SUPREME COURT OF NEBRASKA

Lynch v. State Farm Mut. Auto. Ins. Co.

275 Neb. 136 (2008) (Neb. 2008) · No. S-06-737 · Decided February 22, 2008

SUMMARY

The Supreme Court of Nebraska affirmed summary judgment for State Farm in a purported class action alleging that State Farm improperly marketed and administered medical payments coverage. The court held that the policy barred recovery because Mary Lynch recovered more than her medical expenses from a third-party tortfeasor, leaving State Farm with no contractual obligation. Because her breach-of-contract claim failed, her related claims and ability to represent the proposed class also failed.

CASE DETAILS

COURT	Supreme Court of Nebraska
WRITING FOR THE COURT	Stephan, J.; Heavican, C.J.; Connolly, J.; Gerrard, J.; Miller-Lerman, J.
JURISDICTION	Nebraska
DECIDED	February 22, 2008
DOCKET	S-06-737
DISPOSITION	affirmed
PROCEDURAL POSTURE	The plaintiffs appealed from an order of the Douglas County District Court granting State Farm's motion for summary judgment and dismissing their putative class action. The Nebraska Supreme Court granted the plaintiffs' petition to bypass.
STANDARD OF REVIEW	Summary judgment is proper when the pleadings and admitted evidence disclose no genuine issue of material fact or ultimate inference and the moving party is entitled to judgment as a matter of law. On review, the appellate court views the evidence most favorably to the party against whom judgment was entered and gives that party the benefit of all reasonable inferences.
PRECEDENTIAL VALUE	Published Nebraska Supreme Court opinion; precedential
PARTIES	Mary Lyn Lynch, Thomas Lynch, individually and as representatives of all others similarly situated v. State Farm Mutual Automobile Insurance Company

TOPICS

insurance coverage · breach of contract · summary judgment · class actions · civil procedure

PRACTICE AREAS

insurance · contract law · class actions · civil procedure

QUESTIONS PRESENTED

1. Whether State Farm's partial denial of Mary's medical-payments claim breached the insurance contract when her third-party settlement exceeded her claimed medical expenses.
2. Whether Mary's other individual claims could proceed when her breach-of-contract claim failed as a matter of law.
3. Whether Mary could represent the putative class when she lacked a viable individual claim and therefore lacked commonality with class members whose claims had been denied.
4. Whether the district court erred in granting summary judgment and in declining to grant the plaintiffs' partial summary judgment motion.
5. Whether the district court erred in determining that the plaintiffs' expert opinions lacked foundation and were conclusory.

HOLDINGS

1. The policy unambiguously provided that State Farm owed nothing under its medical-payments coverage when the insured recovered from the liable third party an amount equal to or greater than the total reasonable and necessary medical expenses. Because Mary's settlement exceeded her claimed medical expenses, State Farm had no contractual obligation to pay her additional benefits.
2. Mary had no cognizable breach-of-contract claim because the undisputed facts established that she was not legally entitled to medical-payments benefits under the policy.
3. State Farm did not waive its right to rely on the exclusion by partially denying Mary's claim.
4. The policy provision was not void as against public policy; it was an enforceable contractual bar against double recovery of medical expenses.
5. Mary's claims for breach of the covenant of good faith and fair dealing, deceptive trade practices, fraud, unjust enrichment, and consumer-protection violations failed because each depended on a viable breach-of-contract claim.
6. Mary was not qualified to represent the putative class because her breach-of-contract claim was meritless as a matter of law and she lacked commonality with class members whose claims had been denied.

KEY QUOTATIONS

> *"We conclude as a matter of law that because Mary recovered more than the amount of her medical expenses in her settlement with a third party, State Farm had no contractual obligation to Mary under the plain*

> *language of its medical payments coverage provisions."* (297)

> *"We conclude that because Mary's breach of contract claim fails as a matter of law, so too must the remainder of her claims."* (297)

FACTUAL BACKGROUND

Mary Lynch was injured in an automobile accident and incurred medical expenses. Her State Farm policy provided medical-payments coverage stating that State Farm would owe nothing if the insured received from the liable third party an amount equal to or greater than the total reasonable and necessary medical expenses. State Farm paid part of Mary's submitted medical bills, and she later settled her claim against the other driver for $6,838.67, an amount exceeding the medical expenses claimed under the State Farm coverage. The Lynches then brought a putative statewide class action challenging State Farm's alleged marketing and administration of medical-payments coverage.

PROCEDURAL HISTORY

The Lynches filed a putative class action alleging that State Farm marketed medical-payments coverage as indemnity coverage while providing managed-care coverage of lesser value. They asserted breach of contract, breach of the covenant of good faith and fair dealing, deceptive trade practices, fraud, unjust enrichment, and consumer-protection claims. The district court granted State Farm summary judgment, concluding that Mary Lynch had no breach-of-contract claim because her third-party settlement exceeded her claimed medical expenses, that she could not represent the class, and that expert opinions were insufficiently founded. The Supreme Court affirmed and did not reach the expert-testimony assignment because the individual and class claims failed as a matter of law.

DISPOSITION

affirmed

CASES CITED

- McGinn v. State Farm Mut. Auto. Ins. Co., 268 Neb. 843, 689 N.W.2d 802 (2004)
- Easilick v. Lueder Constr. Co., 274 Neb. 467, 741 N.W.2d 628 (2007)
- Erickson v. U-Haul Internat., 274 Neb. 236, 738 N.W.2d 453 (2007)
- Guerrier v. Mid-Century Ins. Co., 266 Neb. 150, 663 N.W.2d 131 (2003)
- Reisig v. Allstate Ins. Co., 264 Neb. 74, 645 N.W.2d 544 (2002)
- Peterson v. Ohio Casualty Group, 272 Neb. 700, 724 N.W.2d 765 (2006)
- Poulton v. State Farm Fire & Cas. Cos., 267 Neb. 569, 675 N.W.2d 665 (2004)
- State Farm Mut. Auto. Ins. Co. v. Walker, 234 Ga.App. 101, 505 S.E.2d 828 (1998)
- State Farm Mut. Auto. Ins. Co. v. Brewer, 221 Ga.App. 745, 472 S.E.2d 529 (1996)
- Maynard v. State Farm Mut. Auto. Ins. Co., 902 P.2d 1328 (Alaska 1995)
- Otteman v. Interstate Fire & Cas. Co., Inc., 172 Neb. 574, 111 N.W.2d 97 (1961)

- Blankenship v. Omaha P.P. Dist., 195 Neb. 170, 237 N.W.2d 86 (1976)
- Berkshire & Andersen v. Douglas County Board of Equalization, 200 Neb. 113, 262 N.W.2d 449 (1978)
- Gant v. City of Lincoln, 193 Neb. 108, 225 N.W.2d 549 (1975)
- Hoiengs v. County of Adams, 245 Neb. 877, 516 N.W.2d 223 (1994)
- McGill v. Automobile Ass'n of Michigan, 207 Mich.App. 402, 526 N.W.2d 12 (1995)
