

Household Exclusion, Class Certification Coverage Update

September 1, 2021

Household Exclusion – Eighth Circuit (Minnesota Law)

Godfrey v. State Farm Fire and Cas. Co.

--- F.4th ---, 2021 WL 3729044 (8th Cir. Aug. 24, 2021)

The plaintiff, Courtney Godfrey (Godfrey), sustained serious injuries when she was thrown from her husband's, Ryan Novaczyk (Novaczyk), boat. Godfrey and her husband filed claims with the boat's insurer, State Farm Fire and Casualty Company (State Farm), and under Novaczyk's umbrella insurance policy issued by GEICO Insurance Company (GEICO). Both insurers denied the personal injury claims under the policies' household exclusion, which precluded coverage for injuries to the insured or members of the insured's household.

Godfrey sued Novaczyk, GEICO, and State Farm. After the case was removed to federal court, Novaczyk was realigned as a plaintiff. While Godfrey agreed that the household exclusion in the policies applied to her claim, she argued that such exclusions violated Minnesota public policy. She asked the district court to certify the public policy question. The district court denied the request and granted summary judgment in favor of State Farm and GEICO, holding that the household exclusion was not prohibited by statute or Minnesota public policy.

On appeal to the U.S. Court of Appeals for the Eighth Circuit, Godfrey argued that Minnesota law and public policy demanded setting aside the household exclusions. She argued that the appellate court should apply a two-step process and abrogate the household exclusion by: (1) abolishing family member immunity; and (2) invalidating household exclusions in insurance contracts as against Minnesota public policy. The appellate court held that Minnesota courts have consistently enforced household exclusions when no controlling statute prohibited them, and there was no requirement under Minnesota law that homeowners' policies provide liability coverage for claims made by one resident of a household against another. Therefore, the appellate court affirmed the district court's decision.

By: Joshua LaBar

Class Certification – E.D. Virginia (Virginia Law)

Elegant Massage, LLC d/b/a Light Stream Spa v. State Farm Mut. Auto. Ins. Co.

No. 2:20-cv-265, 2021 WL 3686668 (E.D. Va. Aug. 19, 2021)

The plaintiff, Elegant Massage, LLC d/b/a Light Stream Spa (Elegant Massage), a spa in Virginia, filed a class action complaint against its insurers, State Farm Fire and Casualty Company and State Farm Mutual Automobile Insurance Company (collectively, State Farm). Elegant Massage, on behalf of itself and others similarly situated, sought recovery of business losses incurred as a result of the COVID-19 pandemic and the resulting Executive Order Nos. 30 and 55 issued by Virginia Governor Ralph Northam. State Farm issued an all risk policy to Elegant Massage, which contained loss of income and extra expense coverage and exclusions for fungi, virus or bacteria, ordinance or law, acts or decisions, and consequential damages.

In deciding the plaintiffs' motion for class certification, the U.S. District Court for the Eastern District of Virginia initially noted that the plaintiffs sought to represent "19,300 other Virginia policyholders who purchased identical 'all-risk' insurance policies from State Farm to protect their businesses from unanticipated risks." However, the district court refused to certify all insureds as a class because not all insureds had filed a claim with State Farm. Instead, the district court ruled that the insureds who had policies in effect from March 23, 2020 to June 30, 2020 and filed a claim for business losses due to COVID-19 could be members of the plaintiff class.

With respect to the remaining factors considered for class certification under Rule 23(b) of the Federal Rules of Civil Procedure, the district court noted that there were 111 insureds who had filed claims with State Farm, which satisfied the numerosity requirement. Regarding the commonality requirement, the district court noted that interpretation of the all-risk policy would be the same for all class members. Regarding cohesiveness and predominance, the district court reasoned that while "there may be individualized issues pertaining to specific members of the class, there are common and cohesive legal questions pertaining to all members of the Virginia Subclass." Specifically, the district court noted that it "must determine the proper legal interpretation of the Defendants' 'all risk' policy as it pertains to the COVID-19 mandatory closures."

Finally, with respect to damages, the court recognized that while plaintiffs may be unable to prove class-wide damages absent an inquiry as to the damages to each individual class member, this was "not an impediment to class certification." The district court reasoned that should damages later become an issue, it could rule that the action requires an "alternative mechanism" to assess damages, such as the creation of subclasses or bifurcating the issues of liability and damages.

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