SUPREME COURT OF TEXAS

American Manufacturers Mutual Insurance Co. v. Schaefer

124 S.W.3d 154 (Tex. 2003) · No. No. 02-0295 · Decided October 17, 2003

SUMMARY

The Supreme Court of Texas held that a standard personal automobile insurance policy does not require an insurer to compensate an insured for the diminished market value of a vehicle that has been fully and adequately repaired. The court concluded that the policy's limitation-of-liability and payment provisions unambiguously limited the insurer's obligation to repair or replace the vehicle or pay its actual cash value, whichever was less. The court reversed the court of appeals and rendered judgment for the insurer.

CASE DETAILS

COURT	Supreme Court of Texas
WRITING FOR THE COURT	Justice O'Neill
JURISDICTION	Texas
DECIDED	October 17, 2003
DOCKET	No. 02-0295
DISPOSITION	reversed
PROCEDURAL POSTURE	Review of a court of appeals decision reversing summary judgment for the insurer in a putative class action concerning coverage for diminished vehicle value under a standard Texas automobile insurance policy.
STANDARD OF REVIEW	Summary judgment is reviewed under the applicable legal standard, and interpretation and ambiguity of an insurance policy are questions of law reviewed de novo.
PRECEDENTIAL VALUE	Published, precedential opinion of the Supreme Court of Texas
PARTIES	American Manufacturers Mutual Insurance Company, American Motorists Insurance Company, American Protection Insurance Company, Kemper National Insurance Company, Lumbermen's Mutual Casualty Company v. Gary Schaefer, individually and as representative of all persons similarly situated

TOPICS

insurance coverage · casualty insurance litigation · contract interpretation · breach of contract

PRACTICE AREAS

insurance law · insurance coverage · contract law · automobile insurance

QUESTIONS PRESENTED

1. Whether the standard Texas personal automobile insurance policy obligated the insurer to compensate the insured for diminished market value when the vehicle had been fully and adequately repaired.
2. Whether the policy language was ambiguous regarding the insurer's obligation to pay diminished-value damages.
3. Whether the absence of an express diminished-value exclusion created coverage for such damages.

HOLDINGS

1. A standard Texas personal automobile insurance policy providing that the insurer may pay the lesser of the vehicle's actual cash value or the amount necessary to repair or replace it does not obligate the insurer to pay diminished market value when the vehicle has been fully and adequately repaired.
2. The policy is unambiguous because its language is not reasonably susceptible to two or more interpretations that would require payment of diminished value after adequate repair.
3. The insurer's failure to expressly exclude diminished-value damages does not create coverage where the policy's affirmative coverage and limitation provisions do not provide for those damages.

KEY QUOTATIONS

> *"We hold that it does not, and accordingly reverse the court of appeals' judgment."* (156)

> *"We agree with AMM that the policy's plain language, when read in context, giving effect to all contractual provisions, is unambiguous and does not require payment for diminished value when a vehicle has been fully and adequately repaired."* (158)

> *"Absence of an exclusion cannot confer coverage."* (160)

> *"Schaefer's standard automobile insurance policy does not obligate AMM to compensate Schaefer for his fully repaired vehicle's diminished market value."* (162)

FACTUAL BACKGROUND

Gary Schaefer purchased a standard Texas automobile insurance policy from American Manufacturers Mutual Insurance Company. After Schaefer's vehicle was damaged in an October 1995 accident, AMM elected to repair it, and Schaefer did not dispute the quality or adequacy of the repairs. Schaefer nevertheless claimed that the vehicle's market value had declined by $2,600 because buyers perceived a repaired vehicle as worth less than a never-damaged vehicle.

PROCEDURAL HISTORY

Schaefer filed a class action alleging that the insurers breached the insurance contract and violated the Texas Insurance Code by refusing to pay for the diminished market value of an adequately repaired vehicle. Before class certification, Schaefer moved for partial summary judgment and AMM filed a cross-motion. The trial court granted AMM's motion and denied Schaefer's. The court of appeals reversed, holding that Schaefer could seek diminished-value damages and that a jury should determine whether the repairs restored the vehicle to substantially the same condition and value. The Supreme Court of Texas granted review to resolve the conflict among the courts of appeals.

DISPOSITION

reversed

CASES CITED

- Tex. Farmers Ins. Co. v. Murphy, 996 S.W.2d 873, 879 (Tex. 1999)
- Kelley-Coppedge, Inc. v. Highlands Ins. Co., 980 S.W.2d 462, 464-65 (Tex. 1998)
- Nat'l Union Fire Ins. Co. v. CBI Indus., Inc., 907 S.W.2d 517, 520 (Tex. 1995)
- Coker v. Coker, 650 S.W.2d 391, 393 (Tex. 1983)
- Grain Dealers Mut. Ins. Co. v. McKee, 943 S.W.2d 455, 458 (Tex. 1997)
- Sec. Mut. Cas. Co. v. Johnson, 584 S.W.2d 703, 704 (Tex. 1979)
- Carlton v. Trinity Universal Ins. Co., 32 S.W.3d 454, 464 (Tex. App.—Houston [14th Dist.] 2000, pet. denied)
- Siegle v. Progressive Consumers Ins. Co., 819 So. 2d 732, 736-39 (Fla. 2002)
- Hall v. Acadia Ins. Co., 801 A.2d 993, 995 (Me. 2002)
- Wildin v. Am. Family Mut. Ins. Co., 249 Wis. 2d 477, 638 N.W.2d 87, 90 (Ct. App. 2001), review denied, 252 Wis. 2d 150, 644 N.W.2d 686 (2002)
- Pritchett v. State Farm Mut. Ins. Co., 834 So. 2d 785, 791-92 (Ala. Civ. App. 2002)
- O'Brien v. Progressive N. Ins. Co., 785 A.2d 281, 287, 290 (Del. 2001)
- Great Tex. County Mut. Ins. Co. v. Lewis, 979 S.W.2d 72, 74 (Tex. App.—Austin 1998, no pet.)
- Liberty Mut. Ins. Co. v. Am. Employers Ins. Co., 556 S.W.2d 242, 245 (Tex. 1977)
- Smith v. American Fire & Casualty Co., 242 S.W.2d 448, 453-54 (Tex. Civ. App.—Beaumont 1951, no writ)
- Superior Pontiac Co. v. Queen Insurance Co., 434 S.W.2d 340, 341-42 (Tex. 1968)
- Thomas v. Oldham, 895 S.W.2d 352, 359 (Tex. 1995)
- Roberdeau v. Indem. Ins. Co. of N. Am., 231 S.W.2d 948, 951 (Tex. Civ. App.—Austin 1950, writ ref'd n.r.e.)
- Agric. Workers Mut. Auto. Ins. Co v. Dawson, 424 S.W.2d 643, 645 (Tex. Civ. App.—Tyler 1968, no writ)
- Smither v. Progressive County Mut. Ins. Co., 76 S.W.3d 719, 723 (Tex. App.—Houston [14th Dist.] 2002, pet. filed)