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Geist vs. State Farm Mutual Automobile Insurance Company: The Third Circuit Gets Into the Act

The opinion in *Geist vs. State Farm Mutual Automobile Insurance Company*, 49 F. 4th 861 (3rd Cir. September 29, 2022), was authored by Chief Judge Marjorie Rendell. Miranda Geist was injured in an automobile collision. After settling a tort claim against the driver and discovering that the driver's insurance coverage could not fully compensate her for her injuries, she sought to recover underinsured motorist ("UIM") benefits under a personal automobile insurance policy issued to her parents, Kevin and Karen Iwasaki (“the Policy.”).

Her parents' insurer, State Farm Mutual Automobile Insurance Company ("State Farm"), offered her up to $100,000 in benefits, but Geist maintained that she was entitled to up to $200,000 in benefits because State Farm failed to seek a waiver to provide a UIM coverage limit below the bodily injury coverage limit when her father added a new vehicle to the policy.

Geist sued State Farm seeking a declaration to this effect. The District Court dismissed her complaint with prejudice, concluding that Pennsylvania's Motor Vehicle Financial Responsibility Law, Pa. C. S. §§ 1701-1799.7 ("MVFRL"), does not require insurers to seek such elections of UIM coverage limits when policyholders add vehicles to their existing policies.

The Circuit Court determined that the District Court’s Order was correct. Miranda Geist had indeed sustained serious injuries in the automobile collision. She settled a tort claim against the driver and his insurance company. However, Ms. Geist’s injuries were serious enough that the settlement did not fully compensate her. She therefore made a claim to recover UIM benefits from State Farm under a Pennsylvania Personal Auto Policy issued to her parents, Kevin and Karen Iwanski (the "Policy").

When State Farm issued the Policy in 2010, it insured two vehicles and provided liability coverage of $100,000 per person / $300,000 per accident for bodily injuries. Ms. Geist’s father, Kevin Iwanski, elected for the Policy to provide UIM benefits of up to $50,000 per person / $100,000 per accident. From then until the date of Geist's accident, he made only two changes to the Policy:

(1) he removed the second vehicle in January 2011; and
(2) added a third vehicle in February 2013.

At the time Mr. Iwanski added the third vehicle to the Policy, he did not execute an acknowledgment for UIM coverage limits below the bodily injury coverage limits. As a consequence of Ms. Geist’s, her father not having executed this acknowledgment when he added the third vehicle to the Policy, Geist asserted that she could recover up to $200,000 in UIM benefits under the Policy. That was the stacked total of the $100,000 UIM coverage for each insured vehicle. State Farm, however, paid her only $100,000 in benefits, maintaining that the Policy provided only up to $50,000 in UIM coverage per vehicle—the lower amount Iwanski elected.

Geist responded to State Farm's position by suing State Farm in Pennsylvania state court. She filed the matter as a class action. She sought a declaration that State Farm must provide a stacked total of $200,000 in UIM coverage under the Policy. Section 1731 of the MVRL provides that no policy shall be delivered or issued without offering UM and UIM coverage. Section 1734 provides that "a named insured may request in writing the issuance of coverages under section 1731 …. equal to or less than the limits of liability for bodily injury." 42 Pa. C. S. §1734. State Farm, ruled the Court, discharged its statutorily imposed duties under Sections 1731 and 1734 in 2010. That year, Geist's parents sought an automobile insurance policy that included UIM coverage. State Farm issued the Policy with UIM coverage limits of $50,000 per person / $100,000 per accident after it received an executed written document from the Iwanskis that requested these limits. Geist conceded that State Farm never issued a new policy thereafter.

The Third Circuit, carefully examining the case law, found that no events in the years prior to Geist's collision triggered sections 1731 and 1734 obligations because State Farm never issued a new policy to Geist's parents.

Under these circumstances, according to the Circuit Court, the Motor Vehicle Financial Responsibility Law never obligated State Farm to seek a new written election for lower UIM coverage limits under the Policy. The MVFRL requires insurers to seek elections of lower UIM coverage limits only when they ***issue policies***. State Farm, ruled the Court, discharged this duty, and Ms. Geist's father elected a UIM coverage limit of $50,000. Geist is therefore not permitted to recover any amount in excess of the limits.

The Court of Appeals clung to the statutory text to reach its conclusion:

> Both we and the Supreme Court of Pennsylvania have recognized that Sections 1731 and 1734 mean no more than what they state. See *Nationwide Ins. Co. vs. Ressequie*, 980 F.2d 226, 231 (3rd Cir. 1992); *Blood vs. Old Guard Ins. Co.*, 594 Pa. 151, 934 A.2d 1218, 1226-27 (Pa. 2007) (approving the Third Circuit's analysis in *Ressequie*). Under Section 1731, an insurer's "deliver[y] or issu[ance]" of a "policy" triggers its obligation to provide UIM coverage. See also, *Blood*, 934 A.2d at 1226. Section 1734, in turn, provides a process that governs how much coverage that insurer must provide when it "issue[s] a policy." *Blood*, 934 A.2d at 1226. (internal quotation marks omitted); see also *Lewis vs. Erie Ins. Exch.*, 568 Pa. 105, 793 A.2d 143, 149 (Pa. 2022) (explaining that Sections 1731 and 1734 should be interpreted together).

Geist, *supra*, at 864-865.

After reviewing the Pennsylvania law on the subject, the Court analyzed the cases concerning receipt of a signed election.

> Once an insurer receives a signed election from the insured that includes "an express designation of the amount of coverage requested," it may issue that policy with the insured's requested limit. *Orsag vs. Farmers New Century Ins.,* 609 Pa. 388, 15 A.3d 896, 901 (Pa 2011) (quoting *Leis,*

> 793 A.2d at 153); see also *Gibson*, 994 F.3d at 187. The insurer need not do any more to fulfill its obligations under Sections 1731 and 1734 during the life of that policy. See *Blood*, 934 A.2d at 1227 (holding that the insureds' decision to change liability coverage did not trigger any additional duties under the MVFRL when the insurer issued the policy with UIM coverage after receiving an executed request for reduced UIM coverage limits).

Id., at 865.

Miranda Geist relied heavily upon the Pennsylvania Supreme Court's decision in *Barnard vs. Travelers Home & Marine Insurance Co.*, 654 Pa. 604, 216 A.3d 1045 (Pa. 2019).

> In that case, relying on the provision's plan meaning, the court held that, under 75 Pa. Cons. Stat. §1738(c), "an insurance company must offer an insured the opportunity to waive stacking any time she acquires UIM coverage for more than one vehicle, regardless of whether this acquisition occurs when she initially applies for an insurance policy or when she subsequently increases her UIM coverage limits for multiple vehicles." *Barnard*, 216 A.3d at 1054. While Section 1738(c) provides that '[e]ach named insured purchasing uninsured or underinsured motorist coverage for more than one vehicle under a policy shall be provided the opportunity to waive the stacked limits of coverage." Section 1731(a) contains no similar language. (emphasis added.) Instead, under the provision, the "deliver[y] or issu[ance]for delivery" of a "policy" triggers the opportunity to waive UIM coverage limits. *Id. §1731*; see also id. §1734 (allowing an insured to obtain lower UIM-coverage limits through a written request). Though Geist invites us to do so, we cannot ignore the legislature's decision to tie the duty to seek an election of UIM-coverage limits to the issuance of a policy rather than the purchase of coverage. See *Bruni vs. City of Pittsburgh*, 941 F.3d 73, 86, (3rd Cir. 2019). When the legislature uses certain language in one part of the statute and different language in another, the court assume different meanings were intended." (citation omitted)).

Geist, supra, at 865-866.

There are no shortage of cases supporting the Third Circuit, although the matter is more ambiguous as a result of *Barnard* than the Court would acknowledge. The question of what circumstances under which a new form must be signed by the purchaser of insurance has now become both complicated and restrictive from the point of view of the insurance consumer.

However, the Third Circuit, until the Pennsylvania Supreme Court rules otherwise, seems to be on solid ground.

Bullet point take aways are as follows:

- Miranda Geist was injured in an automobile accident.
- She sought UIM benefits under her parents' automobile insurance policy.
- Her parents had $100,000, but Geist said she was entitled to $200,000 because State Farm failed to seek a waiver to provide a UIM coverage limit below the bodily injury coverage limit when her father added a new vehicle to the policy.
- The Circuit Court affirmed the trial court, which held that the Financial Responsibility Law does not require insureds to seek elections of UIM coverage limits when policyholders add vehicles to their existing policies.
- No change was made to the UIM policy from 2010.
- However, a third vehicle was added to the policy.
- When that third vehicle was added, Mr. Iwanski, Miranda Geist's father, did not execute an acknowledgement for UIM-coverage limits below the bodily injury-coverage limits.
- Due to the fact that her father never executed this acknowledgement when he added the third vehicle to the policy, Geist claims that she could recover up to $200,000 in UIM benefits.
- The stacked total of $100,000 UIM coverage for each insured vehicle is what Geist sought.
- The statutory text, however, dictates that a waiver is only required when a policy is *issued* and no policy was issued in this case after 2010. Therefore, the Circuit Court held that Geist could not recover any amount in excess of the coverage elected by her father at the time the policy was issued.

Geist v. State Farm Mut. Auto. Ins. Co., 49 F. 4th 861 (3rd Cir. September 29, 2022) (Rendell, C.J.)

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