Damages Cap Survives Constitutional Challenges

Murphy v. Edmonds, Case No. 99 (Md. Ct App. 1992) (Lexis, Md. library, Md. file).

Maryland's highest court upheld a $350,000 cap on damages for pain and suffering over challenges based on rights to equal protection guarantees and jury trial. In this case, Sarah Murphy suffered injuries when her car was struck by a truck driven by Richard Edmonds. A tire failure caused the accident, and other evidence indicated that the truck driver was speeding and failed to properly inspect the tire. In addition to significant economic damages, the jury also awarded Murphy $510,000 in noneconomic damages for pain and suffering. The trial judge refused to reduce the award to the limit under state law of $350,000, concluding that the cap was a violation of the state's guarantee of equal protection of the laws. The driver and his employer appealed. To support the judgment in her favor, Murphy raised two arguments. First, she claimed that the statute violated her right of equal protection. Second, she argued the cap also deprived her of her right to jury trial. The court of appeals rejected both arguments and reversed.

The court first considered the constitutionality of the cap under equal protection standards. Murphy argued that the cap created two classes of injured people. Less injured people could recover the full amount of their noneconomic damages. More injured people recovered less than their full amount of damages. The court recognized that the statute created a classification and then reviewed the various levels of review.

In equal protection cases, courts apply several different kinds of review depending on the kind of interest that is affected. The usual test asks whether there is a rational basis between the classification and the goal of the legislature. To fail, the legislation must be arbitrary. On the other hand, the courts will apply strict scrutiny if the classification affects a suspect class (for example, race) or a fundamental right (the right to vote). In that situation, the classification must be suitably tailored to serve a compelling state interest. A middle level of review called heightened scrutiny applies to a less well defined set of cases. To survive scrutiny, the classification must serve important governmental objectives and be substantially related to the achievement of those ends.

Murphy argued that heightened scrutiny should be applied, but the court refused. The right to recovery was subject to the right of the legislature to change the rules. The court further concluded that there was no vested right in any common law rule. Were the result otherwise, many statutes would be subject to heightened scrutiny since they affected common law rights. Moreover, the restriction did not affect Murphy's access to the courts, only the remedy. A restriction on the remedy likewise did not trigger heightened scrutiny.

The court then applied the rational basis test to uphold the statute. It found that the state legislature adopted the cap as a response to a perceived insurance crisis. The legislature believed that the availability of insurance would improve if damage awards were more predictable. Since a damages cap was reasonably related to greater predictability in damage awards, the statute survived an equal protection challenge.

The court had little difficulty rejecting the claim that the cap infringed on Murphy's right to jury trial. The jury's province extended to issues of fact. The constitutional limitation only prevented a court from taking factual issues from the jury. It did not prevent the legislature from taking an issue away from both the judge and the jury. In this case, the statute merely fixed the remedy. As a result, it did not interfere with Murphy's right to a jury since the legislature had taken the issue from the court and jury.

Underinsured Coverage Extended to Insured's Vehicle

State Farm Automobile Insurance Co. v. Alexander, 62 Ohio St. 3d 397 (1992).

The Ohio Supreme Court has held that underinsured coverage must be extended to the insured vehicle involved in a one car accident. Alexander's policy provided the normal \$50,000/\$100,000 coverage for bodily injury and the state-mandated uninsured and underinsured coverage. An exclusion in the underinsured portion of the policy, however, denied coverage to the insured's vehicle.

An unusual set of circumstances triggered the exclusion in the State Farm underinsured motorist coverage. While the policy was effective, Cosey drove the insured van with Alexander as a passenger. Cosey lost control of the van and was killed. Alexander was injured. Cosey carried auto insurance with Atlantic, and it paid Alexander the full amount available for liability coverage, \$12,500. Because Cosey's liability coverage was less than Alexander's, Alexander sought additional compensation from State Farm on the underinsured clause. State Farm refused coverage based on the exclusion. The supreme court, however, ruled that the exclusion violated state law and was not enforceable.

The policy language, if effective, would exclude coverage for the insured's own vehicle involved in a one car accident. The state statute mandating coverage, on the other hand, extended coverage to persons entitled to recover damages from the owner or operator of a vehicle. Thus, the restriction sought to carve out an area of coverage despite the tort damages owed by Cosey to Alexander. The court concluded that the policy could not deny coverage since the basic requirement of tort liability was satisfied. As a result, the clause was not enforceable.

The court then used the restriction to conclude that Cosey was in fact underinsured. Under Alexander's policy, Cosey received liability protection. As a result, Cosey's total insurance appeared to amount to \$62,500 (Cosey's policy for \$12,500 and Alexander's for \$50,000). The court, however, concluded that Cosey was underinsured for purposes of the Alexander policy because the policy did not extend liability coverage to Cosey as an insured.