

Pehle v Farm Bureau Life Insurance Company.docx

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Personal Injury and Tort Law

***Pehle v. Farm Bureau Life Insurance Company, Inc.*, 397 F.3d 897 (2005)**

Facts of the Case

- Renna and Gary Pehle (“Plaintiffs”) applied to Farm Bureau Life Insurance Company (“Defendant”) for a life insurance policy.
- As part of the application process, the Plaintiff’s blood was taken and sent to an independent lab company, LabOne, for testing.
- The blood test revealed that the Plaintiff’s had HIV.
- The Defendant’s sent a letter to the Plaintiff’s rejecting their application for a life insurance policy due the results of their blood test and offered to send the results of the plaintiff’s blood test to their physician to review.
- The Plaintiff’s never responded to the Defendant’s correspondence.
- Two years latter the Plaintiff was diagnosed with AIDS and contacted the Defendant to release the blood samples. The Defendant complied.

Procedural History

- The lower court granted the Defendant a motion for Summary Judgement concluding that the Plaintiff could show any evidence that the Defendant breached their duty care under Wyoming law.
 - The court held that no duty of care could be owed by an insurance company to applicants of their service.
- The Plaintiff appealed the decision to the Tenth Circuit court.

Issue

1. Does an insurance company have a duty of care to notify an applicant of the results of their blood test when the test reveals that the applicant is infected with a sexually transmitted disease?
2. Does an independent private lab have the obligation to report a
 - a. life-threatening condition indirectly under Wyoming statutes?

Holding

1. Yes, an insurance company does have a duty of care to notify an applicant of the results of their blood test when the test reveals that the applicant is infected with a sexually transmitted disease.
2. No, independent private lab have the obligation to report a life threatening condition indirectly under Wyoming statutes

Analysis

1. Duty of Care

- The Notice and Consent agreement signed by the Plaintiff’s does not create a duty of care for the Defendant and LabOne. LabOne is not subject to the terms and conditions of the Notice and Consent agreement the Plaintiff signed with the Defendant.
 - The contract did not provide that the Defendant needed to inform the Plaintiff of their STD status. The use of the word “may” in the contract is used to mean “possibly”, rather than implying authorization.

- Wyoming courts have never examined if an insurer has a common law duty to disclose to insurance applicants the results of their medical exam yield a life-threatening illness. Therefore, the court must make an Erie-guess as to how the state's Supreme Court would rule. An Erie-guess serves to predict the law, not create or modify it.
 - Defendant argued that *Duncan* case should be used as a lense to examine the question before the court. *Duncan* states that, "A duty arises when "a relation exists between the parties [such] that the community will impose a legal obligation upon one for the benefit of the other....". The Defendant argued that they (the Defendant and LabOne) were in the position of the "rescuer" at common law and therefore, had no duty to help. The court rejected this reasoning for two reasons:
 - The blood test preformed by the Defendant in this case could be seen as a failure to notify the Plaintiff or a negligent investigation into the Plaintiff's HIV status.
 - It is unclear whether Wyoming accepts the binary act/omission distinction in a tort. Section 314 outlines four special relationships giving raise to duty to protect another from harm: "(1) carrier/passenger, (2) innkeeper/guest, (3) business invitor/invitee, and (4) voluntary custodian/protected." However, making the assumption that Wyoming has asserted this rule ignores the ruling of the Wyoming Supreme Court who has stated that they do not adopt or support this
- The broader question the court must examine stems from *Duncan* in general terms as "whether a duty should be imposed based on a particular relationship. Looking to the case that *Duncan* was largely based on, *Tarasoff* 131 Cal.Rptr 14, 551 P.2d, the Court must examine what constitutes a "particular relationship" that constitutes a duty od care under common law.
 - A "particular relationship" is stemmed out of the "trust and confidence" that is implied out of a factual situation surrounding a transaction. When the Plaintiff's agreed to a give a blood sample to the Defendant a relationship of trust and confidence was created While insurance companies do not exisit to treat/test for HIV, the Defendant was "in the best position to guard against...injury" being having exclusive knowledge of the HIV diagnosis.
 - The relationship of trust and confidence that the Plaintiff created with the Defendant gave raise to a limited duty to inform the Plaintiff of all potential burdens and harm to all parties and public.

2. *Negligence Per Se*

- Wyoming Statue sections 35-4-130 through 35-4-134 require the reporting of communicable diseases. The Laboratories required to comply with this statute are further listed in Section 35-4-132. Since LabOne is an out of state laboratory they do not need to comply with the statues.
- A case for negligence can only be made if the plaintiff is in the class of persons the statutes was intent to protect and the injury is of the type the statutes was intended to protect. *Distad v. Cubin*, 633 P.2d 167 (Wyo. 1981).
 - Section 133 of the sited statute requires health officers obtaining the results of a positive AIDS case tthat they "may provide for the examination of the infected individual" and "require the infected individual to seek adequate

treatment or ... submit to treatment at public expense." The intent behind the statute is to protect the general public from the spread of sexually transmitted disease, not an individual.

Disposition

1. The court reversed the judgement of the lower court.
2. The court affirmed the decision of the lower court.

Opinion

I agree that LabOne was not negligent by not releasing the blood sample and that the statute the Plaintiff cited did not apply. LabOne had a contractual relationship with the Defendant and their duty of care was to the Defendant, not the Plaintiffs. I disagree with the ruling that the Defendant had a limited duty of care to the Plaintiff. In my opinion this is a case of comparative negligence. The Defendant fulfilled their duty by sending a letter to the Plaintiff stating that they were denied coverage based on their blood sample and to obtain the results the Plaintiff must provide their signature and send back the letter to release the sample to their physician. While the Defendant obtained pertinent medical information, the Plaintiff failed to respond to the letter.