SUPREME COURT OF TEXAS

In re State Farm Mutual Automobile Insurance Company and Terecina Shahan; In re State Farm Mutual Automobile Insurance Company and Todd Joseph Dauper

629 S.W.3d 866 (Tex. 2021) · No. Nos. 19-0791 and 19-0792 · Decided March 19, 2021

SUMMARY

The Supreme Court of Texas conditionally granted State Farm's petitions for writ of mandamus in consolidated proceedings involving underinsured-motorist claims. The Court held that insureds seeking policy benefits as damages for Insurance Code violations must first establish their contractual entitlement to those benefits, including the third-party motorist's liability and the amount of damages. It further held that the trial courts abused their discretion by denying bifurcation of the predicate UIM issues from the Insurance Code claims.

CASE DETAILS

COURT	Supreme Court of Texas
WRITING FOR THE COURT	James D. Blacklock
JURISDICTION	Texas
DECIDED	March 19, 2021
DOCKET	Nos. 19-0791 and 19-0792
DISPOSITION	writ_granted
PROCEDURAL POSTURE	State Farm sought mandamus relief from trial-court orders denying its motions under Texas Rule of Civil Procedure 174(b) to bifurcate trials of uninsured/underinsured motorist predicate issues from extracontractual Insurance Code claims. The court of appeals denied the petitions, and the Supreme Court of Texas conditionally granted mandamus.
STANDARD OF REVIEW	Mandamus issues only to correct a clear abuse of discretion or violation of a legal duty when no adequate remedy by appeal exists. A trial court abuses its discretion when its ruling is arbitrary and unreasonable and made without regard to guiding legal principles or supporting evidence. The adequacy of an appellate remedy is assessed by balancing the benefits and detriments of mandamus review.

PRECEDENTIAL VALUE	Published and precedential opinion of the Supreme Court of Texas
PARTIES	State Farm Mutual Automobile Insurance Company v. Terecina Shahan, Todd Joseph Dauper

TOPICS

uninsured motorist · insurance coverage · civil procedure · appellate procedure · standard of review

PRACTICE AREAS

insurance law · civil procedure · appellate procedure · mandamus

QUESTIONS PRESENTED

1. Whether insureds who assert only Insurance Code claims seeking UIM policy benefits as damages must first establish the third-party driver's liability, underinsured status, and the amount of damages establishing their contractual entitlement to UIM benefits.
2. Whether Texas Rule of Civil Procedure 174(b) authorizes bifurcation of trials of the predicate UIM-benefit issues and the Insurance Code claims even when the insureds pleaded no breach-of-contract claims.
3. Whether State Farm had an adequate remedy by appeal or whether mandamus was appropriate to correct the denial of bifurcation.

HOLDINGS

1. An insured seeking damages under the Insurance Code that are predicated on, flow from, or stem from UIM policy benefits must establish a right to receive those benefits under the policy unless the insured proves an injury truly independent of the right to benefits. Because Shahan and Dauper claimed only the alleged underpayment of UIM benefits and no independent injury, they had to establish State Farm's contractual liability under the UIM policies.
2. The trial courts abused their discretion by denying State Farm's motions to bifurcate. The trials had to be separated so that the insureds' entitlement to UIM benefits could be determined before trial of the extracontractual Insurance Code claims.
3. State Farm lacked an adequate remedy by appeal because it would otherwise incur substantial expense and litigation of issues that could be rendered unnecessary or require reversal. Mandamus was therefore appropriate.

KEY QUOTATIONS

> *"An insured cannot recover any damages based on an insurer's statutory violation if the insured had no right to receive benefits under the policy and sustained no injury independent of a right to benefits."* (at 5)

> *"Thus, in order to establish State Farm's liability to them under their UIM policies—as they must to recover on their Insurance Code claims—Nicastro and Dodds must first obtain determinations of the third-party*

> *drivers' liability and the amount of damages."* (at 10)

> *"Because the Insurance Code claims at issue here require Nicastro and Dodds to make the very same showings as the many other plaintiffs whose UIM claims are routinely subject to bifurcated trials, the trial courts abused their discretion by denying State Farm's motions to bifurcate trial under Rule 174(b)."* (at 13)

FACTUAL BACKGROUND

Nicastro and Dodds held UIM policies issued by State Farm and were injured in separate automobile collisions allegedly caused by other motorists. Each accepted a settlement from the at-fault driver's insurer and then sought additional UIM benefits from State Farm; State Farm either denied or paid less than the amount requested. Rather than suing for breach of their UIM policies, they asserted Insurance Code claims alleging unreasonable settlement conduct and inadequate explanations, seeking as damages the policy benefits they believed State Farm should have paid.

PROCEDURAL HISTORY

Shahan and Dauper sued State Farm and State Farm adjusters under Texas Insurance Code sections 541.060(a)(2)(A) and (a)(3), seeking as damages amounts allegedly owed under their UIM policies but asserting no breach-of-contract claims. State Farm moved to bifurcate trial so that the third-party motorists' liability, underinsured status, and resulting damages would first be determined. The trial courts denied the motions, the Fifth Court of Appeals denied State Farm's mandamus petitions without substantive explanation, and the Supreme Court of Texas granted conditional mandamus relief.

DISPOSITION

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writ_granted
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REMAND INSTRUCTIONS

The trial courts must bifurcate the trials of the Insurance Code claims, first determining the third-party motorists' liability, underinsured status, and damages establishing the insureds' entitlement to UIM benefits, and then, if appropriate, trying the Insurance Code claims. The writs will issue only if the trial courts fail to comply.

CASES CITED

- USAA Texas Lloyds v. Menchaca, 545 S.W.3d 479 (Tex. 2018)
- Brainard v. Trinity Universal Insurance Co., 216 S.W.3d 809 (Tex. 2006)
- Stoker v. Republic Insurance Co., 903 S.W.2d 338 (Tex. 1995)
- Provident American Insurance Co. v. Castañeda, 988 S.W.2d 189 (Tex. 1998)
- Aranda v. Insurance Co. of North America, 748 S.W.2d 210 (Tex. 1988)
- Texas Mutual Insurance Co. v. Ruttiger, 381 S.W.3d 430 (Tex. 2012)
- Walker v. Packer, 827 S.W.2d 833 (Tex. 1992) (orig. proceeding)
- Johnson v. Fourth Court of Appeals, 700 S.W.2d 916 (Tex. 1985) (orig. proceeding)

- In re Entergy Corp., 142 S.W.3d 316 (Tex. 2004) (orig. proceeding) (per curiam)
- In re Nationwide Insurance Co. of America, 494 S.W.3d 708 (Tex. 2016) (orig. proceeding)
- In re Team Rocket, L.P., 256 S.W.3d 257 (Tex. 2008) (orig. proceeding)
- In re Colonial County Mutual Insurance Co., No. 01-19-00391-CV, 2019 WL 5699735 (Tex. App.—Houston [1st Dist.] Nov. 5, 2019, orig. proceeding) (per curiam) (mem. op.)
- In re Allstate Fire & Casualty Insurance Co., No. 12-17-00266-CV, 2017 WL 5167350 (Tex. App.—Tyler Nov. 8, 2017, orig. proceeding) (mem. op.)
- In re State Farm Mutual Automobile Insurance Co., 395 S.W.3d 229 (Tex. App.—El Paso 2012, orig. proceeding)
- Liberty National Fire Insurance Co. v. Akin, 927 S.W.2d 627 (Tex. 1996)
- Womack v. Berry, 291 S.W.2d 677 (Tex. 1956)
- In re Prudential Insurance Co. of America, 148 S.W.3d 124 (Tex. 2004) (orig. proceeding)
- Cincinnati Life Insurance Co. v. Cates, 927 S.W.2d 623 (Tex. 1996)
- University of Texas Medical Branch at Galveston v. York, 871 S.W.2d 175 (Tex. 1994)