SUPREME COURT OF UTAH

Iverson v. State Farm Mutual Insurance Co., 2011 UT 34

256 P.3d 222 (2011) · No. No. 20081016 · Decided July 1, 2011

SUMMARY

The Supreme Court of Utah answered a certified question concerning whether an insurer may provide underinsured motorist coverage with limits lower than the insured's liability coverage. The court held that lower UIM limits may comply with Utah law if the insurer satisfies the applicable consumer-notification requirements. It further held that a "new policy" exists when a new contractual relationship arises or when material changes meaningfully alter the risk relationship between the insurer and insured.

CASE DETAILS

COURT	Supreme Court of Utah
WRITING FOR THE COURT	Justice Nehring; Chief Justice Durham; Associate Chief Justice Durrant; Justice Parrish; District Court Judge Robert W. Adkins, sitting by designation
JURISDICTION	Utah
DECIDED	July 1, 2011
DOCKET	No. 20081016
DISPOSITION	other
PROCEDURAL POSTURE	The Supreme Court of Utah answered a certified question from the United States District Court for the District of Utah concerning whether Utah law permits underinsured motorist coverage limits lower than liability coverage limits.
STANDARD OF REVIEW	Traditional standards of review do not apply to a certified question; the court answers the legal question presented without resolving the underlying dispute.
PRECEDENTIAL VALUE	Published, precedential opinion of the Supreme Court of Utah answering a certified question of state law.
PARTIES	Joni M. Iverson, individually and as personal representative for the Estates of Carter and Glenada Iverson v. State Farm Mutual Insurance Co.

TOPICS

uninsured motorist · insurance coverage · statutory interpretation · legislative history · plain meaning rule

PRACTICE AREAS

Insurance · Automobile insurance · Underinsured motorist coverage · Statutory interpretation

QUESTIONS PRESENTED

1. Whether Utah law permits an insurer to provide UIM coverage with limits lower than the insured's liability coverage limits when the insurer complies with the statutory consumer-notification requirements.
2. Whether a policy is a "new policy" under Utah's UIM statute when a new contractual relationship begins on or after January 1, 2001, or when material changes to an existing policy meaningfully alter the risk relationship between insurer and insured.
3. What standard courts should use to determine whether changes to an existing insurance policy are sufficiently material to constitute a new policy requiring an affirmative UIM waiver.

HOLDINGS

1. An insurer may provide UIM coverage in an amount lower than the policy's liability coverage limits if the insurer satisfies the applicable consumer-notification requirements under Utah's UIM statute.
2. A new policy exists when the insured and insurer enter into a new contractual relationship on or after January 1, 2001, or when material changes to an existing insurance contract alter the risk relationship between the insurer and insured.
3. Whether changes to an existing insurance policy create a new policy must be determined under the totality of the circumstances, with primary focus on whether the changes meaningfully alter the risk relationship between insurer and insured.

KEY QUOTATIONS

> *"Rather, to determine whether a change to an existing policy is so material that it creates a new policy under the statute, the totality of the circumstances must be considered."* (¶ 22)

> *"For the purposes of the statute, a "new policy" exists if a new contractual relationship is entered or if material changes are made to the terms of an existing insurance contract that alter the risk relationship between the insurer and the insured."* (¶ 23)

FACTUAL BACKGROUND

Carter and Glenada Iverson maintained automobile insurance with State Farm for more than twenty years. Their policy included liability limits of $50,000 per person and $100,000 for two or more persons, but UIM limits of $20,000. State Farm sent renewal notices containing information about UM and UIM coverage but never obtained a written waiver authorizing UIM coverage below the liability limits. After the Iversons were killed in a collision with an underinsured motorist, their personal representative sought UIM benefits equal to the liability limits.

PROCEDURAL HISTORY

After Carter and Glenada Iverson were killed in a collision with an underinsured motorist, their personal representative sought UIM coverage equal to the policy's liability limits. State Farm offered the lower UIM limits stated in the policy, and Iverson sued in the United States District Court for the District of Utah. The federal district court certified a question of Utah law to the Utah Supreme Court, which answered the legal question without resolving the underlying factual dispute.

DISPOSITION

other

REMAND INSTRUCTIONS

The court answered the certified question and left application of the materiality standard and resolution of the underlying factual dispute to the United States District Court for the District of Utah.

CASES CITED

- Egbert v. Nissan N. Am., Inc., 2007 UT 64, 167 P.3d 1058
- Li v. Enter. Rent-A-Car Co., 2006 UT 80, 150 P.3d 471
- General Security Indemnity Co. of Ariz. v. Tipton, 2007 UT App 109, 158 P.3d 1121
- Arbogast Family Trust v. River Crossings, LLC, 2010 UT 40, 238 P.3d 1035
- In re Worthen, 926 P.2d 853 (Utah 1996)
- Harvey v. Cedar Hills City, 2010 UT 12, 227 P.3d 256
- Egbert v. Nissan Motor Co., 2010 UT 8, 228 P.3d 737
- Matheny v. Glen Falls Ins. Co., 152 F.3d 348 (5th Cir. 1998)
- Allstate Ins. Co. v. Kaneshiro, 93 Hawai'i 210, 998 P.2d 490 (2000)
- Nicholson v. State Farm Mut. Auto. Ins. Co., 409 Ill. App. 3d 282, 350 Ill. Dec. 874, 949 N.E.2d 666 (Ill. App. Ct. 2010)
- Richardson v. Lott, 928 So. 2d 567 (La. Ct. App. 2006)
- Folstad v. Farmers Ins. Exch., 297 Minn. 496, 210 N.W.2d 238 (1973) (per curiam)
- May v. Nat'l Union Fire Ins. Co., 918 P.2d 43 (Okla. 1996)
- Beauchamp ex rel. Beauchamp v. Sw. Nat'l Ins. Co., 746 P.2d 673 (Okla. 1987)
- Koop v. Safeway Stores, Inc., 66 Wash. App. 149, 831 P.2d 777 (1992)
- Lovoi v. Ladreyt, 655 So. 2d 387 (La. Ct. App. 1995)
- American Deposit Ins. Co. v. Myles, 783 So. 2d 1282 (La. 2001)