COURT OF APPEALS OF MARYLAND

Megonnell v. United States Automobile Association, 368 Md. 633

796 A.2d 758 (2002) · No. No. 93, Sept. Term, 2001 · Decided April 15, 2002

SUMMARY

The Maryland Court of Appeals held that the household exclusion in the primary automobile insurance policy did not apply to the excess coverage section of the insured's umbrella policy because the umbrella policy did not contain a follow-form clause. The court further held that settlements paid to other claimants arising from the same accident exhausted the primary policy's per-accident limits, triggering excess coverage for the petitioner's judgment. The court reversed the Court of Special Appeals and held that the petitioner was entitled to recover the judgment, post-judgment interest, and costs.

CASE DETAILS

COURT	Court of Appeals of Maryland
WRITING FOR THE COURT	Cathell, J.; Bell, C.J.; Eldridge, J.; Raker, J.; Harrell, J.; Battaglia, J.; Lawrence F. Rodowsky, J. (retired, specially assigned)
JURISDICTION	Maryland
DECIDED	April 15, 2002
DOCKET	No. 93, Sept. Term, 2001
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Petition for writ of certiorari following the Court of Special Appeals' reversal of a declaratory judgment entered on cross-motions for summary judgment in favor of the insured claimant.
STANDARD OF REVIEW	Summary judgment is reviewed de novo to determine whether the trial court was legally correct.
PRECEDENTIAL VALUE	Published, precedential opinion of the Maryland Court of Appeals
PARTIES	Veronica F. Megonnell v. United States Automobile Association

TOPICS

excess insurance · insurance coverage · contract interpretation · declaratory relief insurance · appellate procedure

PRACTICE AREAS

insurance law | contract law | appellate procedure

QUESTIONS PRESENTED

1. Whether settlements arising from the same occurrence count toward exhaustion of the primary policy's $500,000 per-occurrence limit.
2. Whether the excess-coverage section of the umbrella policy incorporated the primary policy's household exclusion through a follow-form provision.
3. Whether, after exhaustion of the primary policy limits, the umbrella policy's excess coverage applied to Veronica Megonnell's judgment.
4. Whether Veronica Megonnell was entitled to attorney's fees in the declaratory-judgment action.

HOLDINGS

1. Settlement payments arising from the same occurrence count toward exhaustion of the primary policy's $500,000 per-occurrence liability limit; the $700,000 settlements with the Anders exhausted that limit.
2. The primary policy's household exclusion did not apply to the umbrella policy's excess-coverage section because the umbrella policy lacked a conspicuous, clear, and express clause incorporating the primary policy's exclusions or making the excess coverage follow form.
3. Once the primary policy's per-occurrence limit was exhausted, the remaining settlement amounts and Veronica Megonnell's $291,000 judgment were covered by the umbrella policy's excess-coverage section.
4. USAA was not responsible for Veronica Megonnell's attorney's fees in the declaratory-judgment action.

KEY QUOTATIONS

> *"We hold that, even if "follow form" clauses are appropriate in Maryland in circumstances such as the present, neither the umbrella policy nor, more specifically, the excess coverage section of the umbrella policy in the case sub judice contain a "follow form" clause."* (368 Md. 637)

> *"We hold that the $700,000 settlement sum with the Anders exhausted the $500,000 liability limit of the primary policy."* (368 Md. 653)

> *"We hold that in order for the excess coverage to be "follow form" from the primary policy, thereby making the household exclusion applicable, there would, at the least, need to be a conspicuous, clear and express clause that incorporated the exclusions of the primary policy into the umbrella policy."* (368 Md. 657-658)

> *"Petitioner's judgment is to be satisfied under the excess coverage of the umbrella policy."* (368 Md. 658-659)

FACTUAL BACKGROUND

USAA issued Mr. Megonnell a primary automobile policy with bodily-injury limits of $300,000 per person and $500,000 per accident, and a $3 million umbrella policy containing basic and excess coverage. The primary policy contained a household exclusion limiting liability coverage for a family member to the amount required by Maryland law, while the umbrella policy's excess-coverage section did not expressly contain that exclusion or a follow-form clause. After a collision caused by Mr. Megonnell, USAA settled claims by the Megonnells' grandchildren for $700,000 and a jury awarded Veronica Megonnell $291,000. USAA refused to pay the judgment beyond $20,000, prompting the declaratory-judgment action.

PROCEDURAL HISTORY

After Veronica Megonnell obtained a $291,000 judgment against her husband arising from an automobile accident, she filed a declaratory-judgment action against USAA seeking indemnification under an umbrella policy. The Circuit Court for Baltimore County granted her summary judgment and declared that USAA owed the judgment, interest, and costs. The Court of Special Appeals reversed, holding that the primary policy's household exclusion precluded excess coverage. The Court of Appeals granted certiorari, reversed the intermediate appellate court, and remanded with instructions to affirm the circuit court's declaratory judgment.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand to the Court of Special Appeals with instructions to affirm the declaratory judgment of the Circuit Court for Baltimore County. Costs in the Court of Appeals and Court of Special Appeals were assessed against USAA.

CASES CITED

- Megonnell v. U.S. Automobile, 366 Md. 274, 783 A.2d 653 (2001)
- Grimes v. Kennedy Krieger Institute, Inc., 366 Md. 29, 782 A.2d 807 (2001)
- PaineWebber Inc. v. East, 363 Md. 408, 768 A.2d 1029 (2001)
- Okwa v. Harper, 360 Md. 161, 757 A.2d 118 (2000)
- Sheets v. Brethren Mutual Insurance Co., 342 Md. 634, 679 A.2d 540 (1996)
- Goodwich v. Sinai Hospital of Baltimore, Inc., 343 Md. 185, 204, 680 A.2d 1067, 1076 (1996)
- Murphy v. Merzbacher, 346 Md. 525, 530-31, 697 A.2d 861, 864 (1997)
- Hartford Insurance Co. v. Manor Inn of Bethesda, Inc., 335 Md. 135, 144, 642 A.2d 219, 224 (1994)
- Gross v. Sussex, Inc., 332 Md. 247, 255, 630 A.2d 1156, 1160 (1993)
- Heat & Power Corp. v. Air Products & Chemicals, Inc., 320 Md. 584, 592, 578 A.2d 1202, 1206 (1990)
- McBriety v. Commissioners of Cambridge, 127 Md. App. 59, 65-66, 732 A.2d 296, 299 (1999)
- Nationwide Mutual Insurance Co. v. Scherr, 101 Md. App. 690, 695, 647 A.2d 1297 (1994), cert. denied, 337 Md. 214, 652 A.2d 670 (1995)
- Loewenthal v. Security Insurance Co., 50 Md. App. 112, 117, 436 A.2d 493 (1981)
- Bausch & Lomb, Inc. v. Utica Mutual Insurance Co., 330 Md. 758, 780-81, 625 A.2d 1021, 1032 (1993)
- Garmany v. Mission Insurance Co., 785 F.2d 941, 948 (11th Cir. 1986)

- United States Fidelity & Guaranty Co. v. Safeco Insurance Co., 555 S.W.2d 848, 853 (Mo. App. 1977)
- Handleman v. USF & G Co., 223 Mo. App. 758, 18 S.W.2d 532 (1929)
- Dutta v. State Farm Insurance Co., 363 Md. 540, 556-57, 769 A.2d 948, 957 (2001)
- Cheney v. Bell National Life Insurance Co., 315 Md. 761, 766, 556 A.2d 1135, 1138 (1989)
- Litz v. State Farm, 346 Md. 217, 224, 695 A.2d 566, 569 (1997)
- North River Insurance Co. v. Mayor & City Council of Baltimore, 343 Md. 34, 39-40, 680 A.2d 480, 483 (1996)
- Collier v. MD-Individual Practice Association, 327 Md. 1, 5, 607 A.2d 537, 539 (1992)
- Empire Fire & Marine Insurance Co. v. Liberty Mutual Insurance Co., 117 Md. App. 72, 97-98, 699 A.2d 482, 493-94, cert. denied, 348 Md. 206, 703 A.2d 148 (1997)
- Bausch & Lomb, Inc. v. Utica Mutual Insurance Co., 355 Md. 566, 590-92, 735 A.2d 1081, 1094-95 (1999)
- Mesmer v. M.A.I.F., 353 Md. 241, 264, 725 A.2d 1053, 1064 (1999)
- Bailer v. Erie Insurance Exchange, 344 Md. 515, 687 A.2d 1375 (1997)
- Hess Construction Co. v. Board of Education of Prince George's County, 341 Md. 155, 669 A.2d 1352 (1996)
- Nolt v. United States Fidelity & Guaranty Co., 329 Md. 52, 617 A.2d 578 (1993)
- Continental Casualty Co. v. Board of Education of Charles County, 302 Md. 516, 489 A.2d 536 (1985)
- Bankers & Shippers Insurance Co. v. Electro Enterprises, Inc., 287 Md. 641, 415 A.2d 278 (1980)
- Brohawn v. Transamerica Insurance Co., 276 Md. 396, 347 A.2d 842 (1975)
- Government Employees Insurance Co. v. Taylor, 270 Md. 11, 310 A.2d 49 (1973)
- Cohen v. American Home Assurance Co., 255 Md. 334, 258 A.2d 225 (1969)
- Anderson v. Maryland Casualty Co., 123 Md. 67, 90 A. 780 (1914)