SUPREME COURT OF OKLAHOMA

Hensley v. State Farm Fire and Casualty Co.

2017 OK 57 (Okla. 2017) · No. 112417 · Decided June 20, 2017

SUMMARY

The Oklahoma Supreme Court held that a buyer under a contract for deed does not acquire an insurer's implied-in-law duty of good faith merely from equitable title to the property. However, disputed facts concerning whether the buyer was an intended third-party beneficiary or insured required resolution by the trier of fact, so the court reversed summary judgment for State Farm and remanded the case.

CASE DETAILS

COURT	Supreme Court of Oklahoma
WRITING FOR THE COURT	Edmondson, J.; Gurich, V.C.J.; Kauger, J.; Watt, J.; Colbert, J.; Reif, J.; Combs, C.J.; Winchester, J.; Wyrick, J.
JURISDICTION	Oklahoma
DECIDED	June 20, 2017
DOCKET	112417
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Certiorari review of the Oklahoma Court of Civil Appeals' affirmance of summary judgment for State Farm in an action alleging breach of an insurance contract and breach of the insurer's implied-in-law duty of good faith and fair dealing.
STANDARD OF REVIEW	Summary judgment is reviewed de novo. The evidence and reasonable inferences must be viewed in favor of the party opposing summary judgment, and summary judgment is improper when disputed material facts remain.
PRECEDENTIAL VALUE	Published Oklahoma Supreme Court opinion; precedential
PARTIES	Kenneth Hensley, Bob Douglas v. State Farm Fire and Casualty Company

TOPICS

insurance bad faith · insurance coverage · third party beneficiary · standard of review · appellate procedure

PRACTICE AREAS

insurance bad faith · insurance coverage · contracts · real estate · appellate procedure

QUESTIONS PRESENTED

1. Whether a buyer's equitable title under a contract for deed, standing alone, confers insured status or a policy-created right to bring an insurer bad-faith claim.
2. Whether disputed evidence concerning the parties' intent and State Farm's treatment of Douglas could support a finding that Douglas was an intended third-party beneficiary or insured under the policy.
3. Whether summary judgment was proper when material facts and inferences concerning Douglas's status under the insurance policy were disputed.

HOLDINGS

1. A buyer's equitable title to property arising from a contract for deed is insufficient by itself to confer insured status or a policy-created right to the insurer's implied-in-law duty of good faith when the buyer is not expressly named in the policy as a lienholder, insured, loss payee, or third-party beneficiary and the contract for deed is not expressly referenced in the policy.
2. A claimant need not be specifically named in an insurance policy to qualify as an intended third-party beneficiary, but the claimant must present evidence that the contracting parties intended the policy to benefit him. That intent may be determined by the trier of fact.
3. Summary judgment for State Farm was improper because disputed material facts and inferences existed concerning whether Douglas was an insured or intended third-party beneficiary under the policy.

KEY QUOTATIONS

> *"We hold buyer's action in this case for breach of the implied-in-law duty of good faith by an insurer is based upon his status as an insured or third party beneficiary; and buyer's equitable title to property arising from a contract for deed is insufficient by itself to confer upon him the status of an insured."* (¶ 0)

> *"Whether Douglas is a third party beneficiary and an insured under the policy is based upon an adjudication of disputed material facts."* (¶ 42)

FACTUAL BACKGROUND

Kenneth Hensley sold real property containing a mobile home to Bob Douglas under a contract for deed. The contract required Douglas to maintain insurance, but Hensley continued the existing State Farm policy and paid the premiums using payments received from Douglas. State Farm knew the property's status had changed and, during the claim process, sent correspondence to Douglas and his wife referring to them as insureds. After property damage occurred, State Farm paid some amounts but disputed the full claim, and Douglas asserted that he was an additional insured or intended third-party beneficiary entitled to pursue contract and bad-faith claims.

PROCEDURAL HISTORY

Douglas and Hensley sued State Farm in the Tulsa County District Court after property damage claims arising from theft, vandalism, and a hail loss. The district court granted State Farm summary judgment, concluding Douglas was a stranger to the insurance contract and lacked standing to sue. The Oklahoma Court of Civil Appeals affirmed. The Oklahoma Supreme Court granted certiorari, vacated the Court of Civil Appeals' opinion, reversed the district court's judgment, and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The district court must conduct further proceedings, including resolving through the trier of fact whether Douglas was an intended third-party beneficiary and insured under the State Farm policy. The Court of Civil Appeals' opinion was vacated, and the district court's summary judgment for State Farm was reversed.

CASES CITED

- Trinity Baptist Church v. Brotherhood Mutual Insurance Services, L.L.C., 2014 OK 106, 341 P.3d 75
- May v. Mid-Century Insurance Co., 2006 OK 100, 151 P.3d 132
- Shebester v. Triple Crown Insurers, 1992 OK 20, 826 P.2d 603
- Travelers Insurance Companies v. Dickey, 1990 OK 109, 799 P.2d 625
- Roach v. Atlas Life Insurance Co., 1989 OK 27, 769 P.2d 158
- Badillo v. Mid Century Insurance Co., 2005 OK 48, 121 P.3d 1080
- Christian v. American Home Assurance Co., 1977 OK 141, 577 P.2d 899
- Uptegraft v. Home Insurance Co., 1983 OK 41, 662 P.2d 681
- Conner v. Northwestern National Casualty Co., 1989 OK 85, 774 P.2d 1055
- Brown v. First National Bank of Dewey, 617 F.2d 581 (10th Cir. 1980)
- Bituminous Casualty Corp. v. Cowen Construction, Inc., 2002 OK 34, 55 P.3d 1030
- Lewis v. Sac and Fox Tribe of Oklahoma Housing Authority, 1994 OK 20, 896 P.2d 503
- K & K Food Services, Inc. v. S. & H., Inc., 2000 OK 31, 3 P.3d 705
- Travel Stop, Inc. v. Alliance General Insurance Co., 1997 OK 138, 950 P.2d 834
- McGinnity v. Kirk, 2015 OK 73, 362 P.3d 186
- Niagara Fire Insurance Co. v. Aebischer, 1934 OK 684, 44 P.2d 5
- Mustang Run Wind Project, LLC v. Osage County Board of Adjustment, 2016 OK 113, 387 P.3d 333