UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Lutheran Brotherhood v. Kraynak

32 F. App'x 19 (3d Cir. 2002) · Decided March 12, 2002

SUMMARY

The United States Court of Appeals for the Third Circuit affirmed summary judgment allowing Lutheran Brotherhood to rescind a disability insurance policy based on the insured's fraudulent misrepresentations. The court also held that laches did not bar the rescission claim and affirmed the denial of the insured's counter-motions.

CASE DETAILS

COURT	United States Court of Appeals for the Third Circuit
WRITING FOR THE COURT	Rendell
JURISDICTION	Federal
DECIDED	March 12, 2002
DISPOSITION	affirmed
PROCEDURAL POSTURE	Kraynak appealed from the District Court's grant of Lutheran's motion for summary judgment and denial of Kraynak's motions for judgment on the pleadings, summary judgment, and partial summary judgment.
STANDARD OF REVIEW	The grant of summary judgment was reviewed de novo under the same standard applied by the District Court.
PRECEDENTIAL VALUE	nonprecedential
PARTIES	Raymond J. Kraynak v. Lutheran Brotherhood

TOPICS

insurance coverage · fraudulent inducement · summary judgment · appellate procedure · contracts

PRACTICE AREAS

insurance · contracts · civil procedure · appellate procedure

QUESTIONS PRESENTED

1. Whether Kraynak's misrepresentations and omissions in obtaining disability insurance entitled Lutheran to rescind the policy under Pennsylvania law.

2. Whether laches barred Lutheran's rescission claim.
3. Whether the District Court properly granted summary judgment to Lutheran and denied Kraynak's dispositive motions.

HOLDINGS

1. Under Pennsylvania law, an insurance contract may be rescinded when the insured's representation was false, the insured knew it was false when made or acted in bad faith, and the representation was material to the insured risk. Kraynak's three fraudulent misrepresentations supported Lutheran's rescission of the disability policy.
2. Laches did not bar Lutheran from pursuing rescission because Kraynak was not prejudiced by any lack of diligence in Lutheran's pursuit of its rights.
3. The District Court properly granted Lutheran's motion for summary judgment and denied Kraynak's motions for judgment on the pleadings, summary judgment, and partial summary judgment.

KEY QUOTATIONS

> *"[A]n insurance contract is void if (1) the representation was false; (2) the insured knew it to be false when made or acted in bad faith; and (3) the representation was material to the risk being insured."* (19)

FACTUAL BACKGROUND

Lutheran issued Kraynak disability insurance after he submitted an application. The court identified three material omissions or misrepresentations: Kraynak failed to disclose other disability insurance, failed to cancel other disability insurance as promised, and failed to disclose an arthritis diagnosis within the preceding ten years. Lutheran sought rescission, while Kraynak sought benefits under the policy.

PROCEDURAL HISTORY

Lutheran filed an action seeking rescission of an insurance policy based on alleged fraudulent misrepresentations in Kraynak's insurance application. Kraynak counterclaimed for policy benefits. The District Court granted summary judgment to Lutheran, denied Kraynak's motions, and Kraynak appealed.

DISPOSITION

affirmed

CASES CITED

- Beers-Capitol v. Whetzel, 256 F.3d 120, 130 n. 6 (3d Cir. 2001)
- Matinchek v. John Alden Life Ins. Co., 93 F.3d 96, 102 (3d Cir. 1996)
- In the Matter of Dennis J. Iulo, 564 Pa. 205, 766 A.2d 335, 338 (Pa. 2001)

OPINION

RENDELL, J.

OPINION OF THE COURT RENDELL, Circuit Judge. Lutheran Brotherhood ("Lutheran") initiated this action against Raymond J. Kraynak alleging it was entitled to rescind an insurance policy based on Kraynak's fraudulent misrepresentations on his insurance application. Kraynak filed a counterclaim for benefits under the policy. Lutheran filed a motion for summary judgment, and Kraynak filed a motion for judgment on the pleadings or, in the alternative, for summary judgment, and a motion for partial summary judgment.

The District Court granted Lutheran's motion and denied Kraynak's motions. Kraynak now appeals. For the reasons set forth by the District Court, we will affirm. The District Court had jurisdiction pursuant to 28 U.S.C. § 1332.

We have jurisdiction pursuant to 28 U.S.C. § 1291. We review the District Court's grant of summary judgment de novo and apply the same standards as the District Court properly did. Beers-Capitol v. Whetzel, 256 F.3d 120,130 n. 6 (3d Cir.2001).

The District Court applied Pennsylvania law which provides: "[A]n insurance contract is void if (1) the representation was false; (2) the insured knew it to be false when made or acted in bad faith; and (3) the representation was material to the risk being insured." Matinchek v. John Alden Life Ins. Co., 93 F.3d 96,102 (3d Cir.1996).

The court properly concluded that three fraudulent misrepresentations made by Kraynak in the course of obtaining disability insurance from Lutheran supported Lutheran's decision to rescind the insurance policy. First, he did not include on his application the fact that he was covered by other disability insurance policies.

Second, he did not cancel any other disability *20insurance as promised in his application. Third, he did not inform Lutheran that he had been diagnosed with arthritis "during the last ten years." We also agree with the District Court that laches does not bar Lutheran from pursuing its recission claim. Kraynak was not prejudiced by a "lack of diligence" on the part of Lutheran "in pursuing its rights." In the Matter of Dennis J. Iulo, 564 Pa. 205, 766 A.2d 335, 338 (Pa.2001).

First, Lutheran had no affirmative duty to investigate Kraynak's representations to it, and, second, the knowledge of a district representative is not binding on Lutheran. For the above reasons, we agree that Lutheran is entitled to rescind its policy and will therefore affirm the District Court's grant of summary judgment in favor of Lutheran, as well as its denial of Kraynak's motion for judgment on the pleadings or summary judgment, and its motion for partial summary judgment.