

SUPREME COURT OF THE STATE OF MONTANA

Kramer v. Fergus Farm Mutual Insurance Company

Kramer, 2020 MT 258 (Supreme Court of the State of Montana 2020) · No. DA 19-0682 · Decided October 13, 2020

SUMMARY

The Montana Supreme Court reviewed a district court order certifying classes of insureds in a dispute over payment of general contractor overhead and profit under Fergus Farm Mutual insurance policies. The Court held that common questions concerning the insurer’s contractual duty and claim practices predominated over individualized issues, supporting class certification. It affirmed in part, reversed in part, and remanded because the district court had prematurely resolved factual and legal issues concerning policy ambiguity and claim-settlement practices.

CASE DETAILS

COURT	Supreme Court of the State of Montana
WRITING FOR THE COURT	Justice Jim Rice; Jim Rice; Mike McGrath; Laurie McKinnon; Beth Baker; James Jeremiah Shea
JURISDICTION	Montana
DECIDED	October 13, 2020
DOCKET	DA 19-0682
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Fergus Farm Mutual Insurance Company appealed an order granting certification of two plaintiff classes in an action alleging breach of an insurance contract and violations of Montana's Unfair Trade Practices Act.
STANDARD OF REVIEW	An order granting class certification is reviewed for abuse of discretion. Legal issues concerning Rule 23 are reviewed de novo, factual findings are reviewed for clear error, and the court will defer to supported determinations regarding satisfaction of Rule 23 requirements.
PRECEDENTIAL VALUE	Published Montana Supreme Court opinion; precedential.
PARTIES	Fergus Farm Mutual Insurance Company v. Jack Kramer, Ken Kramer, all others similarly situated

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QUESTIONS PRESENTED

1. Whether the District Court abused its discretion by determining that common questions of law predominated under Montana Rule of Civil Procedure 23(b)(3).
2. Whether the District Court abused its discretion by entering incorrect legal conclusions and clearly erroneous factual findings during class certification.

HOLDINGS

1. Common questions concerning Fergus Farm's duty under its insurance policy to pay general contractor overhead and profit, and whether its claim-settlement practices violated Montana's Unfair Trade Practices Act, predominated over individualized inquiries, so class certification was proper.
2. The District Court erred by declaring the policy ambiguous based partly on evidentiary conflicts and by invalidating Fergus Farm's 'reasonably necessary' inquiry and subcontractor-documentation requirement before resolving factual disputes concerning the parties' conduct and interpretation of the policy.

KEY QUOTATIONS

“Before any individual inquiry would be necessary, FFM’s duty under the policy regarding GCOP expenses must first be determined as a matter of law, including whether its internal practices, unstated in the policy, constitute a breach of that duty.” (¶ 19)

“Here, the identified factual conflicts about the parties’ conduct bearing on the policy’s interpretation must be resolved before a determination of contract ambiguity can be made, including whether the “reasonably necessary” inquiry conducted by FFM by internal practice must be rejected as inconsistent with the policy.” (¶ 28)

“A sufficient factual basis, detailed by the District Court and set forth in the factual and procedural ground herein, has been established to justify certification of the classes.” (¶ 31)

FACTUAL BACKGROUND

The Kramers' home, detached garage, and shed were damaged by hail while insured under a Fergus Farm Mutual homeowner's policy. Fergus Farm paid actual cash value but did not include general contractor overhead and profit, and later refused to pay those charges after the Kramers did not provide requested subcontractor documentation. The Kramers alleged breach of contract and violations of Montana's Unfair Trade Practices Act based on Fergus Farm's handling of general contractor overhead and profit, and sought class certification.

PROCEDURAL HISTORY

The Kramers filed suit in the District Court of the Thirteenth Judicial District, Yellowstone County, in March 2019. The District Court certified an ACV Class and an RCV Class concerning the alleged failure to pay general contractor overhead and profit. The Montana Supreme Court affirmed the certification in part, reversed portions of the District Court's legal and factual conclusions concerning policy ambiguity and claim-processing practices, and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand for further proceedings consistent with the Supreme Court's corrections to the District Court's certification order, while retaining certification of the ACV and RCV classes.

CASES CITED

- Knudsen v. Univ. of Mont., 2019 MT 175, ¶¶ 6-7, 22, 24, 396 Mont. 443, 445 P.3d 834
- Sangwin v. Montana, 2013 MT 373, ¶¶ 10, 15, 37, 373 Mont. 131, 315 P.3d 279
- Chipman v. N.W. Healthcare Corp., 2012 MT 242, ¶ 17, 366 Mont. 450, 288 P.3d 193
- Jacobsen v. Allstate Ins. Co., 2013 MT 244, ¶ 25, 371 Mont. 393, 310 P.3d 452
- Mattson v. Mont. Power Co., 2012 MT 318, ¶¶ 17-18, 39, 368 Mont. 1, 291 P.3d 1209
- Diaz v. State, 2013 MT 219, ¶ 20, 371 Mont. 214, 308 P.3d 38
- Califano v. Yamasaki, 442 U.S. 682, 700-01, 99 S. Ct. 2545, 2557 (1979)
- Roose v. Lincoln Cty. Emp. Grp. Health Plan, 2015 MT 324, ¶ 14, 381 Mont. 409, 362 P.3d 40
- Wal-Mart Stores, Inc. v. Dukes, 564 U.S. 338, 349-50, 131 S. Ct. 2541, 2550-51 (2011)
- Worledge v. Riverstone Residential Grp., LLC, 2015 MT 142, ¶¶ 41, 45, 379 Mont. 265, 350 P.3d 39
- Comcast Corp. v. Behrend, 569 U.S. 27, 33-34, 133 S. Ct. 1426, 1432 (2013)
- Byorth v. USAA Cas. Ins. Co., 2016 MT 302, ¶¶ 17-18, 385 Mont. 396, 384 P.3d 455
- Associated Dermatology & Skin Cancer Clinic of Helena v. Mountain West Farm Bureau Mut. Ins. Co., 2017 MT 30, ¶¶ 10-11, 386 Mont. 298, 389 P.3d 1027
- American States Ins. Co. v. Flathead Janitorial & Rug Serv., 2015 MT 239, ¶ 12, 380 Mont. 308, 355 P.3d 735
- West v. The Club at Spanish Peaks L.L.C., 2008 MT 183, ¶ 53, 343 Mont. 434, 186 P.3d 1228
- First Nat'l Props., LLC v. Joel D. Hillstead Trust, 2020 MT 211, ¶ 35, 401 Mont. 59, ____ P.3d ____