SUPREME COURT OF IDAHO

Arreguin v. Farmers Ins. Co. of Idaho, 145 Idaho 459

180 P.3d 498 (2008) · No. No. 33305 · Decided March 31, 2008

SUMMARY

The Idaho Supreme Court considered whether a homeowners insurance policy's undefined "Outbuildings" exclusion unambiguously excluded coverage for damage to the insured's detached garage. The court held that the exclusion was ambiguous, reversed the district court's grant of summary judgment to Farmers Insurance Company of Idaho, and remanded the case. The court declined to decide the effect of the insured's alleged notice of the insurer's interpretation and deferred attorney-fee issues.

CASE DETAILS

COURT	Supreme Court of Idaho
WRITING FOR THE COURT	Burdick, Justice; Burdick; Eismann; Jones; Tingey
JURISDICTION	Idaho
DECIDED	March 31, 2008
DOCKET	No. 33305
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Arreguin appealed from the district court's grant of summary judgment to Farmers in an action alleging breach of a homeowners insurance contract and insurance bad faith.
STANDARD OF REVIEW	Summary judgment is reviewed under the same standard applied by the district court. The record is liberally construed in favor of the nonmoving party, with all reasonable inferences drawn in that party's favor. Whether an insurance policy is ambiguous is a question of law reviewed freely.
PRECEDENTIAL VALUE	published and precedential
PARTIES	Miguel Arreguin v. Farmers Insurance Company of Idaho

TOPICS

insurance coverage · insurance bad faith · contract interpretation · appellate procedure · standard of review

PRACTICE AREAS

insurance law | contract law | appellate procedure

QUESTIONS PRESENTED

1. Whether the policy's undefined exclusion for loss to all outbuildings was ambiguous as applied to the detached garage.
2. Whether Arreguin's prior notice of Farmers' interpretation of the exclusion resolved the coverage issue on summary judgment.
3. Whether either party was entitled to attorney fees on appeal under Idaho Code section 41-1839.

HOLDINGS

1. The policy's outbuildings exclusion was ambiguous because the undefined term was reasonably subject to conflicting interpretations and Farmers had not used clear and precise language to restrict coverage. The exclusion therefore could not support summary judgment for Farmers.
2. The court declined to decide whether Arreguin's prior notice of Farmers' interpretation affected the meaning of outbuilding because, once the policy was found ambiguous, contract interpretation presented a factual question inappropriate for resolution on summary judgment.
3. Arreguin was not awarded attorney fees at that stage because whether he would ultimately be the prevailing party remained unresolved, but if he was entitled to fees below, he would also be entitled to fees for the appeal. Farmers was not entitled to fees because Arreguin did not pursue the appeal frivolously, unreasonably, or without foundation.

KEY QUOTATIONS

> *“Whether an insurance policy is ambiguous is a question of law over which we exercise free review.”* (180 P.3d at 500)

> *“A provision that seeks to exclude the insurer's coverage must be strictly construed in favor of the insured.”* (180 P.3d at 500)

> *“Therefore, because Farmers has not met its burden to use clear and precise language in this particular exclusionary provision, we hold the "Outbuildings" exclusionary provision is ambiguous and reverse the district court's grant of summary judgment to Farmers.”* (180 P.3d at 502)

FACTUAL BACKGROUND

Miguel Arreguin obtained a homeowners insurance policy covering separate structures on the residence premises. After inspecting the property, Farmers added an endorsement stating that the policy did not cover loss to all outbuildings, without defining the term outbuilding. When a fire damaged Arreguin's detached garage, Farmers denied the structural-damage claim on the ground that the garage was an outbuilding, although Farmers had ultimately paid a prior claim for wind damage to the same garage. Arreguin sued for breach of contract and insurance bad faith.

PROCEDURAL HISTORY

Arreguin submitted a fire-damage claim for a detached garage, which Farmers denied under an endorsement excluding loss to all outbuildings. He sued Farmers for breach of contract and insurance bad faith. The district court granted Farmers summary judgment, and Arreguin timely appealed. The Idaho Supreme Court issued a substitute opinion, withdrew its prior January 31, 2008 opinion, reversed the summary judgment, and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Reverse the district court's grant of summary judgment to Farmers and remand for further proceedings, including factual determination of the interpretation and application of the ambiguous outbuildings exclusion and resolution of prevailing-party status for attorney-fee purposes.

CASES CITED

- Jordan v. Beeks, 135 Idaho 586, 21 P.3d 908 (2001)
- Farmers Ins. Co. of Idaho v. Talbot, 133 Idaho 428, 987 P.2d 1043 (1999)
- Clark v. Prudential Prop. & Cas. Ins. Co., 138 Idaho 538, 66 P.3d 242 (2003)
- Mut. of Enumclaw Ins. Co. v. Roberts, 128 Idaho 232, 912 P.2d 119 (1996)
- Mut. of Enumclaw v. Box, 127 Idaho 851, 908 P.2d 153 (1995)
- City of Boise v. Planet Ins. Co., 126 Idaho 51, 878 P.2d 750 (1994)
- Moss v. Mid-America Fire & Marine Ins. Co., 103 Idaho 298, 647 P.2d 754 (1982)
- Armstrong v. Farmers Ins. Co. of Idaho, 143 Idaho 135, 139 P.3d 737 (2006)
- Slaathaug v. Allstate Ins. Co., 132 Idaho 705, 979 P.2d 107 (1999)
- State v. Marks, 45 Idaho 92, 260 P. 697 (1927)
- Allstate Insurance Co. v. Mocaby, 133 Idaho 593, 990 P.2d 1204 (1999)
- Hultin v. Klein, 301 Ill. 94, 133 N.E. 660 (1921)