SUPREME COURT OF INDIANA

State Farm Fire & Casualty Co. v. T.B. ex rel. Bruce

762 N.E.2d 1227 (Ind. 2002) · No. 53S01-0102-CV-00099 · Decided February 21, 2002

SUMMARY

The Indiana Supreme Court held that an insurer that declined to defend its insured without reserving rights or seeking declaratory relief was bound by matters necessarily determined in the underlying tort action, but not by unnecessary characterizations in a consent judgment. The court concluded that factual issues remained regarding whether the child was receiving childcare services and whether the occasional-care exception to the policy exclusion applied. It reversed the summary judgment for the child and remanded for a merits hearing, while summarily affirming that liability was limited to the policy's $300,000 limit.

CASE DETAILS

COURT	Supreme Court of Indiana
WRITING FOR THE COURT	Shepard, Chief Justice; Dickson, Justice; Sullivan, Justice; Boehm, Justice; Rucker, Justice
JURISDICTION	Indiana
DECIDED	February 21, 2002
DOCKET	53S01-0102-CV-00099
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	State Farm appealed from a trial court order granting T.B. summary judgment in garnishment proceedings supplemental against State Farm. The Indiana Court of Appeals affirmed the summary judgment but reduced the award to the policy limit, and the Indiana Supreme Court granted transfer.
STANDARD OF REVIEW	Summary judgment is proper when the evidence shows no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. Facts and reasonable inferences are construed in favor of the nonmoving party, and the appellate court reviews the decision to ensure that the nonmovant was not improperly denied an opportunity to be heard.
PRECEDENTIAL VALUE	Published Indiana Supreme Court opinion; precedential

PARTIES	State Farm Fire & Casualty Company v. T.B., a minor by her parents and next friends, George Bruce and Cathy Bruce

TOPICS

insurance coverage · summary judgment · civil procedure · casualty insurance litigation · premises liability

PRACTICE AREAS

insurance coverage · insurance litigation · civil procedure · summary judgment · premises liability

QUESTIONS PRESENTED

1. Whether State Farm was collaterally estopped from contesting factual statements in the consent judgment concerning whether T.B.'s injury was unrelated to daycare activities.
2. Whether summary judgment was proper on the policy's childcare exclusion and its exception for occasional childcare services.
3. Whether the damages award could exceed the homeowner's policy limit.

HOLDINGS

1. Because State Farm declined to defend and did not seek a declaratory judgment, it was bound by matters necessarily determined in the underlying action, but it was not estopped from contesting unnecessary factual characterizations in the consent judgment, including the statement that the molestation was unrelated to daycare activities.
2. Summary judgment for either party was improper because genuine issues of material fact existed concerning whether T.B. was in the care of an insured because of childcare services and whether the care provided on the date of the molestation was occasional within the policy exception.
3. The insurer's liability was limited to the homeowner's policy limit of $300,000.

KEY QUOTATIONS

> *"Estopping an absent party from contesting unnecessary matters settled upon by the consenting parties invites collusive or fraudulent determinations."* (at 1231)

> *"It was thus tantamount to dictum, and State Farm should not have been estopped from challenging it during proceedings supplemental."* (at 1231)

FACTUAL BACKGROUND

Vicki Dobson operated a home daycare and had cared for T.B. over a period of years, for which T.B.'s mother paid her. On April 4, 1996, Vicki left T.B. and three other children with her husband, Murl, while she attended to her mother-in-law across the street; Murl molested T.B. and was later convicted. State Farm insured the Dobsons under a homeowner's policy containing a childcare exclusion and an exception for occasional childcare. State Farm investigated, declined to defend or indemnify the Dobsons, and did not seek a declaratory judgment. The Dobsons and T.B. then entered a consent judgment and assigned the Dobsons' policy rights to T.B.

PROCEDURAL HISTORY

T.B. sued Murl and Vicki Dobson after Murl molested her while she was in their home. The Dobsons entered a consent judgment for $375,000, assigned their policy rights to T.B., and agreed that T.B. would not execute against their personal assets. T.B. then pursued State Farm in proceedings supplemental and garnishment. The trial court granted T.B. summary judgment; the Court of Appeals affirmed while reducing the award to $300,000. The Supreme Court reversed and remanded for a hearing on the childcare exclusion and its occasional-care exception.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The trial court must conduct a hearing or trial on the merits of whether the childcare exclusion applies and whether the occasional-childcare exception applies.

CASES CITED

- Liberty Mut. Ins. Co. v. Metzler, 586 N.E.2d 897 (Ind. Ct. App. 1992)
- State Farm Mut. Auto. Ins. Co. v. Glasgow, 478 N.E.2d 918 (Ind. Ct. App. 1985)
- Frankenmuth Mut. Ins. Co. v. Williams, 645 N.E.2d 605 (Ind. 1995)
- Butler v. Peru, 733 N.E.2d 912 (Ind. 2000)
- Ind. Dept. of Envtl. Mgmt. v. Med. Disposal Servs., Inc., 729 N.E.2d 577 (Ind. 2000)
- Burrell v. Meads, 569 N.E.2d 637 (Ind. 1991)
- State Farm Fire & Cas. Co. v. T.B. ex rel. Bruce, 728 N.E.2d 919 (Ind. Ct. App. 2000)