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Connecticut Supreme Court Decision Invalidates UM/UIM Exclusions for Self-Insured Vehicles

The Connecticut Supreme Court's recent opinion in *Tannone, et al. v. Amica Mutual Ins. Co.*, 329 Conn. 665 (2018) directly impacts automobile insurers whose uninsured/underinsured motorist coverage contains an exclusion for vehicles owned by self-insured rental companies. As discussed in more detail below, the Court's decision invalidated a regulation permitting uninsured/underinsured motorist coverage forms to exclude coverage for any vehicle "[o]wned … by a self-insurer under any applicable motor vehicle law." Thus, this decision may require insurers to reexamine the language of their automobile policies and reassess their coverage position with respect to uninsured/underinsured motorist claims caused by a self-insured vehicle.

Tannone arose out of the Plaintiffs' claim for underinsured motorist benefits after they were struck by a rental vehicle owned by EAN Holdings, LLC ("Enterprise"). The vehicle's lessee held a minimum limits automobile policy, which the Plaintiffs exhausted. At the time of the collision, the Plaintiffs were insured under separate policies issued by Amica Mutual Insurance Company ("Amica"), which contained exclusions for vehicles owned by self-insured rental companies. As Enterprise was a designated self-insurer and excluded pursuant to the subject exclusion, Amica denied coverage for the Plaintiffs' claims. Thereafter, the Plaintiffs filed suit to recover underinsured motorist benefits. Amica moved for summary judgment, arguing the exclusion barred coverage because a self-insured entity (Enterprise) owned the vehicle. The trial court rendered judgment in Amica's favor, and the Plaintiffs appealed.

The Supreme Court ultimately reversed the trial court's decision, holding that the regulation permitting the self-insurance exclusion in the Plaintiffs' policies was invalid as applied to Enterprise. In reaching its conclusion, the Supreme Court opined that the legislative landscape had changed since its 1999 decision in *Orkney v. Hanover Ins. Co*., 248 Conn. 195, 202-206 (1999), which upheld the regulation approving such exclusion, due to the passage of the Graves Amendment. Specifically, the Court noted that in *Orkney*, the injured party still had the ability to seek compensation from the self-insurer for the negligence of its lessees. However, under the Graves Amendment, which was passed six years after *Orkney*, a rental car company could no longer be held vicariously liable for its lessees' negligence. Therefore, the Court reasoned that under the present statutory scheme, injured parties were being precluded by the federal statute from seeking compensation from rental car companies as self-insurers, which "undercut[ ] the primary rationale on which *Orkney* was decided." Moreover, it violated Connecticut's strong public policy favoring uninsured/underinsured motorist coverage.

As noted above, this decision has major implications for automobile insurers that previously relied upon this self-insurer exclusion in denying uninsured/underinsured motorist benefits to an insured injured by a rental company's vehicle. First, insurers faced with these claims should no longer rely on such exclusion in denying coverage, as the Court's decision makes clear that any denial on this basis is unlikely to be upheld if challenged by the insured. Moreover, insurers should review their policies and uninsured/underinsured motorist endorsements to assess whether there are necessary changes to the policy language. Further, this decision illustrates the strong public policy favoring uninsured/underinsured motorist coverage, and the Court's willingness to affirmatively protect such public policy, even if it requires invalidating Connecticut regulations.