SUPREME COURT OF ALABAMA

Gardner v. State Farm Mutual Automobile Insurance Co.

822 So. 2d 1211 (Ala. 2001) · Decided October 12, 2001

SUMMARY

The Alabama Supreme Court affirmed judgment as a matter of law for State Farm in an insurance agent's breach-of-contract action. The court held that the agent agreement unambiguously permitted either party to terminate the relationship by written notice at will, and that the contractual termination-review procedure did not alter that at-will character.

CASE DETAILS

COURT	Supreme Court of Alabama
WRITING FOR THE COURT	Harwood, Justice; Harwood; Moore; See; Brown; Stuart
JURISDICTION	Alabama
DECIDED	October 12, 2001
DISPOSITION	affirmed
PROCEDURAL POSTURE	Betty Gardner petitioned for a writ of certiorari to review the Alabama Court of Civil Appeals' affirmance of a judgment as a matter of law for State Farm on Gardner's breach-of-contract claim.
STANDARD OF REVIEW	A judgment as a matter of law is reviewed under the same standard applied by the trial court: whether sufficient evidence existed to create a conflict warranting jury consideration, viewing the evidence most favorably to the nonmovant.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Betty Gardner v. State Farm Mutual Automobile Insurance Co., State Farm executives and other defendants

TOPICS

employment at-will · employment contracts · contract interpretation · motion for directed verdict · appellate procedure

PRACTICE AREAS

employment law · contracts · insurance · civil procedure · appellate procedure

QUESTIONS PRESENTED

1. Whether the Agent's Agreement was ambiguous because it permitted termination by written notice while also providing a termination-review procedure.
2. Whether the termination-review provision altered the agreement's at-will character and required State Farm to have cause before terminating Gardner.
3. Whether State Farm was entitled to judgment as a matter of law on Gardner's breach-of-contract claim.

HOLDINGS

1. The Agent's Agreement unambiguously permitted either party to terminate the agreement at any time by written notice.
2. The availability of a termination-review procedure did not change the at-will character of the Agent's Agreement or require State Farm to establish cause before terminating the relationship.
3. State Farm was entitled to judgment as a matter of law because it provided written notice of termination and the Agent's Agreement allowed termination at any time with or without cause.

KEY QUOTATIONS

> *"By now, the rule is well settled in Alabama that an employee contract at will may be terminated by either party with or without cause or justification."* (1218)

> *"The review board process gives the agent the opportunity to assert that it is not in the best interest of Farmers to sever the agency relationship."* (1219)

FACTUAL BACKGROUND

Gardner worked for State Farm for many years and entered into an Agent's Agreement authorizing her to operate a State Farm insurance agency. The agreement stated that either party could terminate it by written notice and separately provided Gardner a right to request review of a termination. After State Farm placed Gardner in a loss-reduction program, discovered that agency files containing insurance applications had been discarded, and Gardner refused to participate in further meetings concerning the missing applications, State Farm terminated the agreement. Gardner claimed that the termination-review provision made the agreement ambiguous and limited termination to situations involving cause.

PROCEDURAL HISTORY

Gardner sued State Farm and related defendants asserting breach of contract and several tort claims arising from the termination of her insurance-agent agreement. After the jury returned a verdict for Gardner on the breach-of-contract claim, the trial court granted State Farm's renewed Rule 50(b) motion for judgment as a matter of law, concluding that the agreement was terminable at will, and conditionally granted a new trial. The Court of Civil Appeals affirmed, and the Alabama Supreme Court granted certiorari and affirmed.

DISPOSITION

affirmed

CASES CITED

- Glenlakes Realty Co. v. Norwood, 721 So. 2d 174, 177 (Ala. 1998)
- Bussey v. John Deere Co., 531 So. 2d 860, 863 (Ala. 1988)
- Commercial Credit Corp. v. Leggett, 744 So. 2d 890, 893-894 (Ala. 1999)
- Environmental Systems, Inc. v. Rexham Corp., 624 So. 2d 1379, 1381 (Ala. 1993)
- Smith v. Reynolds Metals Co., 497 So. 2d 93, 95 (Ala. 1986)
- Salter v. Alfa Ins. Co., Inc., 561 So. 2d 1050, 1051-1053 (Ala. 1990)
- Bosarge v. Bankers Life Co., 541 So. 2d 499, 500-501 (Ala. 1989)
- Burrell v. Carraway Methodist Hospitals of Alabama, Inc., 607 So. 2d 193 (Ala. 1992)
- P & S Business, Inc. v. South Central Bell Tel. Co., 466 So. 2d 928, 931 (Ala. 1985)
- Haddox v. First Alabama Bank of Montgomery, 449 So. 2d 1226, 1228 (Ala. 1984)
- Food Service Distributors, Inc. v. Barber, 429 So. 2d 1025, 1028 (Ala. 1983)
- Hibbett Sporting Goods, Inc. v. Biernbaum, 391 So. 2d 1027, 1029 (Ala. 1980)
- Flowers v. Flowers, 334 So. 2d 856, 857 (Ala. 1976)
- Vainrib v. Downey, 565 So. 2d 647, 648 (Ala. Civ. App. 1990)
- McDonald v. U.S. Die Casting & Development Co., 585 So. 2d 853, 855 (Ala. 1991)
- Burks v. Pickwick Hotel, 607 So. 2d 187 (Ala. 1992)
- Meeks v. Opp Cotton Mills, Inc., 459 So. 2d 814 (Ala. 1984)
- Hinrichs v. Tranquilaire Hospital, 352 So. 2d 1130 (Ala. 1977)
- Hoffman-La Roche, Inc. v. Campbell, 512 So. 2d 725, 728 (Ala. 1987)
- Mooney v. State Farm Ins. Cos., 344 F. Supp. 697 (D.N.H. 1972)
- Melnick v. State Farm Mutual Automobile Insurance Co., 106 N.M. 726, 749 P.2d 1105 (1988), cert. denied, 488 U.S. 822 (1988)
- Kaldi v. Farmers Insurance Exchange, 117 Nev. 273, 21 P.3d 16 (2001)
- Threadgill v. Farmers Insurance Exchange, 912 S.W.2d 264 (Tex. Ct. App. 1995)
- Ventress v. State Farm Ins. Cos., No. CV-99-B-1925-S (N.D. Ala. Sept. 18, 2000) (not reported in F. Supp.)