours & Co. v. Admiral Insurance Co., 711 A.2d 45 (Del. Super. Ct. 1995), aff'd sub nom. E.I. du Pont de Nemours & Co. v. Allstate Insurance Co., 693 A.2d 1059 (Del. 1997)
- Tzung v. State Farm Fire & Casualty Co., 873 F.2d 1338 (9th Cir. 1989)
- Carlton v. Trinity Universal Insurance Co., 32 S.W.3d 454 (Tex. App. 2000)
- Hercules, Inc. v. AIU Insurance Co., 784 A.2d 481 (Del. 2001)

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