SUPREME COURT OF CALIFORNIA

Certain Underwriters at Lloyd's of London v. Superior Court of Los Angeles County

24 Cal. 4th 945, 103 Cal. Rptr. 2d 672, 16 P.3d 94 (Cal. 2001) · No. S084057 · Decided February 1, 2001

SUMMARY

The California Supreme Court held that, under a standard comprehensive general liability insurance policy, the insurer's duty to indemnify for sums the insured becomes legally obligated to pay as damages is limited to money ordered by a court. The duty does not extend to expenses required by an administrative agency under environmental statutes, including CERCLA or the Porter-Cologne Water Quality Control Act. The court affirmed the Court of Appeal's issuance of a writ directing summary adjudication for the insurers.

CASE DETAILS

COURT	Supreme Court of California
WRITING FOR THE COURT	Mosk, J.; George, C.J.; Baxter, J.; Chin, J.; Brown, J.; Kennard, J.; Werdegar, J.
JURISDICTION	California
DECIDED	February 1, 2001
DOCKET	S084057
DISPOSITION	affirmed
PROCEDURAL POSTURE	Petition for review of a Court of Appeal decision granting a peremptory writ of mandate directing the superior court to vacate its order denying petitioners' motion for summary adjudication and to enter an order granting summary adjudication on the duty to indemnify.
STANDARD OF REVIEW	Independent review of an order granting or denying summary adjudication; the court determines whether a triable issue of material fact exists and, if not, whether the moving party is entitled to judgment as a matter of law.
PRECEDENTIAL VALUE	Published California Supreme Court opinion; binding statewide precedent.

PARTIES	Certain Underwriters at Lloyd's of London, Certain London Market Insurance Companies v. Superior Court of Los Angeles County

TOPICS

insurance coverage · duty to indemnify · environmental law · administrative law · judicial review of agency action

PRACTICE AREAS

insurance coverage · environmental law · administrative law · contracts

QUESTIONS PRESENTED

1. Whether the duty to indemnify under a standard comprehensive general liability insurance policy for sums the insured becomes legally obligated to pay as damages is limited to money ordered by a court.
2. Whether that duty to indemnify extends to expenses required by an administrative agency pursuant to an environmental statute.
3. Whether policy No. LAB 2579 imposed a duty to indemnify Powerine for expenses required by the Regional Water Boards under the Porter-Cologne Water Quality Control Act.
4. Whether the Court of Appeal properly subjected the summary-adjudication ruling to independent review.

HOLDINGS

1. The insurer's duty to indemnify for all sums that the insured becomes legally obligated to pay as damages is limited to money ordered by a court.
2. The duty to indemnify does not extend to expenses required by an administrative agency pursuant to an environmental statute.
3. Policy No. LAB 2579 limited the London Insurers' duty to indemnify Powerine to money ordered by a court and did not cover expenses required by the Regional Water Boards under the Porter-Cologne Act.
4. An order granting or denying summary adjudication is subject to independent review.

KEY QUOTATIONS

> *"We shall answer in the affirmative. We shall go on to conclude that the duty does not extend to any expenses required by an administrative agency pursuant to an environmental statute."* (24 Cal. 4th at 945-946)

> *"Consequently, the insurer's duty to indemnify the insured for "all sums that the insured becomes legally obligated to pay as damages" is limited to money ordered by a court."* (24 Cal. 4th at 968)

> *"It does not extend to all sums, or even any sum, that the insured becomes legally obligated to pay other than as damages."* (24 Cal. 4th at 969)

> *"We cannot, and will not, act as if it did not."* (24 Cal. 4th at 971)

FACTUAL BACKGROUND

Powerine Oil Company operated an oil refinery and related petroleum businesses in California and other western states before financial difficulties led to bankruptcy and cessation of refinery operations. The EPA initiated CERCLA proceedings concerning contaminated Superfund sites, and California Regional Water Quality Control Boards issued cleanup and abatement orders under the Porter-Cologne Water Quality Control Act. Powerine sought indemnification from its comprehensive general liability insurers for expenses required by those administrative environmental proceedings.

PROCEDURAL HISTORY

Powerine sought declaratory relief and damages against its insurers arising from environmental cleanup and abatement proceedings conducted by the EPA and California Regional Water Quality Control Boards. The superior court granted summary adjudication on the duty to defend but denied summary adjudication on the duty to indemnify, concluding that indemnity could extend to expenses required by an administrative agency. The Court of Appeal ordered the superior court to grant summary adjudication for the insurers. The Supreme Court of California affirmed.

DISPOSITION

affirmed

REMAND INSTRUCTIONS

The superior court was required to vacate its order denying summary adjudication on the duty to indemnify and enter an order granting summary adjudication for the London Insurers.

CASES CITED

- Foster-Gardner, Inc. v. National Union Fire Insurance Co., 18 Cal. 4th 857, 77 Cal. Rptr. 2d 107, 959 P.2d 265 (1998)
- AIU Insurance Co. v. Superior Court, 51 Cal. 3d 807, 274 Cal. Rptr. 820, 799 P.2d 1253 (1990)
- Vandenberg v. Superior Court, 21 Cal. 4th 815, 88 Cal. Rptr. 2d 366, 982 P.2d 229 (1999)
- Aerojet-General Corp. v. Transport Indemnity Co., 17 Cal. 4th 38, 70 Cal. Rptr. 2d 118, 948 P.2d 909 (1997)
- Buss v. Superior Court, 16 Cal. 4th 35, 65 Cal. Rptr. 2d 366, 939 P.2d 766 (1997)
- State of New York v. Blank, 745 F. Supp. 841 (N.D.N.Y. 1990), aff'd, 27 F.3d 783 (2d Cir. 1994)
- Ryan v. Royal Insurance Co. of America, 916 F.2d 731 (1st Cir. 1990)
- McHugh v. Santa Monica Rent Control Board, 49 Cal. 3d 348, 261 Cal. Rptr. 318, 777 P.2d 91 (1989)
- Curtis v. Loether, 415 U.S. 189, 94 S. Ct. 1005, 39 L. Ed. 2d 260 (1974)
- Walnut Creek Manor v. Fair Employment & Housing Commission, 54 Cal. 3d 245, 284 Cal. Rptr. 718, 814 P.2d 704 (1991)
- Vandenberg v. Superior Court, 21 Cal. 4th 815, 88 Cal. Rptr. 2d 366, 982 P.2d 229 (1999)
- Comunale v. Traders & General Insurance Co., 50 Cal. 2d 654, 328 P.2d 198 (1958)

- Commercial Union Assurance Companies v. Safeway Stores, Inc., 26 Cal. 3d 912, 164 Cal. Rptr. 709, 610 P.2d 1038 (1980)
- Travelers Casualty & Surety Co. v. Superior Court, 63 Cal. App. 4th 1440, 75 Cal. Rptr. 2d 54 (1998)
- Maxconn Inc. v. Truck Insurance Exchange, 74 Cal. App. 4th 1267, 88 Cal. Rptr. 2d 750 (1999)
- Casey v. Overhead Door Corp., 74 Cal. App. 4th 112, 87 Cal. Rptr. 2d 603 (1999)
- Old Republic Insurance Co. v. Superior Court, 66 Cal. App. 4th 128, 77 Cal. Rptr. 2d 642 (1998)
- Loyola Marymount University v. Hartford Accident & Indemnity Co., 219 Cal. App. 3d 1217, 271 Cal. Rptr. 528 (1990)
- Gray v. Zurich Insurance Co., 65 Cal. 2d 263, 54 Cal. Rptr. 104, 419 P.2d 168 (1966)
- Weyerhaeuser Co. v. Aetna, 123 Wash. 2d 891, 874 P.2d 142 (1994)
- Murphy v. Allstate Insurance Co., 17 Cal. 3d 937, 132 Cal. Rptr. 424, 553 P.2d 584 (1976)
- Bodenhamer v. Superior Court, 192 Cal. App. 3d 1472, 238 Cal. Rptr. 177 (1987)

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