SUPREME COURT OF THE UNITED STATES

Penn General Casualty Co. v. Pennsylvania ex rel. Schnader, Attorney General

294 U.S. 189 (1935) · No. No. 431 · Decided February 4, 1935

SUMMARY

The Supreme Court considered a conflict between a federal district court and a Pennsylvania court over jurisdiction to liquidate an insolvent Pennsylvania insurance company. It held that the federal court acquired jurisdiction first when the shareholder filed the bill of complaint and therefore had priority to control the property, although the state court could authorize the Insurance Commissioner to seek relinquishment of federal jurisdiction. The judgment was reversed and remanded.

CASE DETAILS

COURT	Supreme Court of the United States
WRITING FOR THE COURT	Justice Stone
JURISDICTION	Federal
DECIDED	February 4, 1935
DOCKET	No. 431
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The Supreme Court of the United States granted certiorari to review the Supreme Court of Pennsylvania's affirmance of a decree directing the Pennsylvania Insurance Commissioner to take possession of and liquidate an insolvent insurance company, notwithstanding the prior pendency of a federal receivership and liquidation action.
STANDARD OF REVIEW	De novo review of the federal jurisdictional question and the state court's effect on the prior federal proceedings.
PRECEDENTIAL VALUE	Published, precedential opinion of the Supreme Court of the United States
PARTIES	Penn General Casualty Co. v. Pennsylvania ex rel. Schnader, Attorney General

TOPICS

subject matter jurisdiction · insurance · federalism · injunctions · civil procedure

PRACTICE AREAS

Civil procedure · Federal courts · Insurance insolvency and liquidation · Federalism

QUESTIONS PRESENTED

1. Whether the Pennsylvania court could proceed with an in rem or quasi in rem liquidation proceeding after a federal court had first assumed jurisdiction over substantially the same property through the filing of a bill of complaint.
2. Whether Pennsylvania's statutory insurance-liquidation procedure could deprive the federal district court of jurisdiction conferred by federal law.
3. Whether the state court could designate the Insurance Commissioner to administer the liquidation and permit him to seek relinquishment of federal jurisdiction without improperly interfering with the federal court's control.

HOLDINGS

1. When two courts have concurrent jurisdiction over substantially the same property in an in rem or quasi in rem proceeding, the court whose jurisdiction and process are first invoked by the filing of the bill of complaint may maintain and exercise jurisdiction to the exclusion of the other.
2. State legislation establishing a procedure for liquidating domestic insurance companies cannot deprive a federal district court of jurisdiction otherwise conferred by the Constitution and laws of the United States.
3. The court first assuming jurisdiction over property has exclusive control only to the extent necessary for appropriate control and disposition of that property; another court may enter orders that do not conflict with that control.

KEY QUOTATIONS

> *"But if the two suits are in rem or quasi in rem, requiring that the court or its officer have possession or control of the property which is the subject of the suit in order to proceed with the cause and to grant the relief sought, the jurisdiction of one court must of necessity yield to that of the other."* (294 U.S. at 195)

> *"the principle, applicable to both federal and state courts, is established that the court first assuming jurisdiction over the property may maintain and exercise that jurisdiction to the exclusion of the other."* (294 U.S. at 195)

> *"when the two suits have substantially the same purpose and the jurisdiction of the courts is concurrent, that one whose jurisdiction and process are first invoked by the filing of the bill is treated as in constructive possession of the property, and as authorized to proceed with the cause."* (294 U.S. at 196)

> *"The jurisdiction conferred on the district courts by the Constitution and laws of the United States cannot be affected by state legislation."* (294 U.S. at 197)

> *"While it is often said that of two courts having concurrent jurisdiction in rem, that one first taking possession acquires exclusive jurisdiction, it is exclusive only so far as its exercise is necessary for the appropriate*

> *control and disposition of the property.”* (294 U.S. at 198)

FACTUAL BACKGROUND

Penn General Casualty Co., a Pennsylvania insurance corporation, was alleged to be insolvent and in an unsafe and unsound financial condition after officers had withdrawn and improperly invested corporate assets. A shareholder filed a federal action seeking receivership and liquidation before Pennsylvania filed its statutory liquidation proceeding in state court. Both courts issued injunctions concerning control and possession of the company's property, but neither the federal court nor the Insurance Commissioner had yet taken actual possession.

PROCEDURAL HISTORY

A shareholder filed a diversity action in the United States District Court for the Eastern District of Pennsylvania seeking receivership, liquidation, and injunctive relief on November 17, 1933. Pennsylvania later commenced an insurance-liquidation proceeding in the Court of Common Pleas of Dauphin County, which entered a decree dissolving the company and directing the Insurance Commissioner to liquidate its property. The Supreme Court of Pennsylvania affirmed, treating the matter as a conflict of jurisdiction. The United States Supreme Court reversed and remanded.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

Reverse the portions of the state decree directing the Insurance Commissioner to take possession of the company's business and property and enjoining surrender of the books, records, and assets to anyone other than the Commissioner. Remand for further proceedings consistent with the opinion, without prejudice to the Commissioner's application to the federal district court for relinquishment of jurisdiction and vacation of its injunction so that the property may be surrendered for liquidation under Pennsylvania law.

CASES CITED

- Buck v. Colbath, 3 Wall. 334 (1866)
- Crescent City Live Stock Co. v. Butchers' Union Slaughter-House Co., 120 U.S. 141 (1887)
- Moran v. Sturges, 154 U.S. 256 (1894)
- Central National Bank v. Stevens, 169 U.S. 432 (1898)
- Farmers' Loan & Trust Co. v. Lake Street Elevated R. Co., 177 U.S. 51 (1900)
- Wabash R. Co. v. Adelbert College, 208 U.S. 38 (1908)
- Kline v. Burke Construction Co., 260 U.S. 226 (1922)
- Peck v. Jenness, 7 How. 612 (1849)
- Taylor v. Carryl, 20 How. 583 (1858)
- Freeman v. Howe, 24 How. 450 (1861)

- Palmer v. Texas, 212 U.S. 118 (1909)
- Leadville Coal Co. v. McCreery, 141 U.S. 475 (1891)
- Porter v. Sabin, 149 U.S. 473 (1893)
- Lion Bonding & Surety Co. v. Karatz, 262 U.S. 77 (1923)
- Harkin v. Brundage, 276 U.S. 36 (1928)
- Smith Purifier Co. v. McGroarty, 136 U.S. 237 (1890)
- People's Bank v. Calhoun, 102 U.S. 256 (1880)
- Riggs v. Johnson County, 6 Wall. 166 (1868)
- Yonley v. Lavender, 21 Wall. 276 (1874)
- Heidritter v. Elizabeth Oil-Cloth Co., 112 U.S. 294 (1884)
- Byers v. McAuley, 149 U.S. 608 (1893)
- Pennsylvania v. Williams, 294 U.S. 176 (1935)