

ARIZONA SUPREME COURT CLARIFIES “USE” OF A VEHICLE FOR ARIZONA INSURANCE LAW

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Staker & Parson Companies v. Scottsdale Insurance Company
Arizona Supreme Court
July 10, 2024
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In an opinion earlier this month, the Arizona Supreme Court answered several certified questions from the United States District Court for the District of Utah regarding the definition of “using” a vehicle under Arizona law for the purposes of commercial automobile liability insurance. The Court clarified that an additionally named insured is “using” a covered vehicle during the continuous process of loading, unloading, and transporting cargo. However, an additionally named insured is not “using” a covered vehicle simply because the vehicle drives over private roads owned and maintained by the additionally named insured, nor is it “using” a vehicle when providing “managerial functions” regarding the vehicle, such as training. Finally, the Court clarified Arizona law regarding causation in the duty to defend context.

The certified questions arose from an accident at a mine after a tire exploded. Staker & Parson Companies operated the mine and contracted with BDR Transport to transport rock materials within the mine site. Under the agreement, BDR was required to obtain insurance and name Staker as an additional insured. The accident occurred after a rock became lodged in the trailer’s tires. The driver parked and attempted to dislodge the rock using a hammer, but the tire exploded and seriously injured the driver. The driver sued both BDR and Staker, arguing that they were negligent for loading the trailer, maintaining the road, and failing to provide property safety training and techniques.

Staker provided its own defense. After the conclusion of the litigation, Staker sued Scottsdale Insurance Company seeking a determination of its obligation to provide and pay for the defense. The United States District Court for the District of Utah then submitted four certified questions to the Arizona Supreme Court, which it accepted.

In the first question, the district court asked whether an additionally named insured is “using” an independent contractor’s covered vehicle when that vehicle is being operated by an employee of the contractor to transport the additionally named insured’s cargo, even if the additionally named insured does not have active or actual control over the vehicle operation. The Arizona Supreme Court agreed that it was. Arizona’s omnibus insurance coverage statute (A.R.S. § 28-4009(A)(2)) requires that policies insure the person named for any “use” of the motor vehicle. The Court explained that previous caselaw had already interpreted the word “use” to include loading and unloading. It then concluded that loading and unloading is a continuous process which includes the transportation of the cargo. The Court clarified that “use” is a broad concept and is not confined to either control or the loading or unloading process, and, instead, is defined as “the permissive user taking some action that involves the inherent nature of the particular vehicle, like driving, loading or unloading, fueling, or otherwise utilizing the vehicle as intended.” However, use “cannot extend beyond the scope of the insured purpose.”

Based on this definition, the Court answered the next two questions in the negative. For the second question, it determined that use does not include use of a vehicle over roads that are owned and maintained by the additionally named insured, because the failure to maintain a premises is not a “use.” For the third question, it determined that managerial functions such as training do not constitute “use” of a vehicle. Coverage of managerial functions would not be consistent with the legislative purpose of the statute, social policies, or the reasonable expectations of the insured.

Finally, the Arizona Supreme Court provided the district court with Arizona law on causation in the context of automobile insurance policies and stated that there must be a causal relationship between the injury and the ownership, maintenance, or use of the vehicle. The covered vehicle does not have to be the proximate cause, but the accident must be *connected* to the negligent ownership, maintenance, or use of the vehicle.

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