

SUPREME COURT OF PENNSYLVANIA

Ciamaichelo v. Independence Blue Cross, 589 Pa. 415

909 A.2d 1211 (2006) · Decided November 21, 2006

SUMMARY

The Supreme Court of Pennsylvania held that a class action alleging that Independence Blue Cross accumulated excessive surplus funds and violated nonprofit-law, contractual, and fiduciary duties could proceed in the court of common pleas. The court rejected dismissal for lack of subject-matter jurisdiction and under the filed-rate doctrine at the preliminary-objections stage. It held that the trial court could refer issues requiring the Pennsylvania Insurance Department’s specialized expertise under the doctrine of primary jurisdiction, and remanded for consideration of standing and related issues.

CASE DETAILS

COURT	Supreme Court of Pennsylvania
WRITING FOR THE COURT	Chief Justice Cappy; Justice Castille; Justice Nigro; Justice Newman; Justice Saylor; Justice Eakin; Justice Baer
JURISDICTION	Pennsylvania
DECIDED	November 21, 2006
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Plaintiffs brought a class action in the Bucks County Court of Common Pleas alleging that Independence Blue Cross violated Pennsylvania's Nonprofit Corporation Law and breached contractual and fiduciary duties by accumulating excessive surplus funds. The trial court overruled preliminary objections. The Commonwealth Court granted interlocutory review, reversed, and dismissed the complaint for lack of subject matter jurisdiction and under the filed-rate doctrine. The Supreme Court of Pennsylvania granted allowance of appeal.
STANDARD OF REVIEW	De novo review of legal questions presented by preliminary objections. The court considers whether, accepting all pleaded material facts and reasonable inferences as true, it is clear and free from doubt that the plaintiffs cannot establish jurisdiction or a legally sufficient right to relief.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Jules Ciamaichelo, Rob Stevens, Inc. v. Independence Blue Cross

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QUESTIONS PRESENTED

1. Whether the Court of Common Pleas had subject matter jurisdiction over claims alleging that IBC violated the Nonprofit Corporation Law and breached contractual and fiduciary duties by accumulating and using excessive surplus funds.
2. Whether the filed-rate doctrine barred the appellants' claims because they allegedly challenged rates or reserves approved by the Pennsylvania Department of Insurance.
3. Whether the doctrine of primary jurisdiction required the trial court to refer issues within the Insurance Department's regulatory expertise to that agency.
4. Whether the appellants had standing and a right to relief under the Nonprofit Corporation Law.

HOLDINGS

1. Claims alleging violations of the Nonprofit Corporation Law and breaches of contractual and fiduciary duties concerning excessive surplus were within the jurisdiction of the Court of Common Pleas and were not shown, at the preliminary-objection stage, to be merely requests for judicial regulation of insurance rates or reserves.
2. The filed-rate doctrine did not require dismissal of the complaint at the preliminary-objection stage because the complaint did not allege a rate-injury claim or seek judicial review of an approved rate.
3. When a court claim requires resolution of issues within the Insurance Department's regulatory jurisdiction and special competence, the trial court should retain the action but may refer those issues to the Department, suspending judicial proceedings as appropriate.
4. The Supreme Court did not decide whether appellants had standing or a right to relief under the Nonprofit Corporation Law; that issue remained for the Commonwealth Court to resolve on remand.

KEY QUOTATIONS

“Primary jurisdiction applies where a claim is originally cognizable in the courts, and comes into play whenever enforcement of the claim requires the resolution of issues which, under a regulatory scheme, have been placed within the jurisdiction of an administrative body; in such a case the judicial process is suspended pending referral of such issues to the administrative body for its views.” (909 A.2d at 1218)

“Therefore, we hold that the Commonwealth Court erred in sustaining IBC's preliminary objections for lack of subject matter jurisdiction, and that Appellants' challenge to IBC should proceed in the way Appellants commenced it, as a civil action in the court of common pleas.” (909 A.2d at 1218)

FACTUAL BACKGROUND

Appellants alleged that Independence Blue Cross, a nonprofit hospital corporation and health insurer, accumulated between \$349 million and \$438 million in surplus or reserves beyond what was necessary for operations, legal obligations, and financial solvency. They alleged that IBC dedicated the excess funds to purposes inconsistent with its nonprofit status, including possible acquisitions, mergers, conversions, benefits to officers and directors, and investments in for-profit subsidiaries. The complaint asserted violations of Pennsylvania's Nonprofit Corporation Law and breaches of contractual and fiduciary duties, and sought declaratory, equitable, accounting, document-inspection, and related relief.

PROCEDURAL HISTORY

Appellants filed their class action complaint on August 21, 2001. The Court of Common Pleas overruled IBC's preliminary objections, but the Commonwealth Court permitted an interlocutory appeal and reversed, holding that the Insurance Department had exclusive jurisdiction and that the filed-rate doctrine barred the claims. The Supreme Court reversed the Commonwealth Court and remanded for further proceedings, including resolution of IBC's unresolved standing and right-to-relief objections.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand to the Commonwealth Court with instructions to resolve the outstanding issue raised by IBC concerning whether appellants lacked standing and a right to relief under the Nonprofit Corporation Law. The trial court may refer to the Insurance Department any issue within the Department's regulatory jurisdiction that is sufficiently complex to require its special competence.

CASES CITED

- *Montana-Dakota Utilities Co. v. Northwestern Public Service Co.*, 341 U.S. 246, 251 (1951)
- *Schott v. Westinghouse Electric Corp.*, 436 Pa. 279, 259 A.2d 443, 449 (1969)
- *Ciamaichelo v. Independence Blue Cross*, 814 A.2d 800 (Pa. Cmwlth. 2002)
- *Hospital Healthsystem Ass'n of Pennsylvania v. Department of Public Welfare*, 585 Pa. 106, 888 A.2d 601, 607 (2005)
- *Drain v. Covenant Insurance Co.*, 551 Pa. 570, 712 A.2d 273, 277-78 (1998)
- *Elkin v. Bell Telephone Co. of Pennsylvania*, 491 Pa. 123, 420 A.2d 371, 376-77 (1980)
- *Employers Insurance of Wausau v. Commonwealth, Department of Transportation*, 581 Pa. 381, 865 A.2d 825, 830 n. 5 (2005)
- *Empire Sanitary Landfill, Inc. v. Commonwealth, Department of Environmental Resources*, 546 Pa. 315, 684 A.2d 1047, 1053 (1996)
- *National Solid Wastes Management Association v. Casey*, 135 Pa. Cmwlth. 134, 580 A.2d 893, 897 (1990), *aff'd*, 533 Pa. 97, 619 A.2d 1063 (1993)

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