

SUPREME COURT OF ARIZONA

Employers Mutual Casualty Co. v. McKeon, 159 Ariz. 111

765 P.2d 513 (1988) · No. CV-87-0312-PR · Decided September 22, 1988

SUMMARY

The Supreme Court of Arizona held that a named driver exclusion could validly eliminate nonmandatory medical-payments coverage but could not exclude mandatory uninsured motorist coverage. The court further held that the insured was entitled to the uninsured motorist limits actually purchased, rather than only the statutory minimum, and affirmed the judgment regarding uninsured motorist coverage while reversing the judgment concerning medical payments.

CASE DETAILS

COURT	Supreme Court of Arizona
WRITING FOR THE COURT	Feldman, Vice Chief Justice; Gordon, Chief Justice; Cameron, Justice; Moeller, Justice; Holohan, Justice
JURISDICTION	Arizona
DECIDED	September 22, 1988
DOCKET	CV-87-0312-PR
DISPOSITION	other
PROCEDURAL POSTURE	Employers sought review of an Arizona Court of Appeals decision reversing a trial-court summary judgment entered for the McKeons in a declaratory-judgment action concerning uninsured motorist and medical-payments coverage.
STANDARD OF REVIEW	Summary judgment is reviewed de novo; interpretation of an insurance policy and statutes presents questions of law reviewed independently.
PRECEDENTIAL VALUE	Published, precedential Arizona Supreme Court decision; en banc.
PARTIES	Employers Mutual Casualty Company v. Robert E. McKeon, Jay Edward McKeon, Joan L. McKeon

TOPICS

- uninsured motorist
- insurance coverage
- statutory interpretation
- in pari materia
- legislative intent

PRACTICE AREAS

Insurance law

Uninsured motorist coverage

Insurance policy interpretation

Statutory interpretation

Declaratory judgment

QUESTIONS PRESENTED

1. Whether the named-driver endorsement excluded only liability coverage or clearly excluded all policy coverage while Jay McKeon was driving.
2. Whether Arizona's mandatory uninsured motorist statute, A.R.S. § 20-259.01, permitted the contractual exclusion of Jay from uninsured motorist coverage.
3. If the exclusion was invalid as to uninsured motorist coverage, whether Jay was limited to the statutory minimum coverage rather than the higher limits purchased under the policy.

HOLDINGS

1. The endorsement unambiguously excluded Jay McKeon from all policy coverage while he was driving, including nonmandatory medical-payments coverage.
2. A named-driver exclusion that purports to eliminate mandatory uninsured motorist coverage is contrary to Arizona public policy and void.
3. Jay McKeon's uninsured motorist coverage was not limited to the statutory minimum; it extended to the higher limits the insureds actually purchased, up to the policy's liability limits.

KEY QUOTATIONS

“Thus, we hold the purported exclusion of uninsured motorist coverage is contrary to public policy and void.” (159 Ariz. at 115)

“Coverage is available in the limits purchased by the insured.” (159 Ariz. at 115)

FACTUAL BACKGROUND

Joan and Robert McKeon purchased automobile insurance from Employers with \$300,000 liability and uninsured motorist limits and \$5,000 in medical-payments coverage. After Jay McKeon accumulated traffic citations, Employers required his parents to sign an endorsement excluding Jay from all coverage while driving any automobile. Jay was later severely injured while driving his brother's car in a collision with an uninsured motorist, and the brother's insurer paid \$20,000 in uninsured motorist benefits. Employers denied Jay's request for additional uninsured motorist and medical-payments benefits based on the named-driver exclusion.

PROCEDURAL HISTORY

After Jay McKeon was injured while driving an automobile owned by his brother and struck by an uninsured motorist, Employers filed a declaratory-judgment action seeking a ruling that a named-driver exclusion barred coverage. On stipulated facts, both sides moved for summary judgment. The trial court granted judgment to the McKeons, holding that coverage was available up to the policy limits. The court of appeals reversed, concluding that the exclusion applied to uninsured motorist and medical-payments benefits. The Arizona Supreme Court

granted review, vacated the uninsured-motorist portion of the appellate decision, affirmed the judgment concerning uninsured motorist coverage, and reversed the portion concerning medical-payments coverage.

DISPOSITION

other

REMAND INSTRUCTIONS

The court vacated the portion of the court of appeals' opinion addressing uninsured motorist coverage, affirmed the trial-court judgment concerning uninsured motorist coverage, and reversed the portion of the judgment affecting medical-payments coverage. The opinion does not state a separate remand instruction beyond those directives.

CASES CITED

- McCullough v. Standard Fire Insurance Co. of Alabama, 404 So. 2d 637 (Ala. 1981)
- State v. Ault, 157 Ariz. 516, 759 P.2d 1320 (1988)
- Pima County v. Heinfeld, 134 Ariz. 133, 654 P.2d 281 (1982)
- Pennsylvania National Mutual Casualty Insurance Co. v. Parker, 282 S.C. 546, 320 S.E.2d 458 (App. 1984)
- Garza v. Glen Falls Insurance Co., 105 N.M. 220, 731 P.2d 363 (1986)
- Frazier v. Terrill, 65 Ariz. 131, 175 P.2d 438 (1946)
- State v. Carter, 145 Ariz. 101, 700 P.2d 488 (1985)
- Spain v. Valley Forge Insurance Co., 152 Ariz. 189, 731 P.2d 84 (1986)
- Calvert v. Farmers Insurance Co., 144 Ariz. 291, 697 P.2d 684 (1985)
- Southeast Title & Insurance Co. v. Thompson, 231 So. 2d 201 (Fla. 1970)
- Hartford Accident & Indemnity Co. v. Dairyland Insurance Co., 274 Or. 145, 545 P.2d 113 (1976)
- State Farm Mutual Automobile Insurance Co. v. Janssen, 154 Ariz. 386, 742 P.2d 1372 (Ct. App. 1987)
- California Casualty Indemnity Exchange v. Steven, 5 Cal. App. 3d 304, 85 Cal. Rptr. 82 (1970)