

IN THE COURT OF APPEALS OF IOWA

No. 1-636 / 11-0047
Filed November 9, 2011

JAMES LELIEFELD,
Plaintiff-Appellee,

vs.

LIBERTY MUTUAL INSURANCE,
Defendant-Appellant.

Appeal from the Iowa District Court for Wright County, James M. Drew,
Judge.

A plaintiff appeals from the district court's order denying in part his motion
to stay proceedings. **AFFIRMED.**

James C. Huber and Richard G. Book of Huber, Book, Cortese & Lanz,
P.C., West Des Moines, for appellant.

Sasha L. Monthei of Scheldrup, Blades, Schrock, Smith & Aranza, P.C.,
Cedar Rapids, for appellee.

Heard by Danilson, P.J., and Tabor and Mullins, JJ.

MULLINS, J.

James Leliefeld filed a claim before the workers' compensation commission and while that claim was being litigated, he filed a civil suit against his employer's workers' compensation insurer in district court. The district court denied the insurer's request to stay the entirety of the proceedings pending the resolution of the administrative action. The insurer appeals and asserts that the district court should have stayed discovery and the setting of a trial date. Because we find the district court did not abuse its discretion, we affirm.

I. Background Proceedings.

On July 16, 2007, Leliefeld was in a work-related motor-vehicle accident. On June 4, 2009, Leliefeld filed a workers' compensation claim against his employer, Knife River, and Knife River's workers' compensation insurer, Liberty Mutual Insurance.

On July 19, 2010, while his workers' compensation claim was being litigated, Leliefeld filed a petition in district court seeking damages for bad-faith denial of workers' compensation benefits and negligent infliction of emotional distress against Liberty Mutual. On November 4, 2010, Liberty Mutual filed a motion to stay proceedings, arguing that the issues on which the suit were based were still pending before the workers' compensation commissioner. It stated that "extensive paper discovery" had been filed upon it by Leliefeld and the civil claim had already been set for trial. Liberty Mutual requested the district court stay all proceedings, including discovery, pending the resolution of the workers' compensation litigation.

On December 8, 2010, the district court issued its ruling, which stated,

For the reasons stated in the defendant's motion the court agrees that this case should not be tried until the plaintiff's underlying workers' compensation claim is resolved. See *Reedy v. White Consolidated Industries*, 503 N.W.2d 601 (1993). However, because the incidents that are the basis of the present action occurred as early as 2007 the court believes it is unreasonable to deny the parties the opportunity to conduct discovery in the meantime. The court recognizes that there might be some conflict regarding the discoverability of certain information given the pending workers' compensation case. The court believes any such conflicts can be adequately addressed by way of objections to discovery requests and hearings on those matters as they arise.

Additionally, the court believes that a trial scheduling conference is appropriate. Although there is no way of knowing when the workers' compensation case will be resolved it makes sense to schedule a trial well into the future so that the case can proceed with as little delay as possible once the other matter is resolved. Obviously, if the trial date approaches and the workers' compensation case is not yet finalized the trial in this matter will have to be continued.

Thus the district court granted Liberty Mutual's motion in part and denied it in part.

Liberty Mutual filed an application for an interlocutory appeal and requested the district court proceedings be stayed. Liberty Mutual asserted that the district court should have stayed all the proceedings and not allowed discovery to continue or a trial to be scheduled until the workers' compensation case was finalized. On January 19, 2011, the supreme court granted Liberty Mutual's requests. The appeal was transferred to this court.

II. Standard of Review.

Our review is for correction of error at law. Iowa R. App. P. 6.907. However, the district court is vested with discretion in ruling on a request for a stay and therefore, we examine whether the district court abused its discretion in

ruling on the motion to stay. See *Reedy*, 503 N.W.2d at 603-04 (“[T]he goal of having material issues of benefit entitlement decided in the first instance by the industrial commissioner is best handled through a discretionary abstention policy that operates to delay the consideration of those issues by a court.”). “We find such an abuse when the district court exercises its discretion on grounds or for such reasons clearly untenable or to an extent clearly unreasonable.” *State ex rel. Miller v. Nat’l Dietary Research, Inc.*, 454 N.W.2d 820, 822 (Iowa 1990) (citations and internal quotations omitted).

III. Analysis.

Liberty Mutual asserts the district court abused its discretion, arguing it was unreasonable to allow for discovery to proceed and a trial date to be set and cites to *Reedy*. In *Reedy*, the federal district court asked the Iowa Supreme Court whether an employee must litigate and resolve his workers’ compensation case before bringing a bad-faith claim against a self-insured employer in federal court. 503 N.W.2d at 602. The supreme court found that because the workers’ compensation commissioner did not have jurisdiction to consider the civil bad faith claim, the statutory exhaustion-of-remedy doctrine was not applicable to the independent tort and the district court had jurisdiction over the bad faith claim prior to the resolution of the administrative proceedings. *Id.* at 603; see also *Brown v. Liberty Mut. Ins. Co.*, 513 N.W.2d 762, 763 (Iowa 1994). However, “the administrative agency has jurisdiction to settle important factual questions that may have a direct bearing on the bad-faith claim.” *Reedy*, 503 N.W.2d at 603. The court held,

[I]t would be clearly preferable to have the extent of the defending party's liability for such payments determined in the first instance by the administrative agency entrusted with the administration of the Iowa workers' compensation laws. Moreover, we believe that decisions made through this administrative process that are relevant to the issues in the bad-faith action will, in many instances, carry preclusive effect under the principles we recognized in *Board of Supervisors v. Chicago & North Western Transportation Co.*, 260 N.W.2d 813, 815 (Iowa 1977).

We believe, however, that, within the context of a bad-faith tort claim based on failure to provide workers' compensation benefits, the goal of having material issues of benefit entitlement decided in the first instance by the industrial commissioner is best handled through a discretionary abstention policy that operates to delay the consideration of those issues by a court. Cases filed prior to the completion of the administrative process should not be routinely dismissed on ripeness grounds. That is a circumstance that should encourage courts, whenever it is feasible to do so, to permit the case to remain on the docket while awaiting the administrative determination.

Id. at 603-04; see also *Brown*, 513 N.W.2d at 764 (explaining that rather than viewing the issue as one of adjudicative "ripeness," it was "more an issue of case management" and courts were encouraged "to await final agency decision whenever feasible").

Liberty Mutual argues that under *Reedy*, all proceedings should be stayed until a workers' compensation claim is concluded. While the supreme court held "issue preclusion principles make it desirable to have the extent of an insurer's liability determined administratively before the district court entertains a bad-faith action," it did not mandate that a stay be granted or all proceedings be stayed. *Brown*, 513 N.W.2d at 764; *Reedy*, 503 N.W.2d at 603-04. Rather, the decision to issue a stay was left to the discretion of the district court. *Reedy*, 503 N.W.2d at 603-04. In the present case, the district court clearly considered the nature of the case. The workers' compensation case had been fully submitted to the

administrative agency, and the discovery granted in the civil case would not affect the resulting agency decision. While an administrative agency decision may preclude the bad-faith claim, the issues raised in the respective claims are not identical. See *id.* (explaining a bad-faith action focuses on the insurer's pre-denial conduct, not benefit eligibility, and therefore, accrues upon receipt of notification the insurer had denied the claim). Further, the ruling ensures that the extent of the insurer's liability would be determined in the administrative agency action before the bad-faith claim was tried. We find no abuse of discretion and affirm.

AFFIRMED.