SUPREME COURT OF RHODE ISLAND

Michael Labonte v. National Grange Mutual Insurance Co.

810 A.2d 250 (R.I. 2002) · No. No. 2001-339-Appeal · Decided December 5, 2002

SUMMARY

The Rhode Island Supreme Court affirmed summary judgment for National Grange Mutual Insurance Company in an insured's action alleging bad faith, abuse of process, breach of fiduciary duty, and breach of contract. The court held that the insurer's declaratory judgment action to clarify coverage was not bad faith or abuse of process, and that the plaintiff had not shown a breach of contractual or fiduciary duties. The court also declined to require the insurer to provide independent counsel during the coverage investigation because no tort claim had been filed and no conflict requiring independent counsel had yet arisen.

CASE DETAILS

COURT	Supreme Court of Rhode Island
WRITING FOR THE COURT	Williams, C.J.; Lederberg, J.; Flanders, J.; Goldberg, J.
JURISDICTION	Rhode Island
DECIDED	December 5, 2002
DOCKET	No. 2001-339-Appeal
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the Superior Court's denial of motions to produce part of the insurer's claim file and to disqualify the insurer's counsel, and from the grant of summary judgment for the insurer on claims for statutory bad faith, abuse of process, breach of fiduciary duties, and breach of contract.
STANDARD OF REVIEW	The Supreme Court reviewed the summary judgment de novo under the same standards as the trial justice, without weighing evidence or credibility, and considered whether any genuine issue of material fact existed and whether the insurer was entitled to judgment as a matter of law. The discovery and disqualification rulings were reviewed for error.
PRECEDENTIAL VALUE	precedential
PARTIES	Michael Labonte v. National Grange Mutual Insurance Co.

TOPICS

insurance bad faith · declaratory relief insurance · summary judgment · duty to defend · appellate procedure

PRACTICE AREAS

insurance · civil procedure · appellate procedure · torts · contracts

QUESTIONS PRESENTED

1. Whether the Superior Court properly denied Labonte's request for the insurer's entire claim file when no third-party tort claim had been filed.
2. Whether the Superior Court properly denied Labonte's motion to disqualify the insurer's counsel based on an alleged fiduciary duty to Labonte.
3. Whether the insurer's federal declaratory-judgment action constituted statutory bad faith.
4. Whether the insurer's federal action constituted abuse of process.
5. Whether the insurer breached fiduciary or contractual duties by bringing the federal action or by refusing to provide independent counsel during its coverage investigation.
6. Whether an insurer must provide independent counsel to an insured whenever it initiates a coverage investigation and requests an examination under oath.

HOLDINGS

1. The Superior Court properly denied the request because no third-party tort claim had been filed against Labonte and there was therefore no third-party claim that National Grange was required to defend.
2. The Superior Court properly denied the motion to disqualify counsel, without prejudice, because no third-party tort claim had been filed and Labonte had not established that counsel owed him the asserted fiduciary duty in the circumstances presented.
3. National Grange's filing of a declaratory-judgment action to clarify coverage, without evidence of an improper refusal to perform its insurance obligations, did not establish statutory bad faith.
4. The federal declaratory-judgment action did not constitute abuse of process because seeking to clarify coverage and obtain information relevant to the examination-under-oath dispute was a legitimate use of legal process, not an ulterior or wrongful purpose.
5. Summary judgment was proper because Labonte alleged no facts showing that National Grange breached a fiduciary or contractual duty by bringing the federal action, acted with an improper purpose, or failed to provide coverage.
6. An insurer is not required, on the facts presented, to provide independent counsel to an insured merely because the insurer initiates a coverage investigation and requests an examination under oath before a third-party action has been filed.

KEY QUOTATIONS

> *“An "action of abuse of process provides a remedy for a claim arising when a legal procedure, although set in motion in proper form, has been perverted to accomplish an ulterior or wrongful purpose for which it was not designed.""* (810 A.2d at 254)

> *“The mere fact that a conflict might arise at some later point does not lessen the duty of an insured to cooperate with an investigation.”* (810 A.2d at 255)

FACTUAL BACKGROUND

Michael Labonte, an independent painting contractor, sanded and painted the exterior of a Newport condominium and later learned that a resident alleged her son had been poisoned by lead chips removed during the work. Labonte notified his insurer, National Grange, which reserved its rights, requested an examination under oath, and refused Labonte's request for independent counsel. National Grange then filed a federal declaratory-judgment action seeking a determination that the policy excluded potential tort claims and that Labonte's refusal to submit to the examination breached the policy; no third-party tort claim had yet been filed against Labonte.

PROCEDURAL HISTORY

Labonte sued National Grange in Rhode Island Superior Court after the insurer brought a federal declaratory-judgment action concerning coverage for potential lead-poisoning claims and sought an examination under oath. The Superior Court denied Labonte's motions to obtain the claim file and disqualify National Grange's counsel, then granted summary judgment to National Grange on all four counts. The Rhode Island Supreme Court affirmed.

DISPOSITION

affirmed

REMAND INSTRUCTIONS

None. The Supreme Court affirmed the Superior Court judgment and returned the papers to that court.

CASES CITED

- Bennett v. Napolitano, 746 A.2d 138, 140 (R.I. 2001)
- Accent Store Design, Inc. v. Marathon House, Inc., 674 A.2d 1223, 1225 (R.I. 1996)
- Rumford Property and Liability Insurance Co. v. Carbone, 590 A.2d 398, 401 (R.I. 1991)
- Nagy v. McBurney, 120 R.I. 925, 934, 392 A.2d 365, 370 (1978)
- Employers' Fire Insurance Co. v. Beals, 103 R.I. 623, 240 A.2d 397, 403 (1968)