

SUPREME COURT OF THE STATE OF NEW YORK, APPELLATE DIVISION,
FIRST DEPARTMENT

Sullivan v. Northwell Health, Inc.

2022 NY Slip Op 04525 (App. Div. 2022) · No. Appeal No. 13224; Case No. 2019-05582; Index No. 656121/18
· Decided July 12, 2022

SUMMARY

The Appellate Division, First Department, held that physician policyholders, rather than their employer, were entitled to demutualization proceeds from a mutual insurance company. The court relied on the Court of Appeals' decision in Columbia Memorial Hospital v. Hinds and Insurance Law § 7307(e)(3), finding no contrary terms in an employment contract, insurance policy, or separate agreement. The court reversed the order and judgment, denied Northwell Health's motion for summary judgment, and directed distribution of the proceeds to the plaintiffs.

CASE DETAILS

COURT	Supreme Court of the State of New York, Appellate Division, First Department
WRITING FOR THE COURT	Manzanet-Daniels, J.P.; Kern, J.; Kennedy, J.; Scarpulla, J.
JURISDICTION	New York
DECIDED	July 12, 2022
DOCKET	Appeal No. 13224; Case No. 2019-05582; Index No. 656121/18
DISPOSITION	reversed
PROCEDURAL POSTURE	Plaintiffs appealed from an order and judgment granting Northwell's motion for summary judgment on its counterclaim for declaratory judgment based on unjust enrichment, denying plaintiffs' cross-motion for summary judgment, and awarding Northwell demutualization proceeds.
STANDARD OF REVIEW	De novo review of summary judgment and legal issues.
PRECEDENTIAL VALUE	Published appellate decision; binding precedent within the First Department subject to controlling Court of Appeals authority.
PARTIES	James D. Sullivan, M.D., et al. v. Northwell Health, Inc.

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QUESTIONS PRESENTED

1. Whether employees who are policyholders of insurance obtained through their employer are entitled to demutualization proceeds when the employer paid the premiums.
2. Whether the employer's payment of premiums or performance of policy-administration functions entitled it to the demutualization proceeds.
3. Whether Matter of Schaffer, Schonholz & Drossman, LLP v. Title controlled the allocation of the proceeds.

HOLDINGS

1. When an employer pays premiums to a mutual insurance company to obtain a policy for an employee, the employee, as policyholder, is entitled to the demutualization proceeds absent contrary terms in the employment contract, insurance policy, or separate agreement.
2. The employer's payment of policy premiums and possible performance of policy-administration functions do not displace the employee-policyholders' entitlement to demutualization proceeds.
3. Matter of Schaffer, Schonholz & Drossman, LLP v. Title was overruled by the Court of Appeals' decision in Columbia Memorial Hospital v. Hinds to the extent it held otherwise.

KEY QUOTATIONS

*“As there is no evidence of contrary terms in a contract of employment, insurance policy or separate agreement, plaintiff policyholders are entitled to the demutualization proceeds.” (*1)*

*“It is irrelevant that Northwell paid the policy premiums during the relevant period and that Northwell may have performed the function of policy administrator” (*1)*

FACTUAL BACKGROUND

Northwell paid premiums for insurance policies covering the plaintiff employees, who were the policyholders. The mutual insurance company later demutualized, generating proceeds at issue in the litigation. The record contained no contrary terms in an employment contract, insurance policy, or separate agreement allocating those proceeds to Northwell, although Northwell paid the premiums and may have acted as policy administrator.

PROCEDURAL HISTORY

Supreme Court, New York County, entered an order and judgment on December 3, 2019, declaring that plaintiffs would be unjustly enriched if they received the demutualization proceeds and that Northwell was entitled to them. The Appellate Division reversed, denied Northwell's summary-judgment motion, granted plaintiffs' cross-

motion as to their third cause of action for declaratory judgment, and directed distribution of the proceeds to plaintiffs.

DISPOSITION

reversed

REMAND INSTRUCTIONS

Northwell's motion for summary judgment was denied, plaintiffs' cross-motion was granted as to their third cause of action for declaratory judgment, and distribution of the demutualization proceeds to plaintiffs was directed.

CASES CITED

- Columbia Mem. Hosp. v. Hinds, 2022 NY Slip Op 03306
- Matter of Schaffer, Schonholz & Drossman, LLP v. Title, 171 A.D.3d 465 (1st Dep't 2019)

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