SUPREME COURT OF VIRGINIA

Montgomery Mutual Insurance Company v. Riddle, 266 Va. 539

587 S.E.2d 513 (2003) · No. Record No. 021271 · Decided October 31, 2003

SUMMARY

The Supreme Court of Virginia held that an insurer seeking to void an insurance policy under Code § 38.2-309 must clearly prove both that an application statement or omission was untrue and that reliance on it was material to the insurer's decision to undertake the risk and issue the policy. The court affirmed the trial court's judgment because Montgomery Mutual failed to prove the required reliance by its agent, who reviewed the application for completeness and form rather than substance.

CASE DETAILS

COURT	Supreme Court of Virginia
WRITING FOR THE COURT	Donald W. Lemons; All the Justices
JURISDICTION	Virginia
DECIDED	October 31, 2003
DOCKET	Record No. 021271
DISPOSITION	affirmed
PROCEDURAL POSTURE	Montgomery Mutual Insurance Company appealed a declaratory-judgment ruling determining that insurance coverage had been bound and rejecting Montgomery Mutual's attempt to void the policy based on alleged misrepresentations in the application.
STANDARD OF REVIEW	The judgment was reviewed under the plainly-wrong-or-without-evidence standard.
PRECEDENTIAL VALUE	Published precedential opinion
PARTIES	Montgomery Mutual Insurance Company v. Jeffrey Riddle, et al.

TOPICS

insurance coverage · insurance · statutory interpretation · declaratory relief insurance · appellate procedure

PRACTICE AREAS

Insurance law · Appellate procedure

QUESTIONS PRESENTED

1. Whether Code § 38.2-309 requires an insurer seeking to void a policy based on material misrepresentations or omissions in an insurance application to prove actual reliance on those statements.
2. Whether the evidence supported the trial court's finding that Montgomery Mutual's agent did not rely on the alleged misrepresentations or omissions.

HOLDINGS

1. An insurer seeking to void a policy under Code § 38.2-309 for alleged material omissions or misrepresentations must prove by clear proof both that the statement or omission was untrue and that the insurer's reliance on it was material to the decision to undertake the risk and issue the policy. Proof of falsity alone is insufficient.
2. Montgomery Mutual failed to prove the necessary reliance because its agent, whose apparent authority bound the policy, reviewed the applications only for completeness and proper form and not for the substance of the answers.

KEY QUOTATIONS

> *"Accordingly, we reiterate that when an insurance carrier seeks to void a policy for alleged material omissions or misrepresentations pursuant to Code § 38.2-309, the insurer must show, by clear proof, two facts: (1) that the statement or omission on the application was untrue; and (2) that the insurance company's reliance on the false statement or omission was material to the company's decision to undertake the risk and issue the policy."* (515)

> *"To prove the falsity is not sufficient; the insurer must prove clearly that truthful answers would have reasonably influenced the company's decision to issue the policy."* (515)

FACTUAL BACKGROUND

Jeffrey Riddle sought general-liability and workers' compensation insurance, and an application for coverage through Montgomery Mutual was submitted by its limited agent, Ken Wyvill, with coverage marked as bound effective April 20, 2000. After an employee was electrocuted on April 29 and later died, Montgomery Mutual denied coverage and filed a declaratory-judgment action. Wyvill testified that he reviewed the application only for completeness and proper form, not for the substance or truth of the answers.

PROCEDURAL HISTORY

The trial court found that Wyvill had apparent authority to bind coverage for Riddle beginning April 20, 2000, and that neither Wyvill nor Montgomery Mutual had relied on alleged misrepresentations in Riddle's application when coverage was bound. Montgomery Mutual appealed the reliance issue but did not assign error to the finding that Wyvill's apparent authority bound the policy. The Supreme Court of Virginia affirmed.

DISPOSITION

affirmed

CASES CITED

- Commercial Underwriters Insurance Co. v. Hunt & Calderone, P.C., 261 Va. 38, 42, 540 S.E.2d 491, 493 (2001)

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