

State Farm Fire & Cas. Co. v Tamarrez

2020 NY Slip Op 33572(U)

October 26, 2020

Supreme Court, Kings County

Docket Number: 520824/17

Judge: Lawrence S. Knipel

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This opinion is uncorrected and not selected for official publication.

At an IAS Term, Part 57 of the Supreme Court of the State of New York, held in and for the County of Kings, at the Courthouse, at Civic Center, Brooklyn, New York, on the 26th day of October, 2020.

P R E S E N T:

HON. LAWRENCE KNIPEL,
Justice.

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STATE FARM FIRE AND CASUALTY COMPANY,
Plaintiff,

- against -

Index No. 520824/17

Individual Defendants

HENRY B. TAMARREZ, ARELIS MEDINA-JECHEVICI,
LUIS MERCADO, OMAR BELTRE a/k/a RODGERS
ROJAS, MARTHA CONDELARIO, KIMBERLY GUERRIDO,
DELI HOPPE, DANESSA RIVAS a/k/a DANESSA
CUEVAS, LARISA RIVAS, REGGAE ROJAS, RANDOLPH
SMALLS, CHRISTOPHER TART, CERY VELEZ, BOLIVAR
CEDENO,

Healthcare Defendants

ADVANCED SPINAL CARE REHABILITATION PA,
AGYAL PHYSICAL THERAPY, PLLC, ALLBODY
HEALING SUPPLIES LLC, ARIES CHIROPRACTIC,
P.C., AUTO RX, L.C., DOWNSTATE CHIROPRACTIC,
P.C., EXCEL SURGERY CENTER, L.L.C., EXCEL
SURGERY, LLC, GARA MEDICAL CARE, P.C.,
HUDSON PRO ORTHOPAEDICS AND SPORTS MEDICINE
LIMITED LIABILITY COMPANY, LANTSMAN
ACUPUNCTURE P.C., LIDA'S MEDICAL SUPPLY, INC.,
MANHATTAN BEACH PHARMACY, INC., MEDICAL
DIAGNOSTIC CARE, P.C., METRO PAIN SPECIALISTS
PROFESSIONAL CORPORATION, METROPOLITAN
SURGICAL SERVICES LLC, MII SUPPLY LLC,
SUCCESS REHAB P.T. P.C., WESTCHESTER
RADIOLOGY & IMAGING, P.C., WHIPLASH
CHIROPRACTIC, P.C. and YURI LANTSMAN, L.A.C.,

Defendants.

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The following e-filed papers read herein:

NYSCEF Doc. Nos.

Notice of Motion/Order to Show Cause/
Petition/Cross Motion and
Affidavits (Affirmations) Annexed _____
Opposing Affidavits (Affirmations) _____

53-60
62-67

Upon the foregoing papers in this action for a declaratory judgment regarding no-fault insurance coverage, defendants Agyal Physical Therapy, PLLC, Lantsman Acupuncture P.C., Lida's Medical Supply Inc., Metro Pain Specialists Professional Corporation and Westchester Radiology & Imaging, P.C. (collectively, Provider Defendants) move (in motion sequence [mot. seq.] two) for an order, pursuant to CPLR 2005, 3012 (d) and 5015 (a) (1), vacating the November 14, 2019 default judgment issued against them and, upon vacatur, compelling plaintiff State Farm Fire and Casualty Company (State Farm) to accept the Provider Defendants' answer to the complaint.

On October 27, 2017, State Farm commenced this action against the Provider Defendants and others by filing a summons and verified complaint seeking a judgment declaring that State Farm is not obligated to provide insurance coverage under the insurance policy in effect on May 10, 2016, the date of the underlying motor vehicle accident. According to the Provider Defendants' counsel:

"This action putatively arose out of plaintiff's intentional and willful breach of contract in its failure to timely and properly pay the first party beneficiary claims of DEFENDANTS' after plaintiff had received DEFENDANTS' timely and properly submitted claims for No-Fault reimbursements. Those claims sought payment for medically necessary services provided by DEFENDANTS to persons entitled to receive benefits under the New York Insurance Law and the No-Fault Implementing Regulations ('Regulations') promulgated thereunder."

* * *

“In the case at bar, plaintiff has erroneously and misleadingly asserted causes of action seeking an advisory declaratory judgment declaring that it has no obligation to reimburse DEFENDANTS under the subject insurance policy, on the basis that Plaintiff alleges the May 10, 2016 accident was not a covered insured event insofar as this accident was staged or intentional.”

On or about October 3, 2018, State Farm moved for a default judgment against the nonappearing parties, including the Provider Defendants. In a November 14, 2019 order, this court granted State Farm a default judgment against the Provider Defendants. The Provider Defendants now move to vacate the November 14, 2019 judgment and restore the action to the calendar because they have both a reasonable excuse for their default due to law office failure and a meritorious defense to this action.

Counsel for the Provider Defendants affirms that their “delay in appearing in this action was caused by law office failure . . .” and “was not willful or intended to prejudice the Plaintiff, but rather [was] inadvertent.” Defense counsel explains that the Provider Defendants did not receive the summons and complaint in a timely manner because they were served through the New York Secretary of State and “the Secretary of State has a backlog of Summons and Complaints upon which to serve Defendants.” The Provider Defendants submit an affidavit from Carmello Londono, a former paralegal in defense counsel’s office, who attests that she contacted the office of the Secretary of State and was informed that it was experiencing a backlog of pleadings causing a delay in service.

Defense counsel explains that the Provider Defendants, upon receiving the summons and complaint, promptly sent it to their counsel. Upon receipt of the pleadings,

defense counsel drafted and filed an answer on behalf of the Provider Defendants within the 30-day timeframe set forth in CPLR 320 (a). However, defense counsel explains that he “did not learn that Plaintiff had filed a Summons and Complaint against Defendants until after the Court had rendered a default judgment against Defendants on November 14, 2019.” Defense counsel further affirms that “any additional delay in the drafting and/or filing of Defendants’ Answer that occurred was caused by the limited resources of said law firm.” Defense counsel asserts that the Provider Defendants “always intended to defend this matter until a final decision was reached on the merits, and [their] failure to timely appear was not the result of any attempt to delay the resolution of this case or otherwise avoid service.”

Defense counsel asserts that the Provider Defendants have a meritorious defense to this action under New York’s Insurance Department Regulations, including 11 NYCRR § 65-3.8, which require an insurer to pay a claim or issue a denial within thirty (30) days of receipt of the proof of claim. Defense counsel explains that “[a]n insurer that fails to comply with the statutory 30-day period is precluded from asserting a defense against payment of the claim.” Defense counsel argues that State Farm failed to comply with the timeframes set forth in the foregoing Regulations and, consequently, State Farm is precluded from denying defendants’ claims. Defense counsel further contends that State Farm’s rationale for denying defendants’ claims because the automobile accident was allegedly staged or intentional is baseless.

State Farm, in opposition, asserts that it timely served the Provider Defendants with the summons and complaint through the New York Secretary of State. In addition to

that method of service, State Farm asserts that the Provider Defendants “were both served with a Notice of Service pursuant to CPLR § 3215 (g) (4) (i).” State Farm’s counsel notes that the Provider Defendants are “silent as to the fact that they were each served with the Motion for Default Judgment in this matter, which gave them notice of this action.” State Farm also argues that in the absence of an affidavit from the Provider Defendants their motion to vacate the default judgment should be rejected.

State Farm further argues that the Provider Defendants’ motion to vacate their default should be denied because they have failed to demonstrate that they have a potentially meritorious defense to this action. State Farm contends that it submitted admissible evidence in its motion for a default judgment proving that the alleged loss on May 10, 2016 “was the result of a caused, staged and/or intentional event or did not occur at all [and was] designed and perpetrated by the individual Defendants in order to receive insurance benefits [to which] they would not otherwise be entitled.”

“A party seeking to vacate a default in appearing or answering pursuant to CPLR 5015 (a) (1), and thereupon to serve a late answer, must demonstrate a reasonable excuse for the default and a potentially meritorious defense to the action” (*92-18 149th Street Realty Corp. v Stolzberg*, 152 AD3d 560, 562 [2017] [internal quotations omitted]). Furthermore, where a default in appearing results from law office failure, the court may “exercise its discretion in the interest of justice to excuse delay or default . . .” pursuant to CPLR 2005 (*see JP Morgan Chase Bank, N.A. v Russo*, 121 AD3d 1048, 1049 [2014]).

Here, the Provider Defendants have demonstrated a reasonable excuse for their default based on a delay in receiving the summons and complaint from the New York

Secretary of State and their counsel's law office failure. In addition, the Provider Defendants have established a potentially meritorious defense to this action based on the New York Insurance Regulations. In the court's discretion, the Provider Defendants' motion to vacate their default is granted since it was not willful and it was due to excusable law office failure. Accordingly, it is

ORDERED that the Provider Defendants' motion (in mot. seq. two) is granted, this court's November 14, 2019 order and judgment is hereby vacated, and State Farm is compelled to accept the Provider Defendants' answer to the complaint.

This constitutes the decision and order of the court.

E N T E R,

J. S. C.

Justice Lawrence Knipel