SUPREME COURT OF ILLINOIS

American Access Casualty Co. v. Reyes

2013 IL 115601 (Ill. 2013) · No. 115601 · Decided January 23, 2014

SUMMARY

The Illinois Supreme Court held that an automobile liability insurance policy may not exclude the sole named insured and owner of the insured vehicle. The court concluded that such an exclusion conflicts with section 7-317(b)(2) of the Illinois Vehicle Code and violates public policy. The court affirmed the appellate court's judgment reversing the circuit court and remanded for further proceedings.

CASE DETAILS

COURT	Supreme Court of Illinois
WRITING FOR THE COURT	Justice Burke; Chief Justice Garman; Justice Freeman; Justice Thomas; Justice Karmeier; Justice Theis; Justice Kilbride
JURISDICTION	Illinois
DECIDED	January 23, 2014
DOCKET	115601
DISPOSITION	affirmed
PROCEDURAL POSTURE	American Access sought a declaration that its automobile liability policy provided no coverage and imposed no duty to defend or indemnify claims arising from an accident involving the vehicle owner and sole named insured. The circuit court granted summary judgment for American Access. The appellate court reversed and remanded, and the Illinois Supreme Court affirmed the appellate court.
STANDARD OF REVIEW	De novo review of the legal effect of the insurance policy and the interpretation of the Illinois Vehicle Code; summary judgment is reviewed de novo.
PRECEDENTIAL VALUE	Published Illinois Supreme Court majority opinion; precedential.
PARTIES	American Access Casualty Company v. Ana Reyes, Rocio Jasso, Sergio Jasso, Brigido Jasso, State Farm Insurance Company

TOPICS

insurance coverage · duty to defend · duty to indemnify · declaratory relief insurance · statutory interpretation

PRACTICE AREAS

insurance law · contracts · statutory interpretation · declaratory judgment

QUESTIONS PRESENTED

1. Whether an automobile liability insurance policy may exclude the sole named insured and owner from liability coverage while the insured vehicle is being operated by that person.
2. Whether sections 7-317(b)(2), 7-602, and 7-601(a) of the Illinois Vehicle Code permit or validate an exclusion of the sole named insured and owner.
3. Whether a named-driver exclusion that conflicts with the statutory requirement to insure the person named in the policy is void as against public policy.

HOLDINGS

1. An automobile liability insurance policy cannot exclude the sole named insured and owner of the insured vehicle from coverage because the exclusion conflicts with section 7-317(b)(2) of the Illinois Vehicle Code and violates public policy.
2. Named-driver exclusions are generally permissible in Illinois, but they cannot be used to exclude the sole named insured and owner in a manner that conflicts with section 7-317(b)(2).
3. Section 7-602 does not authorize an insurer to exclude the sole named insured and owner from coverage while operating the insured vehicle.
4. Section 7-601(a)'s preservation of policy defenses available at common law does not preserve a named-driver exclusion because such an exclusion is a contractual provision, not a traditional common-law defense.

KEY QUOTATIONS

> *"The principal purpose of this state's mandatory liability insurance requirement is to protect the public by securing payment of their damages."* (¶ 8)

> *"We hold that an automobile liability insurance policy cannot exclude the sole named insured since such an exclusion conflicts with the plain language of section 7-317(b)(2) and, therefore, violates public policy."* (¶ 20)

FACTUAL BACKGROUND

American Access issued an automobile liability policy covering a 1999 Chrysler 300M to Ana Reyes, who was identified as the vehicle titleholder and sole named insured. Reyes was listed as an excluded driver, while Jose M. Cazarez was listed as the primary driver. Reyes later drove the vehicle and struck two pedestrians, seriously injuring Rocio Jasso and killing her four-year-old son, Sergio. American Access sought a declaration that the policy afforded no coverage and imposed no duty to defend or indemnify Reyes.

PROCEDURAL HISTORY

American Access issued an automobile liability policy to Ana Reyes, who was both the vehicle owner and sole named insured, but the policy excluded her as a driver. After Reyes injured two pedestrians, American Access filed a declaratory action seeking a determination of no coverage and no duty to defend or indemnify. The Kane County circuit court granted American Access summary judgment; the Illinois Appellate Court for the Second District reversed and remanded. The Illinois Supreme Court granted leave to appeal and affirmed the appellate court.

DISPOSITION

affirmed

REMAND INSTRUCTIONS

The judgment of the appellate court, which reversed the circuit court's summary judgment for American Access, was affirmed, and the cause was remanded to the Circuit Court of Kane County for further proceedings.

CASES CITED

- Progressive Universal Insurance Co. of Illinois v. Liberty Mutual Fire Insurance Co., 215 Ill. 2d 121, 128-30 (2005)
- State Farm Mutual Automobile Insurance Co. v. Smith, 197 Ill. 2d 369, 373-78 (2001)
- State Farm Mutual Automobile Insurance Co. v. Universal Underwriters Group, 182 Ill. 2d 240, 243-44 (1998)
- American Country Insurance Co. v. Wilcoxon, 127 Ill. 2d 230, 241 (1989)
- Citizens Opposing Pollution v. ExxonMobil Coal U.S.A., 2012 IL 111286, ¶ 23
- Dungey v. Haines & Britton, Ltd., 155 Ill. 2d 329, 336 (1993)
- Heritage Insurance Co. of America v. Phelan, 59 Ill. 2d 389, 396 (1974)
- Rockford Mutual Insurance Co. v. Economy Fire & Casualty Co., 217 Ill. App. 3d 181, 187 (1991)
- St. Paul Fire & Marine Insurance Co. v. Smith, 337 Ill. App. 3d 1054, 1060 (2003)
- American Service Insurance Co. v. Arive, 2012 IL App (1st) 111885, ¶ 17
- Williams v. US Agencies Casualty Insurance Co., 779 So. 2d 729, 732 (La. 2001)
- Palm v. 2800 Lake Shore Drive Condominium Ass'n, 2013 IL 110505, ¶ 48
- Carter v. SSC Odin Operating Co., 2012 IL 113204, ¶ 37
- Metropolitan Life Insurance Co. v. Hamer, 2013 IL 114234, ¶ 18