

BAD FAITH BLOG

Alabama Supreme Court Dismisses Appeal of Bad Faith Claim Dismissal

AUTHOR: MEGHAN SHOLY, ANTHONY MARTIN

Lamar Ragland sued State Farm Mutual Automobile Insurance Company (State Farm) for State Farm's alleged bad faith in failing to pay an underinsured motorist (UIM) claim. Ragland was injured in an automobile accident by an underinsured motorist in January 2012 and claimed that he was entitled to UIM benefits from State Farm for the same amount he could collect from the motorist. Two separate complaints were filed and then consolidated. The circuit court dismissed the bad faith claim. Ragland appealed. The Supreme Court of Alabama remanded to the circuit court which ruled the bad faith claim was final and appealable pursuant to Rule 54(b). State Farm moved to dismiss, claiming the circuit court had exceeded its discretion. The Supreme Court agreed and dismissed Ragland's appeal as taken from a nonfinal judgment.

Ragland v. State Farm Mutual Automobile Insurance Company

Plaintiff Ragland was involved in an automobile accident caused by an underinsured motorist in January 2012. Ragland filed a complaint in July 2016 alleging bad faith; he had UIM coverage with Defendant State Farm that State Farm had not yet paid him, even though a 2014 complaint regarding the same issues was pending. The 2014 and 2016 complaints were consolidated and the bad faith claim dismissed by the circuit court. Ragland appealed to the Supreme Court of Alabama, which remanded to the circuit court to determine whether the dismissal of the bad faith claim was final and appealable. The circuit court determined it was, according to Rule 54(b). State Farm moved to dismiss, arguing the bad-faith claim was "inextricably intertwined" with Ragland's still pending contract coverage claims against State Farm and thus could become moot depending on the outcome of the pending claim.

Alabama, like most jurisdictions, has a rule for when interlocutory appeals are appropriate. Alabama Rule 54(b) states the court can enter final judgment for fewer than all claims when it is determined that there is "no just reason" for delay. However, the Supreme Court held that a Rule 54(b) certification should not be entered if the issues in the claim being appealed and a claim still pending "are so closely intertwined that separate adjudication would pose an unreasonable risk of inconsistent results." It further held that any claim that could be rendered moot upon the final decision of the still pending claim is not final and appealable under Rule 54(b).

In order to prevail on a bad faith claim, a plaintiff must successfully recover on the UIM claim or similar contract claim. The Court explained Ragland's claim could become moot if he was not successful in recovering UIM benefits from State Farm in the pending action. Accordingly, he could not appeal the dismissal of the bad faith claim. The Supreme Court concluded the circuit court exceeded its discretion in concluding there was no just reason for delay in entering the Rule 54(b) certification to allow an appeal of the bad faith dismissal. Ragland's appeal was dismissed as taken from a nonfinal judgment.

The Supreme Court's ruling clarifies when an interlocutory appeal is appropriate in Alabama. The Court ruled where there is no breach of contract, there is no basis for pursuing a claim of bad faith. Thus, Rule 54(b) certification is inappropriate for underlying bad faith claims where no breach of contract has been found. Therefore, Alabama attorneys and insurance claims professionals must follow the *Ragland* ruling and requirements of Rule 54(b). Others should look to their own jurisdiction's treatment of this rule which differs from state to state.