SUPREME COURT OF OKLAHOMA

Trinity Baptist Church v. Brotherhood Mutual Insurance Services, LLC

2014 OK 106 (2014) · No. 113072 · Decided December 9, 2014

SUMMARY

The Oklahoma Supreme Court affirmed summary judgment for an independent insurance adjuster in a dispute arising from a church's storm-damage claim. The Court held that the adjuster was not subject to the implied covenant of good faith and fair dealing because it was not a party to the insurance contract and did not have a special relationship with the insured. The Court also held that the adjuster owed no independent tort duty to the insured concerning the investigation and adjustment of the claim.

CASE DETAILS

COURT	Supreme Court of Oklahoma
WRITING FOR THE COURT	Reif, V.C.J.; Kauger, J.; Watt, J.; Winchester, J.; Combs, J.; Taylor, J.; Colbert, C.J.; Edmondson, J.
JURISDICTION	Oklahoma
DECIDED	December 9, 2014
DOCKET	113072
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal and counter-petition in error from an order granting summary judgment to an independent insurance adjuster in an action alleging bad faith, negligence, and gross negligence in the adjustment of an insurance claim.
STANDARD OF REVIEW	Summary judgment is reviewed de novo. The reviewing court views all inferences and conclusions from the evidentiary materials in the light most favorable to the nonmoving party.
PRECEDENTIAL VALUE	precedential
PARTIES	Trinity Baptist Church v. Sooner Claims Services, Inc.

TOPICS

insurance bad faith · duty of care · negligence · summary judgment · appellate procedure

PRACTICE AREAS

insurance law · torts · civil procedure · appellate procedure

QUESTIONS PRESENTED

1. Whether an independent insurance adjuster hired by an insurer owes the insured the implied covenant of good faith and fair dealing when the adjuster is not a party to the insurance contract.
2. Whether an independent insurance adjuster owes the insured an independent legal duty of care that permits a tort claim for negligent investigation or adjustment of an insurance claim.
3. Whether the trial court properly granted summary judgment to Sooner.

HOLDINGS

1. An independent insurance adjuster is not subject to the implied covenant of good faith and fair dealing arising from the insurance contract unless it acts so much like the insurer that a special relationship with the insured arises. Sooner did not meet that standard because it lacked authority to make coverage determinations, did not control benefits or appeals, did not share the insurer's risk, and was not compensated in a manner tied to premiums or claim outcomes.
2. An independent insurance adjuster hired by an insurer does not owe the insured an independent legal duty of care concerning investigation or adjustment of the insured's claim and therefore cannot be held liable in tort for negligent or grossly negligent adjustment on these facts.
3. Summary judgment for Sooner was proper because the undisputed facts established that Sooner owed Trinity neither the implied covenant of good faith and fair dealing nor an independent tort duty of care.

KEY QUOTATIONS

> *"this Court will only apply the duty of good faith and fair dealing to a third party stranger to the insurance contract when the third party acts so like an insurer that it develops a special relationship with the insured"* (¶16)

> *"An insurer has a non-delegable duty of good faith while performing the functions of claims management, adjustment and settlement. This duty requires the insurer to take positive steps to adequately investigate, evaluate, and respond to its insureds' claims."* (¶29)

> *"Sooner was not subject to the implied covenant of good faith and fair dealing arising from the insurance contract between Trinity and Brotherhood"* (¶34)

FACTUAL BACKGROUND

Trinity Baptist Church insured its property under a policy issued by Brotherhood Mutual Insurance Company. After a severe winter storm allegedly damaged the church sanctuary, Brotherhood hired Sooner Claims Services, Inc., as an independent adjuster to investigate the claim and prepare estimates and reports, while retaining authority to make coverage determinations. Trinity alleged that Sooner inadequately investigated and undervalued the loss, and sued Sooner for bad faith and negligence or gross negligence after settling its claims against Brotherhood.

PROCEDURAL HISTORY

Trinity sued Brotherhood Mutual Insurance Company and Sooner Claims Services, Inc., after a dispute over adjustment of damage caused by a winter storm. Trinity settled its claims against the insurer and proceeded against Sooner. The District Court of Oklahoma County granted Sooner summary judgment and dismissed Trinity's claims with prejudice; Sooner separately challenged the denial of summary judgment on the gross-negligence claim. The Oklahoma Supreme Court retained the appeal and affirmed on the ground that Sooner owed no actionable duty to Trinity.

DISPOSITION

affirmed

CASES CITED

- Timmons v. Royal Globe Ins. Co., 1982 OK 97, 653 P.2d 907
- Christian v. American Home Assurance Co., 1977 OK 141, 577 P.2d 899
- Gruenberg v. Aetna Ins. Co., 9 Cal. 3d 566, 108 Cal. Rptr. 480, 510 P.2d 1032 (1973)
- Egan v. Mutual of Omaha Ins. Co., 24 Cal. 3d 809, 620 P.2d 141, 169 Cal. Rptr. 691 (1979)
- Badillo v. Mid Century Insurance Co., 2005 OK 48, 121 P.3d 1080
- Wathor v. Mutual Assurance Administrators, Inc., 2004 OK 2, 87 P.3d 559
- Wolf v. Prudential Ins. Co. of America, 50 F.3d 793 (10th Cir. 1995)
- Miller v. David Grace, Inc., 2009 OK 49, 212 P.3d 1223
- Wathor v. Mutual Assurance Administrators, Inc., 2004 OK 2, 87 P.3d 559
- Carmichael v. Beller, 1996 OK 48, 914 P.2d 1051
- Wood v. Mercedes-Benz of Oklahoma City, 2014 OK 68, --- P.3d ---
- Bray v. St. John Health System, Inc., 2008 OK 51, 187 P.3d 721
- Lowery v. Echostar Satellite Corp., 2007 OK 38, 160 P.3d 959
- First National Bank in Durant v. Honey Creek Entertainment Corp., 2002 OK 11, 54 P.3d 100
- Iglehart v. Board of County Commissioners of Rogers County, 2002 OK 76, 60 P.3d 497
- Morales v. City of Oklahoma City ex rel. Oklahoma City Police Department, 2010 OK 9, 230 P.3d 869
- Wofford v. Eastern State Hospital, 1990 OK 77, 795 P.2d 516
- Brown v. State Farm Fire and Casualty Company, 2002 OK CIV APP 107, 58 P.3d 217
- Wallace v. Allstate Ins. Co., No. CIV-12-0310-HE, 2012 WL 2060664 (W.D. Okla. June 7, 2012)
- Hamill v. Pawtucket Mut. Ins. Co., 2005 VT 133, 892 A.2d 226
- Meineke v. GAB Business Services, Inc., 195 Ariz. 564, 991 P.2d 267 (Ariz. Ct. App. 2000)
- Sanchez v. Lindsey Morden Claims Services, Inc., 72 Cal. App. 4th 249, 84 Cal. Rptr. 2d 799 (Cal. Ct. App. 1999)
- Morvay v. Hanover Ins. Co., 127 N.H. 723, 506 A.2d 333 (1986)
- Continental Ins. Co. v. Bayless and Roberts, Inc., 608 P.2d 281 (Alaska 1980)

- Hall v. CEO Group, Inc., 2014 OK 22, 324 P.3d 399
- Dixon v. Bhuiyan, 2000 OK 56, 10 P.3d 888
- In the Matter of the Estate of Bartlett, 1984 OK 9, 680 P.2d 369
- McMinn v. City of Oklahoma City, 1997 OK 154, 952 P.2d 517
- American Fidelity & Casualty Co. v. L.C. Jones Trucking Co., 321 P.2d 685
- Badillo v. Mid Century Insurance Co., 2005 OK 48, 121 P.3d 1080
- Fox v. Oklahoma Memorial Hospital, 1989 OK 38, 774 P.2d 459