SUPREME COURT OF IDAHO

Leslie Weinstein and Linda Weinstein, husband and wife, individually and as guardians ad litem for Sarah Weinstein v. Prudential Property and Casualty Insurance Company, Prudential General Insurance Company, Liberty Mutual Insurance Company, and LM Property and Casualty Insurance

233 P.3d 1221, 149 Idaho 299 (2010) · No. No. 34970-2008 · Decided June 1, 2010

SUMMARY

The Idaho Supreme Court reviewed an insurance coverage and bad-faith dispute arising from an automobile accident involving uninsured motorists. The court affirmed the compensatory-damages judgment, upheld the constitutionally permissible remitted punitive-damages amount, denied the plaintiffs' cross-appeal, and vacated the attorney-fee award and the option for a new punitive-damages trial. The opinion addressed breach of MedPay and uninsured-motorist provisions, insurer bad faith, punitive damages, jury instructions, and attorney fees.

CASE DETAILS

COURT	Supreme Court of Idaho
WRITING FOR THE COURT	Eismann, Chief Justice; Burdick; Eismann; Horton; Jones
JURISDICTION	Idaho
DECIDED	June 1, 2010
DOCKET	No. 34970-2008
DISPOSITION	other
PROCEDURAL POSTURE	Insurers appealed a jury verdict and judgments awarding compensatory damages for breach of an insurance contract, damages for insurance bad faith, punitive damages, and attorney fees. The insureds cross-appealed from the district court's order granting a new trial on punitive damages unless they accepted a remittitur.
STANDARD OF REVIEW	Directed-verdict and judgment notwithstanding the verdict rulings are reviewed under the same standard applied by the trial court, viewing adverse evidence as true and drawing legitimate inferences for the nonmoving party. The sufficiency of evidence supporting a jury verdict is reviewed for substantial evidence. New-trial rulings are

	reviewed for abuse of discretion. Amendment of a complaint to add punitive damages is reviewed for abuse of discretion. Insurance-policy interpretation is reviewed freely as a question of law. Attorney-fee entitlement under Idaho Code section 41-1839 is reviewed under the statute and applicable legal standards.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Prudential Property and Casualty Insurance Company, Prudential General Insurance Company, Liberty Mutual Insurance Company, LM Property and Casualty Insurance v. Leslie Weinstein, Linda Weinstein, Sarah Weinstein

TOPICS

insurance bad faith · uninsured motorist · insurance coverage · breach of contract · appellate procedure

PRACTICE AREAS

insurance · insurance bad faith · contracts · remedies · appellate procedure

QUESTIONS PRESENTED

1. Whether the district court abused its discretion by allowing amendments to the complaint, including amendment to add punitive damages.
2. Whether distribution of annotated exhibits to the jury required a mistrial or new trial.
3. Whether the jury instructions adequately addressed emotional distress, the Idaho Unfair Claim Settlement Practices Act, and corporate liability for punitive damages.
4. Whether substantial evidence supported the findings of breach of the UM coverage and insurance bad faith.
5. Whether the damages were excessive or inadequately mitigated.
6. Whether Sarah was entitled to attorney fees under Idaho Code section 41-1839.
7. Whether the 2003 amendments to Idaho Code section 6-1604 applied.
8. Whether juror misconduct required a new trial.
9. Whether the punitive-damages award was unsupported, procedurally defective, or violated due process.

HOLDINGS

1. The UM policy did not require a single lump-sum payment or permit Liberty Mutual to delay payment of undisputed medical expenses until the entire UM claim was settled. Because the policy specified no payment time, the law implied a reasonable time for performance, and Liberty Mutual breached the policy by failing to pay undisputed amounts within a reasonable time.

2. A first-party insured must show that the insurer intentionally and unreasonably denied or withheld payment, the claim was not fairly debatable, the denial or failure to pay was not the result of a good-faith mistake, and the resulting harm was not fully compensable by contract damages.
3. An insurer may rely on the terms of its policy but may not delay payments based solely on internal policies that are not part of the insurance contract.
4. Punitive damages against an insurance corporation require proof that an officer or director participated in or ratified the wrongful conduct, but direct evidence of such participation or ratification is not required. Undisputed evidence of a company-wide claims-handling policy may establish corporate liability by inference.
5. An insured seeking attorney fees under Idaho Code section 41-1839 must submit a proof of loss providing sufficient information to investigate and determine liability and must identify the claimed loss or provide a basis for calculating it. A proof of loss limited to past medical expenses does not support fees for future medical expenses, general damages, or other amounts not demanded before suit.
6. The remitted punitive-damages amount of $1,890,000 was consistent with due process, and the court declined to vacate the punitive-damages award based on the asserted evidentiary and instructional errors.

KEY QUOTATIONS

> *"Liberty Mutual was entitled to rely upon the terms of the insurance policy, but it was not entitled to delay payments based solely upon its internal policies that were not part of the policy."* (1239)

> *"If Liberty Mutual wants its policy to provide that it does not have to pay anything under UM coverage until all damages recoverable under that coverage have been agreed upon or determined, then it must include such a provision."* (1244)

> *"The statute "contains two requirements for an insured to be entitled to an award of attorney fees: (1) the insured must provide a proof of loss as required by the insurance policy; and (2) the insurer must fail to pay the amount justly due within thirty days after receipt of the proof of loss.""* (1250)

FACTUAL BACKGROUND

Sarah Weinstein was injured when an uninsured teenage driver caused a collision involving the vehicle in which Sarah was riding. The Weinsteins' policy provided MedPay and uninsured-motorist coverage, and Liberty Mutual promptly determined that the accident was caused by an uninsured driver. Liberty Mutual nevertheless delayed payment of undisputed medical bills, relying on internal practices requiring exhaustion of MedPay coverage and settlement of the entire UM claim before making UM payments, despite possessing medical authorizations and knowing that the family was receiving collection calls and experiencing financial distress. The delay caused medical-billing harassment, damage to the family's finances and credit, emotional distress, and family turmoil.

PROCEDURAL HISTORY

A jury found that Liberty Mutual breached the MedPay and uninsured-motorist provisions of the policy, committed bad faith in handling the UM coverage, and caused the Weinsteins $210,000 in damages. It awarded

Sarah $250,000 for accident-related injuries and $6,000,000 in punitive damages. The district court denied most post-trial motions but ordered a new trial on punitive damages unless the Weinsteins accepted a reduction to $1,890,000, and awarded Sarah attorney fees. The Idaho Supreme Court affirmed the compensatory-damage judgments and the punitive-damage amount as constitutionally permissible, denied the cross-appeal, vacated the attorney-fee award, and remanded for recalculation of fees.

DISPOSITION

other

REMAND INSTRUCTIONS

Remand for the district court to recalculate Sarah's attorney-fee award under Idaho Code section 41-1839, limiting the award to amounts supported by an adequate pre-suit proof of loss and crediting the $3,000 previously paid for attorney fees. The plaintiffs' option to request a new trial on punitive damages is vacated.

CASES CITED

- Vendelin v. Costco Wholesale Corp., 140 Idaho 416, 95 P.3d 34 (2004)
- Robinson v. State Farm Mutual Automobile Insurance Co., 137 Idaho 173, 45 P.3d 829 (2002)
- White v. Unigard Mutual Insurance Co., 112 Idaho 94, 730 P.2d 1014 (1986)
- Inland Group of Companies, Inc. v. Providence Washington Insurance Co., 133 Idaho 249, 985 P.2d 674 (1999)
- Curzon v. Wells Cargo, Inc., 86 Idaho 38, 382 P.2d 906 (1963)
- Hansen v. State Farm Mutual Automobile Insurance Co., 112 Idaho 663, 735 P.2d 974 (1987)
- Philip Morris USA v. Williams, 549 U.S. 346 (2007)
- BMW of North America, Inc. v. Gore, 517 U.S. 559 (1996)
- Todd v. Sullivan Construction LLC, 146 Idaho 118, 191 P.3d 196 (2008)
- Waterman v. Nationwide Mutual Insurance Co., 146 Idaho 667, 201 P.3d 640 (2009)
- Walston v. Monumental Life Insurance Co., 129 Idaho 211, 923 P.2d 456 (1996)
- McDonough Power Equipment, Inc. v. Greenwood, 464 U.S. 548 (1984)
- Levinger v. Mercy Medical Center, Nampa, 139 Idaho 192, 75 P.3d 1202 (2003)