

***Allied Premier Ins. v United Financial Cas. Co.***  
2023 DJDAR 7496  
California Supreme Court

Under California’s Motor Carriers of Property Permit Act (Veh. Code, § 34600 et seq.), a commercial automobile insurance policy does not continue in full force and effect until the insurer cancels the corresponding Certificate of Insurance on file with the Department of Motor Vehicles, regardless of the insurance policy’s stated expiration date.

**FACTS**

Jose Porras, a motor carrier, purchased a commercial auto insurance policy from United Financial Casualty Company. As required by California’s Motor Carriers of Property Permit Act (Veh. Code, § 34600 et seq.; “Act”), United filed with the DMV multiple certificates proving the motor carrier’s financial responsibility. A few years later, United’s policy lapsed when Porras obtained replacement coverage from Allied Premier Insurance. Porras was later sued for wrongful death after an accident. Allied paid to settle that case, then sued United for declaratory relief, equitable contribution, and equitable subrogation, seeking reimbursement for half the amount it paid to settle the lawsuit. Allied argued that coverage under United’s policy persisted (after the policy’s lapse) because one of the certificates United had filed remained uncanceled in the DMV file. That circumstance, according to Allied, meant United’s policy remained in effect on the date of Porras’ collision. United acknowledged one of its certificates of insurance remained on file with the DMV because a cancellation notice had been returned. However, it argued the certificate was not an insurance policy. Because the certificate of insurance did not function to make United a co-insurer of Porras, United argued it was not required to contribute to the settlement.

The case was removed to federal court. The district court granted summary judgment to Allied based on *Transamerica Ins. Co. v. Tab Transportation, Inc.* (1995) 12 Cal.4th 389, a factually similar case. The district court found that because United “failed properly to submit a Notice of Cancellation, its policy remained in effect” on the date of the accident, “even though [the policy] may have lapsed under its own terms or been cancelled by the parties.” Based on that finding, the court concluded that Allied and United both provided “insurance coverage on the same risk,” and that Allied was “entitled to equitable contribution in the amount of \$500,000.” United appealed to the Ninth Circuit. The Ninth Circuit certified the following question for the California Supreme Court’s review: “Under California’s Motor Carriers of Property Permit Act (Veh. Code, § 34600 et seq.; the Act), does a commercial automobile insurance policy continue in full force and effect until the insurer cancels the corresponding Certificate of Insurance on file with the Department of Motor Vehicles (DMV or Department), regardless of the insurance policy’s stated expiration date?”

**DISCUSSION**

The assumption that lies at the heart of the Ninth Circuit’s question is: “Where multiple insurance carriers insure the same insured and cover the same risk, each insurer has independent standing to assert a cause of action against its coinsurers for equitable contribution when it has undertaken the defense or indemnification of the common insured.” (*Fireman’s Fund Ins. Co. v. Maryland Casualty Co.* (1998) 65 Cal.App.4th 1279, 1293) Allied’s entitlement to equitable

contribution depends on whether United was co-obligated to indemnify Porras for any damages due to the collision.

The Supreme Court first held that the Act does not extend the policy beyond the term contained in the contract. The district court improperly relied on *Transamerica, supra*, 12 Cal.4th 389 because it interpreted a repealed statutory scheme that the Act replaced. As the Act prohibits cancellation of a certificate of insurance without notice to the DMV, only the certificate of insurance remains active until cancelled. (§ 34630, subd. (b); § 34631.5, subd. (b)(3).) The Act does not speak to cancellation or termination of the underlying policy, which embodies the agreement between the parties.

As a result, the Act does not prevent cancellation or termination of an insurance policy under the terms of the contract. Although the Act was also intended to “enhance public safety,” the Supreme Court noted that the extension of insurance coverage beyond the underlying policy’s expiration date is not the only way to achieve these public protection goals.

The Supreme Court proceeded to hold that an uncancelled certificate of insurance that remains on file with the DMV does not cause the corresponding insurance policy to remain in effect in perpetuity. Nonetheless, an uncancelled certificate of insurance does impose some obligation on the responsible insurer. For example, an insurer remains obligated to promptly notify the DMV at least 30 days before a certificate of insurance is cancelled. The Supreme Court refrains from resolving whether an uncancelled certificate of insurance could impose on the insurer something akin to a surety obligation to members of the public.

#### **HOLDING**

Under the Act, a commercial automobile insurance policy does not continue in full force and effect until the insurer cancels a corresponding certificate of insurance on file with the DMV. The duration of the policy’s coverage is regulated by its terms and those of any endorsement or amendment to the policy itself.