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**SUPERIOR COURT OF NEW JERSEY
APPELLATE DIVISION
DOCKET NO. A-3171-25**

MATTHEW A. GALEANO,

Plaintiff-Respondent,

v.

**USAA GENERAL
INDEMNITY COMPANY,**

Defendant-Appellant.

Argued September 28, 2026 – Decided October 19, 2026

Before Judges Sabatino, Perez Friscia and Torregrossa-O'Connor.

On appeal from an interlocutory order of the Superior Court of New Jersey, Law Division, Bergen County, Docket No. L-7291-25.

Walter F. Kawalec, III, argued the cause for appellant (Marshall Dennehey, PC, attorneys; Brian T. Byrne and Walter F. Kawalec III, on the briefs).

Evan D. Baker argued the cause for respondent (Davis, Saperstein & Salomon, PC, attorneys; Evan D. Baker, on the brief).

Dominic R. DePamphilis argued the cause for amicus curiae New Jersey Association for Justice (D'Arcy Johnson Day, attorneys; Richard J. Albuquerque and Dominic R. DePamphilis, on the brief).

PER CURIAM

This interlocutory appeal concerns the trial court's denial of summary judgment to an insurance company that denied underinsured motorist ("UIM") coverage to a motorcyclist who was injured in a collision with an underinsured automobile driver.

The injured plaintiff contends the insurer should be equitably estopped from denying UIM coverage because of (1) its response to a so-called "Longworth"¹ letter from plaintiff notifying the insurer of a pending settlement with the automobile driver, and (2) the insurer's lengthy delay in disclaiming coverage until sixteen months after the accident.

After considering the estoppel issues based on the briefs and the submitted documents, the trial court denied summary judgment, noting the existence of genuine issues of material fact that bear upon the estoppel assessment.

¹ See Longworth v. Van Houten, 223 N.J. Super. 174 (App. Div. 1988) (prescribing the procedures for such notifications).

For the reasons that follow, we concur with the trial court and remand for limited discovery pertinent to the estoppel claim and, if shown to be warranted by that discovery, a plenary hearing.

I.

Because this matter is here on an interlocutory posture and the record will be developed and litigated on remand more fully, we describe the background succinctly.

The August 2024 Collision and USAA's Insurance Policy

On August 14, 2024, plaintiff Matthew A. Galeano was operating his 2023 Kawasaki motorcycle on Interstate 80 when a Honda Civic, driven by Jennifer Milete, swerved in front of him. According to Milete, after perceiving a large group of motorcycles within the traffic, she moved into the adjoining lane. In doing so, Milete apparently cut in front of plaintiff's motorcycle. He could not stop in time and struck the rear end of her car. Each motorist blamed the other for causing the collision.

Plaintiff's motorcycle was totaled, and he was injured. He was taken to a hospital, where he was treated. The make and model of his motorcycle was included in the report of the investigating police.

At the time of the accident, plaintiff held an auto insurance policy ("the

USAA Policy") with defendant, USAA General Indemnity Company ("USAA"). Two vehicles were listed under the USAA Policy, a Subaru automobile and a Kia automobile. The Kawasaki motorcycle, although owned by plaintiff, was not listed under the USAA Policy. The record instead shows that plaintiff had a separate policy with the Progressive Insurance Company that insured the motorcycle.²

The USAA Policy included UIM coverage for damage caused by underinsured motorists. The amount of the UIM coverage was \$300,000 for each injured person.

Notably, the USAA Policy, in Exclusion A.2 of Part C, expressly excluded coverage for an otherwise insured person if that person was operating "any motor vehicle owned by that covered person which is not insured for UM [or UIM] coverage under this [P]olicy."³

² The record supplied to us does not contain the Progressive policy. Nor is it clear whether that policy provided UIM coverage or what the monetary limits of such coverage were. Coincidentally, Progressive was also Milete's automobile insurer.

³ We will refer to this provision as the "owned-but-not-insured exclusion."

Claim Filings and Communications from USAA

On September 10, 2024, plaintiff's counsel, pursuant to N.J.S.A. 17:28-1.1, sent a letter to USAA informing it that plaintiff was seeking UIM coverage for the injuries he suffered in the accident, because Milete was underinsured. USAA responded with a letter requesting plaintiff's social security information and "documentation about the case as it becomes available."

On October 21, 2024, USAA sent another communication to plaintiff, entitled "Update on Your Claim," and informed him that the claim was unresolved because USAA was "awaiting [plaintiff's] medical bills and records to evaluate [the] claim." USAA sent the same letter to plaintiff's counsel on November 21, 2024.

Several months later, on April 29, 2025, USAA sent plaintiff's counsel another claim update and stated that the claim remained unresolved because it needed "additional documentation" on plaintiff's medical treatment.

USAA requested medical documentation several more times on July 7, 2025; August 20, 2025; and September 29, 2025. Each of these communications stated that USAA had not yet made a decision as to whether to cover the UIM claim, which they described as "unresolved."

Settlement and Coverage Denial

On March 26, 2025, plaintiff's counsel sent USAA a Longworth letter requesting permission to settle the claim against the alleged tortfeasor Milete for \$50,000, the limits of her insurance policy.

On July 7, 2025, USAA responded to the Longworth letter with the following communication to plaintiff's counsel:

USAA grants permission for Matthew Galeano to settle the bodily injury claim against Jennifer Milete and her carrier Progressive Insurance Company. USAA will not pursue subrogation against the above named parties for any monies which may be paid from the Underinsured Motorist coverage for this matter.

This letter does not verify acceptance of liability or any underinsured motorist coverage available to Matthew Galeano.

We need to evaluate and determine the extent of your client's injuries and other policies for additional UIM coverage.

The UIM Lawsuit

After several more months went by and the claim was still not resolved, plaintiff filed a complaint in the Law Division in October 2025 against USAA for recovery on his UIM claim. USAA filed an answer in December 2025, and included thirty affirmative defenses, including an assertion that "[t]he motorcycle being operated by the plaintiff at the time of the accident was not

covered under the USAA [P]olicy."

USAA's January 2026 Letter Declining Coverage

On January 7, 2026, sixteen months after the accident, USAA sent a letter informing plaintiff that his claim had been denied because his motorcycle was not listed as a covered vehicle under the Policy.

Summary Judgment Motion

USAA moved for summary judgment, which plaintiff opposed. The insurer argued the plain language of the Policy precluded plaintiff's UIM claim, and that USAA should not be equitably estopped from enforcing the Policy. USAA denied giving any indication that it was going to cover plaintiff's claim. The insurer particularly emphasized that its response to plaintiff's Longworth letter had disclaimed any confirmation of coverage. USAA also argued plaintiff would receive a "windfall" if it were equitably estopped from denying coverage because it was clear under the Policy he was not entitled to coverage.

In response, plaintiff argued he had reasonably relied upon potential coverage because of USAA's months-long course of conduct, including its acceptance of the Longworth letter. He asserted that USAA should have known from the beginning that his motorcycle was not insured under the Policy, but had continued to request medical records and other documentation to adjudicate

the claim. Plaintiff also emphasized that he reasonably relied on USAA's conduct and delay to his detriment because he elected to not pursue additional steps to recover from Milete and instead accepted her policy limits in settlement.

In an April 1, 2026 written decision, the motion judge acknowledged that under the terms of the Policy, plaintiff was not entitled to coverage. However, the judge noted plaintiff's argument that USAA did not issue a "prompt denial" based on the easily discernable ineligibility, but instead spent sixteen months requesting additional documentation, allegedly leading plaintiff to believe that it was evaluating the claim. The judge also noted plaintiff's argument that this belief was reinforced by USAA's approval of plaintiff's Longworth letter. The judge further recognized plaintiff's contention that although USAA never directly approved plaintiff's UIM claim, its conduct led him to believe his claim was at least viable.

On the other hand, the judge noted USAA's argument that plaintiff could not have reasonably relied on USAA's communications and delay to support a finding of equitable estoppel because the owned-but-not-insured exclusion clearly precluded coverage for the motorcycle.

Faced with these competing contentions, the judge denied summary judgment, noting there are "genuine issue[s] of material fact" as to whether

USAA's "actions were equitable." In that regard, the judge's decision acknowledged plaintiff's argument that "[i]t is generally left to a trier of fact to determine whether a party's actions were proper or improper."

USAA moved for leave to appeal, which we granted. We specifically requested the parties to brief the Supreme Court's recent 5-2 decision in Mist Pharm., LLC. v. Berkley Ins. Co., 263 N.J. 554 (2026), in which the Court majority ruled that an insurer was not estopped from enforcing one of its policy provisions when it had communicated to the insured that coverage might be denied because of that specific provision. We received and considered those briefs. In addition, the New Jersey Association for Justice filed an amicus brief siding with plaintiff and also raising issues that were not raised by the parties.⁴

II.

We begin with a brief discussion of basic principles of equitable estoppel, as applied in the context of an insurance company's relationship with its policyholders.

The doctrine of equitable estoppel is intended to "prevent injustice by not

⁴ We decline to reach or comment on those additional issues. See Chipola v. Flannery, 261 N.J. 460, 466 (2025) ("an amicus curiae must accept the case before the court as presented by the parties and cannot raise issues not raised by the parties") (internal quotation marks omitted).

permitting a party to repudiate a course of action on which another party has relied to his detriment." Knorr v. Smeal, 178 N.J. 169, 178 (2003). To estop the other party from changing its course of action, the party raising the doctrine must demonstrate that the other party "engaged in conduct, either intentionally or under circumstances that induced reliance, and that [the raising party] acted or changed their position to their detriment." Ibid. This reliance must be reasonable or "justifiable." Mist, 263 N.J. at 591.

In the insurance context, a carrier may be estopped from denying coverage "if it assumes control of a case prior to the filing of a complaint with knowledge of facts on which to disclaim coverage but without any reservation of the right later to do so." Griggs v. Bertram, 88 N.J. 347, 356 (1982). Additionally, a carrier may be estopped from enforcing a provision of its policy to deny coverage even if it has not assumed control of the case "but instead has failed for an unreasonable period of time to inform its insured of the possibility of a disclaimer of coverage, notwithstanding the insurer's early notification of a possible claim and awareness of grounds for disclaimer." Id. at 357. Because the potential of coverage will lead to insured refraining from certain, potentially beneficial, behaviors to avoid being denied said coverage, insurers have "the duty to investigate the matter within a reasonable time." Id. at 360.

For example, in Griggs, the insured had been injured in a fight and submitted a claim to the insurer. Id. at 353. The insurer investigated the claim shortly after and, although the investigator was informed the injuries were sustained during a fight, gave no indication that coverage was not available because the policy prohibited coverage of intentional torts. Ibid. It was only eighteen months later, after the other fight participant filed a complaint for personal injury, that the insurer denied coverage based on the policy's inclusion of intentional tort. Ibid.

The Supreme Court determined in Griggs that the delay of eighteen months coupled with the insurer's early knowledge that the claim was not covered under the policy was "unreasonable." Id. at 363. The Court stated when "there has been a long lapse of time without any indication by the insurance carrier of a loss or rejection of coverage . . . there is a realistic restraint upon the insured's contractual freedom of action[.]" Id. at 362.

The principles underlying Griggs have previously been applied to estop insurers from denying coverage in the UIM context, particularly with respect to what is known as "Longworth approval." In the Longworth case, we recognized that UIM insurance carriers have a right of subrogation, or the right to seek reimbursement from the tortfeasor from whom the insured is attempting to

recover. 223 N.J. Super. at 183. If the insured enters into a settlement with the tortfeasor, that settlement not only extinguishes the right of the insured to pursue further recovery but also the right of the injured policyholder's insurer to seek subrogation from the tortfeasor. Id. at 184. Therefore, upon receiving a settlement offer from a tortfeasor, the insured must notify its carrier prior to entering into the settlement to give the carrier a chance to pursue or waive its right of subrogation. Id. at 194. Should the insurer not respond promptly, the insured can go to the trial court to pursue a declaratory ruling regarding the impact of accepting the settlement on his UIM coverage. Id. at 195.

Case law has previously addressed the application of equitable estoppel principles to Longworth communication between a policyholder and a UIM carrier. For example, in Barrett v. N.J. Jersey Mfrs. Ins. Co., 295 N.J. Super. 613, 616 (App. Div. 1996), a UIM insurer gave an insured written approval under Longworth to enter into a settlement with a tortfeasor and requested medical documentation to "evaluate this claim." Additionally, it was alleged that the insurer had orally represented to the insured that she was covered under the policy; however, the insurer eventually denied coverage. Id. at 617. In finding the insurer was estopped, we noted that "if an insurer authorizes acceptance of a tortfeasor's settlement offer pursuant to the Longworth

procedures, it constitutes at least an implicit acknowledgement of the availability of UIM coverage upon which the injured party should be entitled to rely." Id. at 619 (emphasis added). We recognized in Barrett that an insured party could be prejudiced by "foregoing the opportunity to pursue a recovery from the tortfeasor in excess of the insurance company's settlement offer." Ibid.

Likewise, in Boritz v. N.J. Mfrs. Ins. Co., 406 N.J. Super. 640, 644-45 (App. Div. 2009), a UIM insurer gave Longworth approval to its insured to settle a claim and nearly reached an agreement with her as to what it would pay to settle the claim before realizing that her policy limited her claim to below what the insurer had offered. The insurer had previously represented to the insured's attorney that her policy limit was much higher. Id. at 644. We observed that "[i]n weighing the merits of an injured party's Longworth request to settle with a tortfeasor, a carrier is, or should be, aware of its coverage limits." Id. at 651. Consequently, we ruled in Boritz that the insurer was estopped from paying the lowered amount. Id. at 652.

In May 2026, after the present motion for summary judgment was decided, the Supreme Court issued its divided decision in Mist, 263 N.J. 554. Mist involved a dispute between an insured pharmaceutical company and its third-party liability insurance carrier after the insured entity became embroiled in

extremely complex litigation involving a former chairman. Id. at 567. Early in the litigation, the insurer informed the insured that it did not believe the litigation was covered because the chairman had performed the acts in question outside of his capacity of chairman of the insured company. Ibid. Although the insurer requested additional information from the insured, subsequent communications repeatedly reserved the insurer's right to deny coverage based on the capacity exclusion in the insured's policy. Id. at 568. The insurer additionally refused to participate in a settlement involving the other parties in the litigation and continued to reserve its rights to deny coverage under the capacity exclusion. Id. at 570-71.

The Mist majority ruled that the insurer was not estopped from enforcing its rights because it had informed the insured of those rights "no fewer than ten times" during the years of litigation, including naming the capacity exclusion. Id. at 590. The dissenting opinion, meanwhile, criticized the insurer for seemingly representing that, while the capacity exclusion was emphasized to the insured, partial coverage was still available. Id. at 592 (Fasciale, J., dissenting). The dissent interpreted the capacity exclusion differently than the majority and noted that it might not have prevented coverage for all claims. Id. at 594 (Fasciale, J., dissenting). The dissent particularly noted the long period of time,

five years, between when the claim was filed and when the insurer denied all coverage and the insurer's failure to disclaim all coverage when the insured repeatedly requested consent to settle. Id. at 601 (Fasciale J., dissenting).

Of course, we are bound here to follow the majority's precedential opinion in Mist. We observe, however, that the Court's internal disagreement in Mist illustrates just how fact-sensitive an estoppel analysis can be.

Here, as counsel confirmed at the oral argument on appeal, the parties agree on a fundamental point: the owned-but-not-insured exclusion within the USAA Policy clearly excludes UIM coverage for plaintiff's motorcycle, which was not a vehicle listed under the Policy and which, in fact, was insured by a different carrier, i.e., Progressive. But two vital sets of questions remain.

First, why did it take USAA sixteen months to figure out that the motorcycle was not covered under the plain language of its own Policy? And, despite the exclusion being so clear on its face, why did USAA repeatedly press plaintiff's counsel for more medical information?

Second, given that plaintiff concedes the exclusion was clear on its face, how could plaintiff have reasonably relied on USAA's conduct in assuming he had a reasonable prospect of obtaining a UIM recovery? And why was it reasonable for plaintiff to rely on an expectation of such coverage in settling

with Milete, when the Longworth letter response and later communications from USAA repeatedly stated it had not yet approved of coverage?

The present record is inadequate to reach definitive conclusions on these critical questions. The trial court correctly perceived there are genuine issues of fact that weigh against the entry of summary judgment. Brill v. Guardian Life Ins. Co. of Am., 142 N.J. 520, 540 (1995).

We consequently remand this matter to the trial court to enable appropriate limited discovery that bears upon these issues. We do not micro-manage the scope of discovery here, including any claims of privilege by either side. Instead, the trial court shall have the discretion to determine the scope and means of such discovery. Once the discovery is completed, the court shall determine whether a plenary hearing, with associated credibility findings, is warranted to resolve the estoppel claim with finality and on a fuller record.

Remanded for further proceedings in light of this opinion. We do not retain jurisdiction. The trial court shall convene a case management conference within thirty days to address discovery and other facets of the remand.

I hereby certify that the foregoing is
a true copy of the original on file in
my office.

M. L. Hanley

Clerk of the Appellate Division