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**STATE OF MINNESOTA
IN COURT OF APPEALS
A09-815**

North Star Mutual Insurance Company,
Appellant,

vs.

James Sparby, et al.,
Respondents,

David Sparby,
Respondent.

**Filed January 5, 2010
Affirmed
Bjorkman, Judge**

Pennington County District Court
File No. 57-CV-08-794

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Considered and decided by Halbrooks, Presiding Judge; Klaphake, Judge; and
Bjorkman, Judge.

UNPUBLISHED OPINION

BJORKMAN, Judge

In this insurance coverage dispute, appellant North Star Mutual Insurance Company (North Star) challenges the district court's determination that North Star owes respondent Sparby Brothers, a partnership, a duty to defend and indemnify claims relating to a farm accident. Because we conclude that the insurance policy covers Sparby Brothers, we affirm.

FACTS

In 1980, respondents James and Steve Sparby formed Sparby Brothers, pursuant to a written partnership agreement, to conduct farming operations. James and Steve Sparby obtained farm liability insurance from North Star. The policy was in force from August 3, 2005, through August 3, 2006, and was issued to James and Steve Sparby, "DBA: Sparby Brothers." A policy endorsement lists Sparby Brothers as an additional insured.

The policy provides that liability coverage "does not apply to: 'bodily injury' to 'you', and if residents of 'your' household, 'your' relatives and persons under the age of 21 in 'your' care or in the care of 'your' resident relatives." The policy defines "you" to mean "the person or persons named as the insured on the declarations."

On January 21, 2006, James Sparby and his 15-year-old son, David, were moving hay bales onto a semi-trailer. Each bale weighed up to 850 pounds and was several feet wide. During the loading process, one of the bales fell on David, causing significant injuries. Through his mother, Tammy Chervestad-Sparby, David sued Sparby Brothers and James Sparby, individually, in negligence. James Sparby and Sparby Brothers

tendered the defense of the action to North Star. North Star commenced this declaratory-judgment action, seeking a determination that the policy does not provide coverage.

North Star moved for summary judgment, contending that the resident-relative exclusion precludes coverage as to James Sparby and that Sparby Brothers is not an insured under the policy. The district court denied the motion and ordered entry of final judgment declaring that North Star is obligated to defend and indemnify Sparby Brothers.¹ This appeal follows.

DECISION

On appeal from summary judgment, this court examines whether there are any genuine issues of material fact and whether the district court erred in its application of the law. *State by Cooper v. French*, 460 N.W.2d 2, 4 (Minn. 1990). Interpretation of an insurance policy and application of the policy to the facts in a case present questions of law, which we review de novo. *Am. Family Ins. Co. v. Walser*, 628 N.W.2d 605, 609 (Minn. 2001).

The parties agree that a partnership is an entity distinct from its individual partners. *See* Minn. Stat. § 323A.0201(a) (2008) (Minnesota enactment of the Uniform Partnership Act of 1994 (UPA)); *Gleason v. Sing*, 210 Minn. 253, 257, 297 N.W. 720, 722 (1941). Under the UPA, a partnership is liable for loss or injury caused to a person as a result of a wrongful act or omission of a partner acting in the ordinary course of the

¹ The district court did not address the issue of whether the policy affords coverage to James Sparby. On appeal, the parties agree that the resident-relative exclusion precludes coverage as to James Sparby, individually, and we do not consider that issue here.

partnership's business or with authority of the partnership. Minn. Stat. § 323A.0305(a) (2008).²

North Star contends that the policy only covers the named partners, James and Steven Sparby, and does not extend coverage to Sparby Brothers as a separate entity. We disagree. An insurance policy, like other contracts, is governed by its terms. *Bobich v. Oja*, 258 Minn. 287, 294, 104 N.W.2d 19, 24 (1960). When interpreting an insurance policy, words are given their ordinary meaning but ambiguities are resolved in favor of the insured. *Walser*, 628 N.W.2d at 609.

The policy declaration identifies the insureds as “Sparby, James and Steve, DBA: Sparby Bros.” Through an endorsement, the policy lists the partnership as an additional insured and states that “[c]overage applies collectively to the partnership and all partners with respect to **farming** operations, activities and property.” The plain language of the policy makes it clear that Sparby Brothers is an additional insured, entitled to liability coverage under the policy. And while we do not agree that there is any ambiguity in this language, to the extent that it exists, it must be interpreted against North Star and in favor of coverage. *Hennings v. State Farm Fire & Cas. Co.*, 438 N.W.2d 680, 683 (Minn. App. 1989), *review denied* (Minn. June 9, 1989).

North Star urges this court not to construe the policy to extend coverage to Sparby Brothers because such a construction permits the individual insured partners to circumvent the resident-relative exclusion by obtaining coverage under the auspices of

² North Star concedes that if Sparby Brothers is an insured, the resident-relative exclusion would not apply to the partnership. A business entity cannot have a spouse, relative, or household. *Kaysen v. Fed. Ins. Co.*, 268 N.W.2d 920, 923 (Minn. 1978).

the partnership. But the policy unambiguously covers Sparby Brothers for liability arising from its farming operation and North Star presumably set its premium with that risk in mind. The insurance contract obligates North Star to defend and indemnify Sparby Brothers, as a partnership entity, from the precise claims alleged here—negligence arising out of Sparby Brothers’ farming operations.

On these facts, North Star’s reasonable expectations argument is wholly misplaced. North Star and Sparby Brothers expressly contracted for the coverage at issue here. To interpret the policy as North Star suggests would render the declaration naming the partnership an additional insured a nullity. By issuing a policy that expressly extends coverage to Sparby Brothers, North Star assumed the risk that Sparby Brothers may be sued and would be entitled to coverage the same as the other insureds.

The district court properly determined that Sparby Brothers is entitled to coverage under the North Star policy.

Affirmed.