

Delaware Superior Court Addresses Whether UIM Benefits are Available to Parties that Live in the Same Household but are Unrelated to Insured

On November 20, 2020, the Superior Court of Delaware confirmed that coverage denials that rely on plain policy language outlined in an automobile insurance policy's Insuring Agreement, as opposed to a policy exclusion, are more likely to be upheld in underinsured/uninsured motorist claims. In *Michael Ruiz, Tammy Irizarry, Individually and as Next Friend of G.I. v. State Farm Fire & Casualty Company and Hartford Underwriters Insurance Company*, C.A. NO.: S19C-07-024, (Del. Super. November 19, 2020), the Court enforced the plain language of the applicable automobile insurance policy when determining that underinsured motorist (UIM) coverage was not available to members of a household shared with an unrelated insured.

Typically, Delaware law requires that policy exclusions attempting to limit the right of injured persons to UIM coverage be narrowly construed. The risk addressed by liability insurance relates to the tortious conduct of the insured, whereas the risk covered by UIM coverage arises from the negligence of other persons either without insurance or having inadequate policy limits.

In *Ruiz*, the plaintiffs were involved in a motor vehicle accident on February 9, 2016 in Kent County, Delaware. The plaintiffs were all passengers in a vehicle operated by the tortfeasor. The underlying bodily injury claims settled for a tender of the tortfeasor's policy limits. The plaintiffs then brought a UIM suit against both State Farm^[1] and Hartford seeking UIM benefits.

At the time of the accident, the plaintiffs lived with Louise Stewart, who held an insurance policy issued by Hartford. The plaintiffs made a demand for UIM benefits against Hartford and Hartford denied their demand based on language in the policy's Insuring Agreement that defined an "Insured" as both the named insured and family members of the named insured. In the suit, the plaintiffs alleged that the Hartford policy held by Ms. Stewart covered them as "other residents of her home" such that they would be entitled to UIM benefits under the Hartford policy. Ms. Stewart's automobile was not involved in the accident.

Part C of the Hartford Policy – Uninsured Motorists Coverage – provided, in relevant part, as follows:

INSURING AGREEMENT

A. We will pay damages which an insured is legally entitled to recover from the owner or operator of an:

1. Uninsured motor vehicle or underinsured motor vehicle because of bodily injury:

- a. Sustained by an insured; and
- b. Caused by an accident;

* * *

B. "**Insured**" as used in this part means:

1. You or any **family member**.
2. Any other person **occupying your covered auto**.

3. Any person for damages that person is entitled to recover because of bodily injury to which this coverage applies sustained by a person described in 1. or 2. above.

The Hartford Policy contains the following relevant Definitions:

A. Throughout this policy, you and your refer to:

1. The **named insured** shown in the Declarations; and
2. The spouse if a resident of the same household.

* * *

F. **“Family member”** means a person related to you by blood, marriage or adoption who is a resident of your household. This includes a ward or foster child.

* * *

Hartford confirmed during their claim investigation that Ms. Stewart was a family friend and not a relative of the plaintiffs.

Hartford filed a Rule 12(6)(6) Motion to Dismiss. Hartford asserted the policy language above and 18 *Del. C.* 3902(b) prevent a finding of coverage. The plaintiffs’ attorney took the position that the language operated as an exclusion to coverage and was therefore unenforceable under Delaware public policy.

18 *Del. C.* §3902 statutorily limits UIM coverage to “protection of persons insured.” The Court examined Section 3902 and reiterated well-established Delaware precedent that a plaintiff must fall within the class of persons protected by the statute to recover benefits.

The Superior Court agreed with Hartford’s assertions that the plaintiffs were not being denied coverage due to a policy exclusion under 18 *Del. C.* §3902, but instead were denied benefits because they did not meet the definition of an “Insured” under the Hartford policy.

The Court confirmed that Delaware only allows “insureds” under a policy to recover UIM benefits. The Court also noted denying coverage in this scenario does **not** violate Delaware’s public policy.

Comment:

Though in the automobile insurance context, Delaware remains disinclined to uphold policy exclusions as a bar to coverage, often finding these exclusions to be against Delaware’s public policy, the plain meaning of an automobile policy’s Insuring Agreement that is consistent with statutory exculpatory provisions is valid grounds for a coverage denial.

[1] State Farm filed an unsuccessful motion to dismiss based on jurisdiction.