

**STATE OF MICHIGAN**  
**COURT OF APPEALS**

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TYANN SHELTON,

Plaintiff-Appellee,

and

DWAYNE WILLIAMS,

Plaintiff,

and

MICHIGAN CRNAS STAFFING, LLC,

Intervening Plaintiff,

v

AUTO-OWNERS INSURANCE COMPANY,

Defendant-Appellant.

FOR PUBLICATION  
February 14, 2017  
9:00 a.m.

No. 328473  
Wayne Circuit Court  
LC No. 13-010612-NF

Advance Sheets Version

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Before: K. F. KELLY, P.J., and GLEICHER and SHAPIRO, JJ.

SHAPIRO, J.

In this no-fault personal protection insurance (PIP) case, defendant, Auto-Owners Insurance Company, sought summary disposition on the basis of a fraud-exclusion clause in its policy. Defendant asserted that plaintiff Tyann Shelton made fraudulent statements concerning her need for replacement services and therefore was excluded by the policy from all PIP benefits. The trial court granted summary disposition in favor of defendant as to replacement services, a ruling from which Shelton has not appealed.<sup>1</sup> The trial court denied the motion as

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<sup>1</sup> The record does not make clear the basis for the dismissal of the replacement-services claim. Defendant asserts that the trial court's decision implies that the court made a finding of fraud, and Shelton argues that the decision was based on a lack of proofs for the replacement-services claim. Defendant refers us to the trial court's remark during the hearing that the court "[doesn't]

to payment for medical services, and defendant appeals that ruling by leave granted.<sup>2</sup> We affirm.

Shelton alleges that she was injured in a single-car collision on January 22, 2013. The vehicle was owned and operated by Timothy Williams; Shelton was a passenger.<sup>3</sup> She sought PIP benefits from defendant because she did not own a vehicle or reside with a relative who did. Therefore, defendant, as Williams's insurer, was to provide her with those PIP benefits to which she was entitled under the no-fault act. MCL 500.3114(4)(a). Shelton claimed PIP benefits beginning in January 2013 that included medical expenses and replacement services for household chores.<sup>4</sup> Defendant denied the claim, and Shelton brought suit.

Defendant moved for summary disposition, asserting that Shelton was not entitled to PIP benefits under an exclusionary clause in the policy that provided:

We will not cover any person seeking coverage under this policy who has made fraudulent statements or engaged in fraudulent conduct with respect to procurement of this policy or to any **occurrence** for which coverage is sought.

Defendant argues that this policy exclusion applies to Shelton despite the fact that she is not a policyholder, and defendant further argues that the evidence demonstrates beyond a question of fact that Shelton engaged in fraud as defined in the policy. Defendant relies largely on *Bahri v IDS Prop Cas Ins Co*, 308 Mich App 420, 423-426; 864 NW2d 609 (2014), in which we held that a fraud provision in an insurance contract could bar a claim for PIP benefits when the policyholder filed a claim for replacement services on a date that preceded the date on which

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like people misrepresenting the truth.” However, the court also stated that after a review of Shelton's deposition, the court could not conclude that Shelton lied. And in making its ruling, the trial court did not cite or discuss the elements of fraud, make findings regarding those elements, or even use the word “fraud.” Neither party asked the court to clarify its ruling or to make a finding of fraud. Because the dismissal of the replacement-services claim has not been appealed, we need not address it further.

<sup>2</sup> *Shelton v Auto-Owners Ins Co*, unpublished order of the Court of Appeals, entered December 21, 2015 (Docket No. 328473).

<sup>3</sup> Plaintiff Dwayne Williams was also a passenger in the car. Dwayne Williams's claim is not at issue in this appeal.

<sup>4</sup> Before the trial court, defendant also argued that Shelton fraudulently misrepresented her preaccident history by failing to disclose that she had made a PIP claim following a 2005 accident. The trial court rejected the argument regarding the prior auto accident, noting that Shelton's statement about the 2005 accident simply could have been a mistake or a failure of memory and that “it really becomes an issue for the jury to decide whether or not she's credible.” Defendant has not argued on appeal that the trial court erred in its ruling as to the 2005 claim. Moreover, the materials submitted by defendant with its brief on appeal relevant to the 2005 claim are not in the lower court record and were stricken, with consent, at oral argument.

the subject accident occurred. However, both the law and the facts of this case differ substantially from those that existed in *Bahri*.

The law governing application of the policy exclusion in *Bahri* is not applicable in this case. In *Bahri*, the provision applied to the plaintiff because the “defendant issued [the subject] no-fault automobile policy to [the] plaintiff.” *Id.* at 421. In this case, however, Shelton was not a party to, nor an insured under, the policy; she was injured while a passenger, and because neither she nor her spouse or resident relative had a no-fault policy, defendant was required to pay her benefits pursuant to statute, not pursuant to a contractual agreement.

The Michigan Supreme Court stated in *Rohlman v Hawkeye-Security Ins Co*, 442 Mich 520, 524-525; 502 NW2d 310 (1993), that

PIP benefits are mandated by statute under the no-fault act, MCL 500.3105; MSA 24.13105, and, therefore, the statute is the “rule book” for deciding the issues involved in questions regarding awarding those benefits. On the other hand, the insurance policy itself . . . is the contract between the insurer and the insured . . . .

The Supreme Court adhered to this principle in *Harris v Auto Club Ins Ass’n*, 494 Mich 462; 835 NW2d 356 (2013), a case involving a motorcycle-automobile collision. *Harris* cited MCL 500.3114(5)(a), which, using language paralleling the language used in MCL 500.3114(4)(a), provided that if the injured motorcyclist, his or her spouse, or a resident relative did not have a no-fault policy, then his or her no-fault benefits would be paid by the insurer of the owner or registrant of the automobile. *Id.* at 471-472. In *Harris*, the Court stated that the plaintiff could not take advantage of the uncoordinated medical benefit provision in the policy because his claim did not flow from the subject policy but instead arose “solely by statute.” *Id.* at 472. The Court held that:

[The plaintiff] is not claiming benefits under a no-fault insurance policy that he or anyone else procured. [He] is neither a third-party beneficiary nor a subrogee of the no-fault policy issued to the person that struck him and thus he [was] not eligible to receive benefits under that policy. Rather, [the plaintiff’s] right to PIP benefits arises solely by statute. [*Id.* at 471-472 (citations omitted).]

Defendant’s argument is directly contrary to the grounds for the holdings in both *Rohlman* and *Harris*. Here, as in those cases, Shelton’s no-fault benefits are governed “solely by statute.” Therefore, the exclusionary provision in defendant’s no-fault policy does not apply to Shelton and cannot operate to bar Shelton’s claim.

This conclusion is also consistent with the text of the relevant statutes. “The primary rule of statutory construction is that, where the statutory language is clear and unambiguous, the statute must be applied as written.” *Cruz v State Farm Mut Auto Ins Co*, 466 Mich 588, 594; 648 NW2d 591 (2002). Additionally, the “primary task in construing a statute is to discern and give effect to the intent of the Legislature.” *Farmers Ins Exch v Farm Bureau Gen Ins Co of Mich*, 272 Mich App 106, 111; 724 NW2d 485 (2006) (citation, quotation marks, and brackets omitted). “[A] court must give effect to every word, phrase, and clause and avoid a construction that would render any part of the statute surplusage or nugatory.” *Id.*

Under Subsection 1 of the no-fault priority statute, “a personal protection insurance policy . . . *applies* to . . . the person named in the policy, the person’s spouse, and a relative of either domiciled in the same household . . . .” MCL 500.3114(1) (emphasis added). Shelton is not an individual named in defendant’s policy, a spouse of the person named in the policy, or a relative of either the person named in defendant’s policy or his spouse. Therefore, pursuant to the statute, defendant’s policy does not “apply” to Shelton. Rather, Shelton received no-fault benefits pursuant to Subsection 4, which reads:

Except as provided in subsections (1) to (3), a person suffering accidental bodily injury arising from a motor vehicle accident while an occupant of a motor vehicle shall claim personal protection insurance benefits from insurers in the following order of priority:

- (a) The insurer of the owner or registrant of the vehicle occupied.
- (b) The insurer of the operator of the vehicle occupied. [MCL 500.3114(4).]

Subsection (4) does not state that the owner or operator’s insurance policy “applies” to the passenger’s claim for benefits, and its text, unlike that of Subsection (1), omits any mention of a personal protection insurance *policy*, instead providing that the injured person is to “claim personal protection insurance benefits from insurers,” beginning with “[t]he insurer of the owner or registrant of the vehicle occupied.” MCL 500.3114(4)(a).

Defendant argues that we should depart from the statute as a matter of public policy because if we do not, no-fault insurers will lose the ability to deny fraudulent no-fault claims. This argument is meritless. As always, if an insurer concludes that a claim is fraudulent, it may deny the claim.<sup>5</sup> Should the claimant then file suit, the burden is on the claimant to prove that he or she is entitled to his or her claimed benefits, a burden that is highly unlikely to be met if the fact-finder concludes that the claim is fraudulent.<sup>6</sup> And insurers can obtain attorney fees for having to litigate any claims that are determined to be fraudulent. MCL 500.3148.

This case also presents very different facts than did *Bahri*.<sup>7</sup> In *Bahri*, the insurer presented un rebutted evidence (1) that the plaintiff claimed replacement-services benefits for

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<sup>5</sup> This Court has long held that insurers should be afforded an opportunity to review claims for lack of coverage, excessiveness, and fraud. *Advocacy Org for Patients & Providers v Auto Club Ins Ass’n*, 257 Mich App 365, 378; 670 NW2d 569 (2003).

<sup>6</sup> MCL 500.3107(1), Subsections (a), (b), and (c), respectively require a plaintiff to prove that the medical expenses were “reasonable charges incurred for reasonably necessary [medical care],” that the plaintiff has lost “income from work [he or she] would have performed during the first 3 years after the date of the accident if he or she had not been injured,” and that the costs for replacement services were “reasonably incurred in obtaining ordinary and necessary services.”

<sup>7</sup> We note that the policy language in the instant case differs significantly from that in *Bahri*. In *Bahri*, the exclusion read, “We do not provide coverage for any insured who has made fraudulent

services that had been performed 19 days *before the auto accident had even occurred* and (2) that over a period of approximately seven weeks, the plaintiff repeatedly engaged in a wide range of chores during the days on which she claimed that someone else did them for her. *Bahri*, 308 Mich App at 425-426. In this case, it is clear that questions of fact exist as to whether Shelton made material misrepresentations, and if so, whether they were made with the intent to defraud defendant.

Reliance on an exclusionary clause in an insurance policy is an affirmative defense; therefore, defendant has the burden of proof. An “insurance company has the burden to prove that one of the policy’s exclusions applies.” *Auto-Owners Ins Co v Seils*, 310 Mich App 132, 146; 871 NW2d 530 (2015). Thus, to obtain summary disposition, the insurer must show that there is no question of material fact as to any of the elements of its affirmative defense. MCR 2.116(C)(10). The elements, as set forth in *Bahri*, are as follows:

“To void a policy because the insured has wilfully misrepresented a material fact, an insurer must show that (1) the misrepresentation was material, (2) that it was false, (3) that the insured knew that it was false at the time it was made or that it was made recklessly, without any knowledge of its truth, and (4) that the insured made the material misrepresentation with the intention that the

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statements or engaged in fraudulent conduct in connection with any accident or loss for which coverage is sought under this policy.” *Bahri*, 308 Mich App at 423-424 (quotation marks omitted). The exclusion in this case states:

We will not cover any person seeking coverage under this policy who has made fraudulent statements or engaged in fraudulent conduct *with respect to procurement of this policy or to any occurrence* for which coverage is sought. [Emphasis added.]

Defendant has not provided us with the policy definition of “occurrence,” but in all cases dealing with the term, it has been defined as the accident or event during which the injury occurs. See, e.g., *Frankenmuth Mut Ins Co v Masters*, 460 Mich 105, 112-113; 595 NW2d 832 (1999) (stating that the applicable insurance policy defined the term “occurrence” as “an accident, . . . which results, during the policy period, in . . . bodily injury; or . . . property damage”), *Group Ins Co of Mich v Czopek*, 440 Mich 590, 596; 489 NW2d 444 (1992) (stating that the term “occurrence” was defined in the policy as “an accident, . . . which results, during the policy term, in bodily injury or property damage”), and *Mich Basic Prop Ins Ass’n v Wasarovich*, 214 Mich App 319, 327-328; 542 NW2d 367 (1995) (stating that the definition of “occurrence” in the policy included an accident that resulted in personal injury during the policy period). Defendant has neither alleged any fraud “with respect to [the] procurement of [the] policy” nor with respect to the “occurrence.” The claimed fraud was in the reporting of services later provided, an event not referenced in the provision. However, because the issue was not considered in the trial court, we decline to rule on this basis. *Mich Ed Ass’n v Secretary of State*, 280 Mich App 477, 488; 761 NW2d 234 (2008), *aff’d* 489 Mich 194 (2011); *People v Byrne*, 199 Mich App 674, 677; 502 NW2d 386 (1993).

insurer would act upon it. A statement is material if it is reasonably relevant to the insurer's investigation of a claim." [*Bahri*, 308 Mich App at 424-425 (citation and quotation marks omitted).]

We review de novo motions for summary disposition under MCR 2.116(C)(10). *Dressel v Ameribank*, 468 Mich 557, 561; 664 NW2d 151 (2003). In doing so, we are required to view the affidavits, pleadings, depositions, admissions, and other documentary evidence in the light most favorable to the nonmovant. *Liparoto Constr, Inc v Gen Shale Brick, Inc*, 284 Mich App 25, 29; 772 NW2d 801 (2009). Similarly, all reasonable inferences must be drawn in favor of the nonmovant. *Dextrom v Wexford Co*, 287 Mich App 406, 415; 789 NW2d 211 (2010). Summary disposition is only appropriate under MCR 2.116(C)(10) when there is no genuine issue with respect to any material fact and the moving party is entitled to judgment as a matter of law. *Maiden v Rozwood*, 461 Mich 109, 120; 597 NW2d 817 (1999). "A genuine issue of material fact exists when the record, giving the benefit of reasonable doubt to the opposing party, leaves open an issue upon which reasonable minds might differ." *West v Gen Motors Corp*, 469 Mich 177, 183; 665 NW2d 468 (2003).

In support of its motion, defendant relied on an investigator's reports and some photographs that counsel alleges were taken by the investigator on June 1, 2013.<sup>8</sup> Defendant argues that the photographs and investigator's reports are sufficient to establish beyond a question of fact that Shelton committed fraud despite the testimony, medical reports, and affidavits that support Shelton's claim of injury and need for medical care and assistance. We disagree. First, many of the photographs are so blurred and the subjects of the photographs so distant that it is impossible to determine who is being photographed and what they are doing. Second, the descriptions in defendant's brief are, at times, inconsistent with the investigator's reports. For example, defendant's brief states that on June 1, 2013, Shelton "is observed outstretching both of her arms above her head to lift and pass a child to an unknown female."<sup>9</sup> However, the investigator's report dated June 1, 2013, states that the "claimant" being observed is "Timothy Williams," not Shelton, and all of the report's references to "the claimant" use the pronoun "he." The only person that the report identifies as being "observed lifting the toddler" is

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<sup>8</sup> While not raised in the briefing, based on the record before us, it appears that many of the documents on which defendant relies, including the three surveillance reports and the photographs, do not meet the evidentiary requirements of MCR 2.116(G)(6) and should not have been considered. MCR 2.116(G)(6) provides that "[a]ffidavits, depositions, admissions, and documentary evidence offered in support of or in opposition to a motion based on subrule (C)(1)-(7) or (10) shall only be considered to the extent that the content or substance would be admissible as evidence . . ." (Emphasis added.) The reports on which defendant relies appear to be hearsay. Their ostensible author did not testify and has not provided an affidavit that the statements in his reports are true and that he will so testify at trial. The same is true of the photographs on which defendant relies.

<sup>9</sup> Formatting altered.

Williams.<sup>10</sup> The only women referred to in that report are two “female subject[s],” neither of whom are identified in the report as Shelton despite the fact that Shelton had been watched by this investigator on two prior occasions. Moreover, the only photographs submitted by defendant are dated June 1, 2013, and the report does not identify Shelton as being present on that date.

Defendant also argues that Shelton fraudulently claimed assistance with doing laundry on July 6, 2013, because the investigator’s report states that on that date he saw Shelton wringing out a shirt while on the front lawn of her home.<sup>11</sup> A single instance of a single shirt being wrung out does not demonstrate beyond question that Shelton can operate a washer or dryer, carry loads of laundry, or perform similar tasks. Nor does it conclusively demonstrate an intent to defraud. Similarly, the fact that Shelton was seen walking without a visible brace<sup>12</sup> and was observed to bend over on two occasions does not establish beyond a question of fact that she has defrauded defendant.<sup>13</sup> By contrast, as noted earlier, the insurer in *Bahri* presented uncontested evidence (1) that the plaintiff claimed replacement-services benefits for services that had been performed 19 days before the auto accident had even occurred and (2) that over a period of approximately seven weeks, the plaintiff repeatedly engaged in a wide range of chores during the days on which she claimed that someone else did them for her. *Bahri*, 308 Mich App at 425-426. While such repeated activities are sufficient to establish the elements of fraud beyond a question of fact, a single episode of wringing out a shirt does not, nor do isolated examples of an injured person participating in simple physical actions such as bending, modest lifting, or other basic physical movements that the person asserts are painful or difficult. These types of inconsistencies in a claimant’s statements are not sufficient to establish any of the elements of fraud beyond a question of fact.

Defendant raises an alternative argument in its reply brief, claiming that Shelton’s no-fault claim is barred by the wrongful-conduct rule. However, “[r]epley briefs must be confined to rebuttal, and a party may not raise new or additional arguments in its reply brief.” *Kinder*

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<sup>10</sup> The report states, “The claimant is also observed lifting the toddler and shaking him as he is playing with the toddler.”

<sup>11</sup> In fact, the report is equivocal as to this fact, stating that Shelton “*appears* to be wringing it out.” (Emphasis added.) And there is no reference to any photographs or videotape to confirm even this self-serving statement.

<sup>12</sup> Shelton testified that she is able to walk. She also testified that she always wore a back brace but stated that sometimes she wore it under her clothing.

<sup>13</sup> In support of its position, defendant refers us to a passage in Shelton’s deposition that is not in the record. Shelton stated in her deposition that she “normally” wears a back brace and that, if wearing a loose-fitting shirt, she wears the brace under her shirt. Defendant also refers us to one of the June 1, 2013 photos in which a woman is seen carrying what appears to be a small plastic bag (contents unknown) and argues that this was inconsistent with her deposition testimony. However, Shelton testified that she could walk to nearby stores and that she could lift a bag containing five regular-size cans of vegetables.

*Morgan Mich, LLC v City of Jackson*, 277 Mich App 159, 174; 744 NW2d 184 (2007), citing MCR 7.212(G). Accordingly, we need not reach the issue. However, were we to do so, we would reject the argument. The wrongful-conduct rule applies to activities or behavior that occur prior to, and are causative of, the injury.<sup>14</sup> See *Cervantes v Farm Bureau Gen Ins Co of Mich*, 272 Mich App 410, 417; 726 NW2d 73 (2006) (stating that “the wrongful conduct rule only applies if a plaintiff’s wrongful conduct is a proximate cause of his injuries”); *Orzel v Scott Drug Co*, 449 Mich 550, 565; 537 NW2d 208 (1995) (“[The plaintiff’s] injury must have been suffered while and as a proximate result of committing an illegal act.”) (quotation marks and citation omitted; alteration in original). Defendant makes no such claim here.

Affirmed. We do not retain jurisdiction.

/s/ Douglas B. Shapiro  
/s/ Elizabeth L. Gleicher

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<sup>14</sup> Defendant’s brief fails to cite any cases applying the wrongful-conduct rule as it seeks to do. And when asked at oral argument for supporting caselaw, defendant could provide none.