SUPREME COURT OF APPEALS OF WEST VIRGINIA

West Virginia Investment Management Board v. Variable Annuity Life Insurance Company

234 W. Va. 469 (2014) · No. 13-1193 · Decided November 14, 2014

SUMMARY

The Supreme Court of Appeals of West Virginia reviewed summary judgments entered in favor of The Variable Annuity Life Insurance Company in a dispute concerning the surrender of two annuity contracts holding public retirement funds. The court held that the petitioners established a justiciable controversy and that the Consolidated Public Retirement Board had standing to seek declaratory relief, and it reversed the circuit court's rulings with directions.

CASE DETAILS

COURT	Supreme Court of Appeals of West Virginia
WRITING FOR THE COURT	Justice Loughry
JURISDICTION	West Virginia
DECIDED	November 14, 2014
DOCKET	13-1193
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The petitioners appealed two circuit-court orders granting VALIC summary judgment on claims seeking declaratory and monetary relief concerning surrender of two annuity contracts.
STANDARD OF REVIEW	Summary judgment and interpretation of an insurance contract, including whether the contract is ambiguous, are reviewed de novo. At the summary-judgment stage, the court determines whether a genuine issue for trial exists rather than weighing evidence or deciding the truth of the matter.
PRECEDENTIAL VALUE	Published opinion; precedential West Virginia Supreme Court of Appeals decision.
PARTIES	West Virginia Investment Management Board, West Virginia Consolidated Public Retirement Board v. Variable Annuity Life Insurance Company

TOPICS

insurance coverage · contract interpretation · declaratory judgment · standing · summary judgment

PRACTICE AREAS

insurance · contracts · civil procedure · remedies

QUESTIONS PRESENTED

1. Whether a justiciable controversy existed between the Consolidated Public Retirement Board and VALIC concerning the Board's right to immediate and unrestricted surrender of funds under the 1991 contract.
2. Whether the Consolidated Public Retirement Board had standing to seek declaratory relief concerning the 2008 contract even though it was not a signatory.
3. Whether the Investment Management Board had standing to seek relief concerning the 1991 contract.
4. Whether the endorsement language limiting withdrawals made for transfer to another funding entity was ambiguous and applicable to the requested full surrender of the 2008 contract.

HOLDINGS

1. A justiciable controversy existed because the petitioners asserted a present legal right to immediate and aggregate removal of the annuity funds without fees or restrictions, VALIC denied that right, and declaratory relief would resolve the dispute.
2. As a statutory trustee of West Virginia's public retirement funds, the Consolidated Public Retirement Board had standing to bring an action under the Uniform Declaratory Judgments Act concerning investment-related contracts involving those funds, regardless of whether it was a signatory to the contract.
3. The Investment Management Board had standing to join the Board in seeking a declaration of rights concerning the 1991 contract.
4. The endorsement language concerning 'a withdrawal for transfer to another funding entity' was ambiguous, and the circuit court erred in treating it as unambiguous and concluding that it restricted the Investment Management Board's requested full withdrawal from the 2008 contract.

KEY QUOTATIONS

> *"As a statutory trustee of this state's public retirement funds, the Consolidated Public Retirement Board has standing to bring an action under the Uniform Declaratory Judgments Act, West Virginia Code §§ 55-13-1 to -16 (2008), to resolve disputes arising from investment-related contracts that involve public retirement funds, irrespective of whether it is a party to such contracts."* (234 W. Va. at 469)

> *"Upon our considered examination of the record in this case, we are convinced that the language in the endorsement pertaining to "a withdrawal for transfer to another funding entity" is decidedly ambiguous."* (234 W. Va. at 501)

FACTUAL BACKGROUND

The West Virginia Consolidated Public Retirement Board administered public retirement plans, while the Investment Management Board was charged with investing Teachers Retirement System assets. VALIC issued a 1991 annuity contract to the Board and a substantially similar 2008 contract to the Investment Management Board after legislation allowed defined-contribution-plan participants to transfer funds into the Teachers Retirement System. When the petitioners sought to move approximately $248 million in funds and later requested a complete withdrawal, VALIC asserted surrender charges and then a five-year, twenty-percent-per-year withdrawal restriction.

PROCEDURAL HISTORY

The petitioners filed a declaratory judgment action in the Circuit Court of Kanawha County after VALIC refused to release all affected annuity funds in a lump sum without surrender restrictions. VALIC removed the case to federal court, but the federal district court remanded it to state court. After discovery, the circuit court granted VALIC summary judgment against each petitioner on October 21, 2013, based on standing, justiciability, damages, and contract interpretation; the Supreme Court of Appeals reversed and directed transfer to the Business Court Division.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

The circuit court was directed to promptly transfer the case to the Business Court Division for further proceedings consistent with the opinion.

CASES CITED

- Painter v. Peavy, 192 W. Va. 189, 451 S.E.2d 755 (1994)
- Hustead v. Ashland Oil Co., 197 W. Va. 55, 475 S.E.2d 55 (1996)
- State ex rel. Deputy Sheriff's Ass'n v. Sims, 204 W. Va. 442, 513 S.E.2d 669 (1998)
- Prete v. Merchants Property Insurance Co., 159 W. Va. 508, 223 S.E.2d 441 (1976)
- Nesselroad v. Consolidated Public Retirement Board, 225 W. Va. 397, 693 S.E.2d 471 (2010)
- Riffe v. Home Finders Associates, Inc., 205 W. Va. 216, 517 S.E.2d 313 (1999)
- Mainella v. Board of Trustees of Policemen's Pension or Relief Fund, 126 W. Va. 183, 27 S.E.2d 486 (1943)
- Cox v. Amick, 195 W. Va. 608, 466 S.E.2d 459 (1995)
- State Farm Mutual Automobile Insurance Co. v. Schatken, 230 W. Va. 201, 737 S.E.2d 229 (2012)
- Board of Education v. Board of Public Works, 144 W. Va. 593, 109 S.E.2d 552 (1959)
- Dadisman v. Moore, 181 W. Va. 779, 384 S.E.2d 816 (1988)
- Shobe v. Latimer, 162 W. Va. 779, 253 S.E.2d 54 (1979)
- Association of Data Processing Service Organizations, Inc. v. Camp, 397 U.S. 150 (1970)

- Larew v. Monongahela Power Co., 199 W. Va. 690, 487 S.E.2d 348 (1997)
- National Mutual Insurance Co. v. McMahon & Sons, Inc., 177 W. Va. 734, 356 S.E.2d 488 (1987)
- Cotiga Development Co. v. United Fuel Gas Co., 147 W. Va. 484, 128 S.E.2d 626 (1962)
- Cabot Oil & Gas Corp. v. Huffman, 227 W. Va. 109, 705 S.E.2d 806 (2010)
