SUPREME COURT OF DELAWARE

Insurance Commissioner of the State of Delaware v. Sun Life Assurance Company of Canada (U.S.)

21 A.3d 15 (Del. 2011) · No. No. 535, 2010 · Decided May 13, 2011

SUMMARY

The Delaware Supreme Court held that insurance premiums may be aggregated into a single tax "case" under 18 Del. C. § 702(c)(2) only when the policies were issued through the same private placement memorandum. The court reversed the Superior Court and upheld the Insurance Commissioner's denial of Sun Life's requested premium-tax refunds.

CASE DETAILS

COURT	Supreme Court of Delaware
WRITING FOR THE COURT	Jacobs, Justice; Holland, Justice; Berger, Justice
JURISDICTION	Delaware
DECIDED	May 13, 2011
DOCKET	No. 535, 2010
DISPOSITION	reversed
PROCEDURAL POSTURE	The Delaware Insurance Commissioner denied Sun Life's requests for refunds of premium taxes, concluding that Sun Life could not aggregate premiums from policies issued through separate private placements into one statutory "case." The Superior Court reversed the Commissioner's decision, and the Commissioner appealed to the Supreme Court of Delaware.
STANDARD OF REVIEW	Review of an administrative agency decision is limited to determining whether the decision is supported by substantial evidence and is free from legal error. Construction of statutory law and application of the law to undisputed facts are reviewed plenarily.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Insurance Commissioner of the State of Delaware v. Sun Life Assurance Company of Canada (U.S.)

TOPICS

life insurance litigation insurance tax statutory interpretation appellate procedure

PRACTICE AREAS

insurance law administrative law tax law statutory interpretation appellate procedure

QUESTIONS PRESENTED

1. Whether 18 Del. C. § 702(c)(2)b permits an insurer to aggregate premiums from policies issued through separate and distinct private placements into one statutory "case."
2. Whether the 1998 amendment to the definition of "case" materially changed the statute or created an ambiguity requiring construction in favor of the taxpayer.
3. What standard of review applies to the Commissioner's interpretation of the statute and its application to undisputed facts.

HOLDINGS

1. An insurer may aggregate premiums from contracts issued to all employers or trusts into one "case" only when the contracts were offered in the same private placement memorandum. Premiums from policies issued through separate private placements may not be aggregated.
2. The 1998 amendment's deletion of the word "single" did not materially or substantively change the meaning of the statute; both the pre-amendment phrase "a single private placement" and the amended phrase "a private placement" mean one private placement.
3. The Supreme Court reviews the agency's statutory interpretation and application of the statute to undisputed facts plenarily, while reviewing the agency's decision for substantial evidence and legal error.

KEY QUOTATIONS

> *"Read in context, the plain meaning of the phrase "a private placement" can only be one securities offering made through the issuance of one private placement memorandum."* (22)

> *"We conclude that the plain meaning of Section 702(c)(2)b, both pre- and post-amendment, is that the premiums received from insurance polices may be aggregated into one "case" only if those polices were issued through the same private placement memorandum."* (23)

FACTUAL BACKGROUND

Between 2000 and 2001, Sun Life issued seven employer-owned and trust-owned life insurance policies through separate private placement memoranda. Sun Life initially reported the policies as separate cases for premium-tax purposes, but later amended its reports and sought refunds on the theory that the policies could be aggregated into one case. The disputed refund claims totaled $850,439 for tax years 2001, 2002, and 2003.

PROCEDURAL HISTORY

Sun Life sought premium-tax refunds for tax years 2001 through 2003 based on its contention that multiple employer- and trust-owned life insurance policies constituted one "case" under 18 Del. C. § 702(c)(2). After an administrative hearing, the Commissioner denied the disputed refund claims. The Superior Court reversed, finding the 1998 amendment to the statute material and the statutory term ambiguous. The Supreme Court reversed the Superior Court and reinstated the Commissioner's interpretation.

DISPOSITION

reversed

CASES CITED

- Stoltz Mgmt. Co., Inc. v. Consumer Affairs Bd., 616 A.2d 1205, 1208 (Del. 1992)
- E.I. du Pont de Nemours Co., Inc. v. Shell Oil Co., 498 A.2d 1108, 1113 (Del. 1985)
- Chase Alexa, LLC v. Kent Cnty. Levy Ct., 991 A.2d 1148, 1151 (Del. 2010)
- Dir. of Revenue v. CNA Holdings, Inc., 818 A.2d 953, 957 (Del. 2003)
- Eliason v. Englehart, 733 A.2d 944, 946 (Del. 1999)
- LeVan v. Indep. Mall, Inc., 940 A.2d 929, 933 n.14 (Del. 2007)
- ION Geophysical Corp. v. Fletcher Int'l Ltd., 2010 WL 4378400, at *8 (Del. Ch. Nov. 5, 2010)
- Ahner v. Del. Alcoholic Bev. Control Comm'n, 237 A.2d 706, 708 (Del. 1967)
- Monacelli v. Grimes, 99 A.2d 255 (Del. 1953)
- Hickman v. Parag, 167 A.2d 225, 229 (Del. 1961)
- Del. Solid Waste Auth. v. News-Journal Co., 480 A.2d 628, 634 (Del. 1984)
- Sun Life Assur. Co. of Canada (U.S.) v. Ins. Comm'r, 2010 WL 2991584, at *4-*6 (Del. Super. Ct. July 26, 2010)