UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Harris v. Provident Life & Accident Insurance Co.

310 F.3d 73 (2d Cir. 2002) · Decided October 29, 2002

SUMMARY

The Second Circuit reviewed summary judgment rulings involving a disability insurance claim by an anesthesiologist alleging latex-induced asthma and related conditions. The court held that conflicting medical evidence created genuine issues of material fact regarding total disability, vacated summary judgment for the insured on the breach-of-contract claim, and remanded that claim. It affirmed dismissal of the implied-covenant claim and the insurer’s rescission counterclaim.

CASE DETAILS

COURT	United States Court of Appeals for the Second Circuit
WRITING FOR THE COURT	Meskill; Cardamone; Straub
JURISDICTION	Federal
DECIDED	October 29, 2002
DISPOSITION	vacated
PROCEDURAL POSTURE	Provident appealed the district court's grant of summary judgment to Harris on her breach-of-contract claim and on Provident's rescission counterclaim, and dismissal of Provident's cross-motion for summary judgment. Harris cross-appealed dismissal of her implied-covenant claim.
STANDARD OF REVIEW	Summary judgment is reviewed de novo, construing the evidence in the light most favorable to the nonmoving party. The court reviewed the district court's evidentiary ruling on the supplemental expert report for manifest error.
PRECEDENTIAL VALUE	Published Second Circuit opinion; precedential.
PARTIES	Provident Life and Accident Insurance Co., Provident Companies, Inc. v. Louise M. Harris

TOPICS

insurance coverage · breach of contract · summary judgment · insurance bad faith · appellate procedure

PRACTICE AREAS

insurance | contracts | civil procedure | appellate procedure

QUESTIONS PRESENTED

1. Whether conflicting medical evidence created genuine issues of material fact concerning whether Harris was totally disabled under the disability insurance policy.
2. Whether Harris's claim for breach of the implied covenant of good faith and fair dealing was duplicative of her breach-of-contract claim under New York law or otherwise viable under California law.
3. Whether Provident was entitled to rescission of the insurance contract because Harris failed to disclose the results of her Johns Hopkins and Mayo Clinic evaluations.
4. Whether Provident's supplemental expert report was admissible for purposes of summary judgment.

HOLDINGS

1. Summary judgment for Harris was improper because conflicting medical evidence created genuine issues of material fact concerning what disability, if any, affected Harris and whether it totally disabled her from working as an anesthesiologist.
2. The district court properly dismissed Harris's implied-covenant claim because it was duplicative of the breach-of-contract claim under New York law, and the claim also failed under California law because Provident's denial was supported by a genuine dispute concerning coverage and was not shown to be unreasonable.
3. Provident was not entitled to rescission because Harris's nondisclosure of the Johns Hopkins and Mayo Clinic reports was immaterial to Provident's decision to deny benefits.

KEY QUOTATIONS

> *"This disagreement among the doctors who evaluated Harris gives rise to a genuine issue of material fact as to (1) what disability, if any, affects Harris, and (2) whether that disability totally disables her from working as an anesthesiologist."* (310 F.3d at 79)

> *"Once the decision had been made to deny benefits to Harris, any failure by Harris to disclose new information regarding her condition was immaterial, because it could not possibly affect Provident's decision."* (310 F.3d at 84)

FACTUAL BACKGROUND

Harris, an anesthesiologist, purchased a disability insurance policy providing benefits if she became unable to perform the substantial and material duties of her occupation, including her specialty. After becoming ill while working in a hospital undergoing construction and being diagnosed with possible latex-induced asthma and latex sensitivity, she stopped working and sought benefits. Provident initially paid benefits but later denied continued benefits after medical evaluations found no latex allergy, normal pulmonary function, or no disabling condition. The medical evidence conflicted regarding whether Harris had a disabling condition that prevented her from working as an anesthesiologist.

PROCEDURAL HISTORY

Harris sued Provident in the Northern District of New York for disability benefits under an insurance policy and for breach of the implied covenant of good faith and fair dealing. The district court granted Harris summary judgment on the breach-of-contract claim and on Provident's rescission counterclaim, dismissed the implied-covenant claim as duplicative, and entered final judgment. The Second Circuit vacated the judgment on the breach-of-contract claim, affirmed dismissal of the implied-covenant claim and counterclaim, and remanded for further proceedings limited to the contract claim.

DISPOSITION

vacated

REMAND INSTRUCTIONS

Vacate the grant of summary judgment in favor of Harris on the breach-of-contract claim and remand for further proceedings on that claim only. Affirm dismissal of the implied-covenant claim and Provident's rescission counterclaim. Each party bears its own costs on appeal.

CASES CITED

- Caldarola v. Calabrese, 298 F.3d 156, 160 (2d Cir. 2002)
- First National Bank of Arizona v. Cities Service Co., 391 U.S. 253, 288-89 (1968)
- Gummo v. Village of Depew, N.Y., 75 F.3d 98, 107 (2d Cir. 1996)
- Carlton v. Mystic Transportation, Inc., 202 F.3d 129, 133 (2d Cir. 2000)
- Donahue v. Windsor Locks Board of Fire Commissioners, 834 F.2d 54, 57 (2d Cir. 1987)
- Hudson Riverkeeper Fund v. Atlantic Richfield Co., 138 F. Supp. 2d 482, 488 (S.D.N.Y. 2001)
- B.F. Goodrich v. Betkoski, 99 F.3d 505, 527 (2d Cir. 1996)
- Iacobelli Construction, Inc. v. County of Monroe, 32 F.3d 19, 25-26 (2d Cir. 1994)
- In re Joint Eastern & Southern District Asbestos Litigation, 964 F.2d 92, 96 (2d Cir. 1992)
- Jiminez v. Dreis & Krump Manufacturing Co., 736 F.2d 51, 54 (2d Cir. 1984)
- Fasolino Foods Co. v. Banca Nazionale del Lavoro, 961 F.2d 1052, 1056 (2d Cir. 1992)
- IGD Holdings S.A. v. Frankel, 976 F. Supp. 234, 243-44 (S.D.N.Y. 1997)
- Pavia v. State Farm Mutual Automobile Insurance Co., 82 N.Y.2d 445, 453-54, 626 N.E.2d 24, 27-28, 605 N.Y.S.2d 208, 211-12 (1993)
- Geler v. National Westminster Bank USA, 770 F. Supp. 210, 215 n.1 (S.D.N.Y. 1991)
- Klaxon Co. v. Stentor Electric Manufacturing Co., 318 U.S. 487, 497 (1941)
- In re Allstate Insurance Co., 81 N.Y.2d 219, 223, 613 N.E.2d 936, 597 N.Y.S.2d 904, 905 (1993)
- Tanges v. Heidelberg North America, Inc., 93 N.Y.2d 48, 54, 710 N.E.2d 250, 687 N.Y.S.2d 604, 606 (1999)
- Martin v. Julius Dierck Equipment Co., 52 A.D.2d 463, 466-67, 384 N.Y.S.2d 479, 482 (2d Dep't 1976)
- Booking v. General Star Management Co., 254 F.3d 414, 419-20 (2d Cir. 2001)
- Guebara v. Allstate Insurance Co., 237 F.3d 987, 992 (9th Cir. 2001)

- Careau & Co. v. Security Pacific Business Credit, 222 Cal. App. 3d 1371, 1395, 272 Cal. Rptr. 387, 400 (1990)
- Chateau Chamberay Homeowners Association v. Associated International Insurance Co., 90 Cal. App. 4th 335, 347, 108 Cal. Rptr. 2d 776, 784 (2001)
- Fraley v. Allstate Insurance Co., 81 Cal. App. 4th 1282, 1292-93, 97 Cal. Rptr. 2d 386, 391 (2000)
- Acquista v. New York Life Insurance Co., 285 A.D.2d 73, 730 N.Y.S.2d 272 (1st Dep't 2001)
- Brown v. Paul Revere Life Insurance Co., 2001 WL 1230528, at *5 (S.D.N.Y. Oct. 16, 2001)
- Kenford Co. v. County of Erie, 73 N.Y.2d 312, 319, 537 N.E.2d 176, 178, 540 N.Y.S.2d 1, 3-4 (1989)
- Jackson v. Travelers Insurance Co., 113 F.3d 367, 371 (2d Cir. 1997)
- Fine v. Bellefonte Underwriters Insurance Co., 725 F.2d 179, 184 (2d Cir. 1984)
- Raskin v. Wyatt Co., 125 F.3d 55, 65-67 (2d Cir. 1997)
