2026 IL App (1st) 242530

FIFTH DIVISION
September 11, 2026

No. 1-24-2530

IN THE
APPELLATE COURT OF ILLINOIS
FIRST JUDICIAL DISTRICT

DIRECT AUTO INSURANCE COMPANY,	)	
	)	Appeal from the
Plaintiff-Appellant,	)	Circuit Court of
	)	Cook County.
v.	)	
	)	No. 23 CH 10087
SUZETTE MACON-HAMBLET and LASHAUNA MACON,	)	
	)	The Honorable
	)	Thaddeus L. Wilson,
Defendants-Appellees.	)	Judge, Presiding.

PRESIDING JUSTICE ODEN JOHNSON delivered the judgment of the court, with opinion.

Justices Mikva and Mitchell concurred in the judgment and opinion.

OPINION

¶ 1 Plaintiff Direct Auto Insurance Company (Direct Auto) appeals the grant of summary judgment motion in favor of defendants, Suzette Macon-Hamblet) and Lashauna Macon, filed in connection with its second declaratory judgment action after both parties filed cross-motions for summary judgment. On appeal, Direct Auto contends that (1) the October 30, 2023, arbitration demand for uninsured motorist coverage did not commence arbitration within two years of the accident; (2) section 143.1 of the Illinois Insurance Code (215 ILCS 5/143.1 (West 2022)) is inapplicable to this case as the time to commence uninsured motorist arbitration was not tolled, and its application violated the rule of party representation; (3) there was no actual controversy when the circuit court ruled on the prior arbitration demand for coverage and this should have no effect on the October 30, 2023, demand and neither *res judicata* nor waiver applied; (4) the two-year limitation period and one-year abeyance period mirror the tort statute and are not unjust or unfair and the relation-back doctrine does not save the October 30, 2023, demand; and (5) defendants' failure to raise any defense of the limitation waived any claim of tolling. For the following reasons, we affirm.

¶ 2 I. BACKGROUND

¶ 3 This case stems from a hit-and-run automobile accident on October 21, 2014, which involved defendants. Macon was the named insured under an automobile insurance policy issued by Direct Auto, and passenger in the vehicle at the time of the accident. Defendants filed claims under the uninsured motorist coverage under the policy. Pursuant to the uninsured motorist coverage, the matter was required to be submitted to arbitration that must be "commenced" within two years after the date of the accident. The policy stated that arbitration proceedings will not commence until the company receives at the same time (1) the insured's written demand for arbitration and (2) the insured's written selection of an arbitrator. The policy further indicated that any lawsuit against the company will be barred unless commenced within two years after the date in which the claim is denied in whole or in part by the company.

¶ 4 Defendants filed their arbitration demand on August 10, 2015, with the American Arbitration Association (AAA), in file number 01-15-0004-5562. On November 16, 2015, the AAA sent correspondence that Direct Auto's share of the arbitration fees were past due and if the fees were not paid within 15 days, the file would be administratively closed. Defendants subsequently paid Direct Auto's balance. The AAA proceedings were placed in abeyance[1] on February 22, 2016.

¶ 5 Subsequently, on July 1, 2016, Direct Auto filed its first declaratory judgment action seeking a declaration that it had no obligation of coverage based on allegations of late notice (case number 2016 CH 8801). On March 6, 2017, the AAA closed the arbitration file for nonpayment of abeyance fees in accordance with its rules. On January 25, 2022, Direct Auto filed its first amended complaint in the declaratory judgment action, raising additional allegations of violation of notice and spoilation of evidence. Direct Auto also sought a stay of any arbitration proceedings until the conclusion of the declaratory judgment action.

¶ 6 The circuit court held a trial on Direct Auto's declaratory judgment action, and its judgment was entered on July 17, 2023. The circuit court found that defendants met the notice requirement and were not liable for the spoilation of evidence sufficient to void the policy. The circuit court ordered the arbitration to proceed.

¶ 7 On August 26, 2023, Direct Auto filed its appearance with the AAA, purportedly on the original arbitration demand in file number 01-15-0004-5562. However, on August 28, 2023, the AAA indicated that the arbitration demand was administratively closed in March 2017 for nonpayment of the abeyance fee, the file had been purged due to the length of time, and that it

[1]When a case is placed in abeyance, all activity is intentionally and temporarily suspended and the clock stops ticking. This happens for a specific, strategic reason: everyone is waiting for a crucial outside event to happen, such as a decision from a higher court in a related case, the recovery of a key witness from a serious illness, or the outcome of a parallel government agency investigation. Abeyance is a tool of efficiency and fairness, preventing wasted time and resources by ensuring the case only moves forward when the path is clear. *Abeyance: The Ultimate Guide to Putting a Legal Case on Pause*, US L. Explained, https://uslawexplained.com/abeyance (last visited Aug. 27, 2026) [https://perma.cc/Z9XZ-2ZSG].

would need to be refiled. On October 30, 2023, defendants filed a new arbitration demand, which the AAA placed in abeyance for 60 days on December 7, 2023, due to Direct Auto's outstanding arbitration fees. Defendants paid Direct Auto's fees the following day, and the file was taken out of abeyance as confirmed by the AAA on December 12, 2023.

¶ 8 On December 18, 2023, Direct Auto filed a second declaratory judgment action against defendants in case number 2023-CH-10087 (the case on appeal), arguing that the 2015 arbitration demand was extinguished and the October 2023 arbitration demand was outside of the two-year limitation for demanding arbitration under the policy. Both sides filed cross-motions for summary judgment.

¶ 9 On December 5, 2024, the circuit court held a hearing and ruled on the cross-motions. The circuit court rejected Direct Auto's arguments that the administrative dismissal of the arbitration proceedings was a dismissal with prejudice. The circuit court specifically rejected Direct Auto's attempt to apply the Code of Civil Procedure (Code) (735 ILCS 5/1-101 *et seq.* (West 2024)) to the AAA rules, finding that the AAA's administrative dismissal was not a final decision in the matter but rather functioned as a case management tool akin to a stay and did not terminate the underlying dispute with prejudice. The court reasoned that because the AAA allowed litigants to pay the fee to reinstate or refile the arbitration demand, such refiling after an administrative closure was a continuation of the original AAA proceedings. Direct Auto filed its timely notice of appeal on December 18, 2024.

¶ 10 II. ANALYSIS

¶ 11 On appeal, Direct Auto contends that (1) the October 30, 2023, arbitration demand for uninsured motorist coverage did not commence arbitration within two years of the accident; (2) section 143.1 of the Insurance Code (215 ILCS 5/143.1 (West 2022)) is inapplicable to this case as the time to commence uninsured motorist arbitration was not tolled, and its application violated the rule of party representation; (3) there was no actual controversy when the circuit court ruled on the prior arbitration demand for coverage and this should have no effect on the October 30, 2023, demand and neither *res judicata* nor waiver applied; (4) the two-year limitation period and one-year abeyance period mirror the tort statute and are not unjust or unfair and the relation-back doctrine does not save the October 30, 2023, demand; and (5) defendants' failure to raise any defense of the limitation waived any claim of tolling. All of Direct Auto's issues on appeal can be summed up into whether the arbitration demand commenced within two years of the accident, whether section 143.1 applies to toll the refiling of the arbitration demand, and whether the October 30, 2023, refiled arbitration demand was timely.

¶ 12 A. Standard of Review

¶ 13 This appeal is before us on the circuit court's determination of cross-motions for summary judgment in Direct Auto's second declaratory judgment action. Under section 2-1005(c) of the Code, summary judgment is proper when "the pleadings, depositions, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." 735 ILCS 5/2-1005(c) (West 2024); *ISMIE Mutual Insurance Co. v. Pergament*, 2025 IL App (1st) 230787, ¶ 78. Summary judgment is a drastic measure and should only be granted when the moving party's right to judgment is clear and free from doubt. *SMS Financial CH, LLC v. Feurer*, 2025 IL App (1st) 250033, ¶ 43. To determine whether there is a genuine issue of material fact, we construe the pleadings, depositions, admissions, and affidavits strictly against the moving party and liberally in favor of the opponent. *Id.* Unsupported conclusions, opinions, or speculation, however, do not raise a genuine issue of material fact. *Id.*

¶ 14 Where parties file cross-motions for summary judgment, they agree that the case presents only questions of law, and they invite the circuit court to decide these legal questions on the basis of the record. *ISMIE Mutual*, 2025 IL App (1st) 230787, ¶ 79. Nonetheless, the mere filing of cross-motions for summary judgment does not conclusively establish that there is no issue of material fact, nor is the circuit court obligated to enter summary judgment for either party. *SMS Financial*, 2025 IL App (1st) 250033, ¶ 44. We review the circuit court's decision as to cross-motions for summary judgment *de novo*. *Id.* Additionally, the question on appeal from a lower court's judgment is the correctness of the result below, not the correctness of the reasoning on which the result was reached (*In re Kendale H.*, 2013 IL App (1st) 130421, ¶ 31), and the reviewing court may affirm the circuit court's judgment on any ground supported by the record, regardless of the basis for the court's decision and the accuracy of its reasoning (*Tolentino v. Clifford's Towing & Recovery, LLC*, 2026 IL App (3d) 240618, ¶ 32).

¶ 15 B. Construing an Insurance Policy

¶ 16 At issue here is the intersection between the insurance policy, the Insurance Code, and the arbitration demand. We begin by reviewing the principles for construing an insurance policy.

¶ 17 When a court interprets an insurance policy, there are only two sources upon which it may base its analysis: (1) the plain language of the policy and (2) the plain language of the Insurance Code as it existed at the time the policy was written. *Huizenga v. Auto-Owners Insurance*, 2014 IL App (3d) 120937, ¶ 12. An insurance policy is a contract, and the traditional rules of contract interpretation are applied to determine the scope of insurance coverage. *Country Mutual Insurance Co. v. Witbrod*, 2026 IL App (2d) 250314, ¶ 73.

¶ 18 Our state constitution, statutes, and judicial decisions reflect our public policies. *Direct Auto Insurance Co. v. Merx*, 2020 IL App (2d) 190050, ¶ 16. Although an insurance policy is a contract, its terms must comply with the statutory requirements in effect at the time the policy was issued. *Id.* Likewise, the terms of an insurance policy may not circumvent the purpose of a statute in effect when the policy was issued. *Id.* However, an insurance contract will not be invalidated unless it is clearly contrary to what the constitution, the statutes, or the decisions of the courts have declared to be the public policy of Illinois or unless the agreement is manifestly injurious to the public welfare. *Id.* The construction of an insurance policy is a question of law, which we review *de novo*. *Witbrod*, 2026 IL App (2d) 250314, ¶ 73.

¶ 19 When construing the language of an insurance policy, courts must ascertain and give effect to the intention of the parties as expressed in their agreement. *Id.* Thus, policy terms are given their plain and ordinary meaning and are applied as written unless such application contravenes public policy. *Id.* Conversely, if the policy language is susceptible to more than one meaning, it is considered ambiguous and will be construed strictly against the insurer who drafted the policy and in favor of the insured; however, courts will not strain to find ambiguity in a policy where none exists. *Id.* Ambiguity exists if a term is susceptible to more than one reasonable interpretation. *Miecinski v. State Farm Mutual Automobile Insurance Co.*, 2024 IL App (1st) 230193, ¶ 24. We will not find a provision ambiguous merely because the parties disagree on its meaning. *Id.* If, however, the terms are ambiguous, they are construed strictly against the insurer who drafted the policy and in favor of the insured. *Direct Auto*, 2020 IL App (2d) 190050, ¶ 13. As with any contract, we construe an insurance policy as a whole; we give effect to each provision where possible, as we must assume that it was intended to serve a purpose. *Miecinski*, 2024 IL App (1st) 230193, ¶ 24.

¶ 20 C. Limitations Period

¶ 21 Direct Auto first contends that the October 30, 2023, arbitration demand for uninsured motorist coverage did not commence arbitration within two years of the accident. The policy at issue contains the following limitations provision regarding legal action against Direct Auto under part II of the policy:

> "No suit, action or arbitration proceeding for recovery of any claim may be brought against this Company until the insured has fully complied with all the terms of this policy. Any claim for arbitration will be barred unless commenced within two years after the date of the accident, unless otherwise set forth herein. Arbitration proceedings will not commence until the Company receives at the same time (1) the insured's written demand for arbitration and (2) the insured's written selection of an arbitrator. The selection of an arbitrator is a condition precedent to making a demand for arbitration. The insured must select his arbitrator within the time limitation period set forth in this policy. Further, any lawsuit against the company will be barred unless commenced within two years after the date in which the claim is denied in whole or in part by the company."

¶ 22 The policy's definition of commencing arbitration is consistent with this court's holdings that " 'to commence arbitration proceedings, an insured's letter must make an unequivocal demand for arbitration and name the arbitrator on behalf of the insured consistent with the policy's provision.' " *Monroy-Perez v. Sentry Select Insurance Co.*, 2025 IL App (1st) 241711, ¶ 38 (quoting *Rein v. State Farm Mutual Automobile Insurance Co.*, 407 Ill. App. 3d 969, 975 (2011)).

¶ 23 In reviewing the record as a whole, we find that the record clearly establishes that defendants commenced their arbitration demand within two years of the date of the accident, October 21, 2014, as required by the policy when they filed their initial arbitration demand on August 10, 2015. The policy has no requirements regarding arbitration beyond commencing; specifically, no requirement to avoid administrative dismissal is present in the policy. We conclude that the subsequent arbitration demand filed on October 30, 2023, has no bearing on whether defendants complied with the policy requirement to commence the arbitration within two years of the accident, and Direct Auto's contention is without merit.

¶ 24 D. Applicability of Section 143.1

¶ 25 Direct Auto next contends that section 143.1 has no bearing on the issues raised in this case because the time to commence arbitration pursuant to the policy limitation was not tolled. While we agree that section 143.1 is not dispositive of the issue, we disagree with Direct Auto that it does not apply at all.

¶ 26 While Illinois law recognizes limitation periods as valid contractual provisions in insurance contracts, section 143.1 of the Insurance Code is an important restriction on such limitation provisions. *County Preferred Insurance Co. v. Whitehead*, 2016 IL App (3d) 150080, ¶ 15. Section 143.1 of the Insurance Code is contained within article IX of the Insurance Code, which addresses "Provisions Applicable to All Companies." 215 ILCS 5/art. IX (West 2022). Specifically, section 143.1 is titled "Periods of limitation tolled," and provides that:

> "Whenever any policy or contract for insurance *** contains a provision limiting the period within which the insured may bring suit, the running of such period is tolled from the date proof of loss is filed, in whatever form is required by the policy, until the date the claim is denied in whole or in part." *Id.* § 143.1.

¶ 27 Section 143.1 is designed to protect consumers when an insurance policy contains a time limitation. *Country Preferred*, 2016 IL App (3d) 150080, ¶ 16. The purpose of the provision is to prevent insurance companies from sitting on claims, allowing the limitations period to run, and depriving insureds of their opportunity to litigate their claims in court. *Id.* By its plain terms, section 143.1 tolling only activates once a proof of loss is filed. *Maier v. CC Services, Inc.*, 2019 IL App (3d) 170640, ¶ 33. Tolling ends when the insurer denies the claim. *Country Preferred*, 2016 IL App (3d) 150080, ¶ 17. Until an insurer denies a claim, there is no reason for an insured to file a demand for arbitration because there is nothing to arbitrate. *Id.*

¶ 28 Based on the plain language of the statute, it is clear that section 143.1 applies to all policies as indicated, including this one, regardless of whether the circuit court *sua sponte* applied it. We reject Direct Auto's argument to the contrary. Our next determination is whether the limitations period was tolled pursuant to section 143.1.

¶ 29 In this case, Direct Auto filed a declaratory judgment action disputing coverage of defendants' hit-and-run accident.A coverage issue that precludes arbitration is one in which it is disputed that the claimant is entitled to any recovery under the policy. *Millers Mutual Insurance Ass'n of Illinois v. House*, 286 Ill. App. 3d 378, 386 (1997). Where an insurer files a declaratory judgment action disputing coverage of a hit-and-run accident, the circuit court is required to stay the arbitration until the resolution of the coverage dispute. *Illinois Founders Insurance Co. v. Williams*, 2015 IL App (1st) 122481, ¶ 42.

¶ 30 That is precisely what happened here. Defendants filed their initial arbitration demand on August 10, 2015, which was within two years of the October 21, 2014, hit-and-run accident, thus commencing arbitration in accordance with the terms of the policy. Direct Auto thereafter filed a declaratory judgment action disputing coverage, which automatically required the stay of any arbitration proceedings until the coverage dispute was resolved, irrespective of the tolling provision contained in section 143.1. In this case, the coverage dispute issue was not resolved for 7 years, or 2,572 days, when it was resolved in defendants' favor.

¶ 31 However, Direct Auto argues that the time frame between proof of loss, April 23, 2015, and denial of the claim, May 8, 2015, was a tiny window during which the limitations period would have been tolled pursuant to section 143.1. Under Direct Auto's interpretation and application of the tolling provision of section 143.1, the limitations provision under the policy would have expired two years after the date of the accident (October 21, 2014) plus 15 days, or November 5, 2016. That argument is without merit based on the total circumstances presented in this case. Notably, Direct Auto makes no argument regarding the automatic stay placed on arbitration proceedings when an insured files a declaratory judgment action disputing coverage as it did in this case.

¶ 32 The record indicates that the AAA file was placed in abeyance on February 22, 2016, and was subsequently administratively dismissed on March 6, 2017, for nonpayment of the abeyance fee, and was not refiled prior to November 5, 2016. Direct Auto filed its first declaratory judgment action on July 1, 2016, disputing coverage, which automatically suspended the pending arbitration proceedings, regardless of the AAA's rules or payment of the abeyance fees. Because the coverage dispute was still pending in the circuit court on November 5, 2016 (two-years 15 days after the accident)), any renewed arbitration demand by defendants would have been futile as it would have again been stayed by the circuit court pending resolution of the declaratory judgment action. Defendants were not legally free to pursue their arbitration demand until the declaratory judgment action was resolved, which judgment was entered on July 17, 2023. Additionally, and more importantly, the policy is silent as to what happens to the limitations period when the insurer commences a declaratory judgment action after an arbitration demand is made by the insured.

¶ 33 While we agree with Direct Auto that tolling under section 143.1 ends when the insurer denies the claim (*Country Preferred*, 2016 IL App (3d) 150080, ¶ 17), that does not address the issue presented here, namely what happens to the tolling period when the insured is legally precluded from pursuing their arbitration demand while the insurer's declaratory judgment action is pending, especially if pending for an extended period of time.

¶ 34 We conclude that the limitations period was tolled during the pendency of Direct Auto's initial declaratory judgment action because the parties were legally precluded from proceeding with arbitration or additional litigation regarding coverage during that time. Any decision to the contrary would be in direct conflict with the case law finding that a circuit court must stay arbitration proceedings when an insurer files a declaratory judgment action disputing coverage. We also find that this conclusion aligns with the spirit and purpose of section 143.1, which is designed to protect consumers when an insurance policy contains a time limitation. *Id.* ¶ 16. As noted above, the purpose of that provision is to prevent insurance companies from sitting on claims, allowing the limitations periods to run, and depriving insureds of their opportunity to litigate their claims. *Id.* It should equally apply when a declaratory judgment action automatically stays any arbitration proceedings or counter litigation by an insured and the insured is legally prevented from moving forward until the declaratory judgment action is resolved.

¶ 35 Here, there were two tolling periods at issue, one pursuant to section 143.1, and one pursuant to the automatic stay imposed due to the filing of Direct Auto's declaratory judgment action disputing coverage. The first tolling period occurred between the date that defendants submitted proof of loss, April 23, 2015, and Direct Auto's denial of defendants' claim on May 8, 2015, for a total of 15 days. This means that defendants had until November 5, 2016, to initiate arbitration against Direct Auto in accordance with section 143.1.

¶ 36 However Direct Auto filed a declaratory judgment action disputing coverage on July 1, 2016, and judgment was not entered in that case until just over seven years later on July 17, 2023. This period is governed by the automatic stay imposed due to the filing of such declaratory judgment action and is the second tolled period, despite its length. Defendants subsequently refiled their arbitration demand on October 30, 2023, pursuant to the AAA's directive and pursuant to the circuit court's order in that declaratory judgment action to proceed with arbitration. We conclude that such refiling was not untimely as defendants had not exhausted the initial two-year filing deadline when the declaratory judgment action was filed.

¶ 37 This court repeatedly held that an insurer will be estopped from raising a limitations defense where its actions during negotiations are such as to lull the insured into a false sense of security, thereby causing him to delay the assertion of his rights. *Sweis v. Founders Insurance Co.*, 2017 IL App (1st) 163157, ¶ 50. We believe that an insurer should equally be estopped from raising a limitations defense when its pending declaratory judgment action legally prevents the insured from litigating their claim until that action is resolved.

¶ 38 We further note that the record indicates that after judgment was entered in favor of defendants' in the first declaratory judgment action in 2023, Direct Auto purported to file its appearance in the arbitration case on August 26, 2023, thus signaling its willingness to participate in the arbitration proceedings as ordered by the circuit court at the conclusion of the first declaratory judgment action. After notification from the AAA that the arbitration demand would have to be refiled, defendants refiled their arbitration demand on October 30, 2023.

¶ 39 Accordingly, we reject Direct Auto's arguments that the circuit court erred in applying section 143.1 in its determination of Direct Auto's second declaratory judgment action based on expiration of the limitations period because we find that the limitations period was tolled under section 143.1 as that section applies to all insurance policies. Additionally, we find that the limitations period was also tolled due to the automatic stay placed on the arbitration proceedings due to the filing of Direct Auto's declaratory judgment action disputing coverage and the pending litigation that was not ultimately resolved until seven years later.

¶ 40 E. Direct Auto's Remaining Issues

¶ 41 Closely related to its prior arguments, Direct Auto further contends that there was no actual controversy when the circuit court ruled on the prior arbitration demand for coverage and this should have no effect on the October 30, 2023, demand and neither *res judicata* nor waiver applied. We reject this contention as defendants were legally precluded from pursuing arbitration or any litigation related to coverage while Direct Auto's declaratory judgment action disputing coverage was pending. See *Illinois Founders Insurance*, 2015 IL App (1st) 122481, ¶ 42. The automatic stay of defendants' arbitration demand did not extinguish their controversy with Direct Auto.

¶ 42 Next, Direct Auto contends that the two-year limitation period contained in the policy and one-year abeyance period of the AAA mirror the tort statute and are not unjust or unfair and the relation-back doctrine does not save the October 30, 2023, demand. We fail to see the relevance of this argument to the issues at hand. As noted above, Illinois law recognizes limitation periods as valid contractual provisions in insurance contracts. *Country Preferred*, 2016 IL App (3d) 150080, ¶ 15. Neither the limitations period nor the AAA's abeyance period are at issue in this case; rather, the question before this court is whether the policy's limitations period is tolled when the insured's arbitration and litigation rights are stayed during the insurer's declaratory judgment action disputing coverage. Additionally, the relation-back doctrine contained in section 2-616(d) (735 ILCS 5/2-616(d) (West 2024)) of the Code is inapplicable to this case because there is no amendment to a complaint at issue here. This issue is without merit.

¶ 43 Finally, Direct Auto contends that defendants' failure to raise any defense to the limitations period waived any claim of tolling. This argument is also without merit where defendants were legally barred from exercising their litigation and arbitration rights during the pendency of Direct Auto's declaratory judgment action.

¶ 44 We conclude that there is no genuine issue of material fact and affirm the circuit court's grant of summary judgment in favor of defendants.

¶ 45 CONCLUSION

¶ 46 Based on the foregoing, we conclude that the circuit court properly granted defendants' motion for summary judgment and denied Direct Auto's motion for summary judgment where (1) defendants commenced their demand for arbitration within two years of the accident, (2) section 143.1 of the Insurance Code applied to toll the limitations period until the denial of the claim was made, and (3) defendants' October 30, 2023, refiled arbitration demand was not untimely where the arbitration was automatically stayed during the pendency of Direct Auto's declaratory judgment action disputing coverage. The judgment of the circuit court of Cook County is affirmed.

¶ 47 Affirmed.

***Direct Auto Insurance Co. v. Macon-Hamblet*, 2026 IL App (1st) 242530**

Decision Under Review:	Appeal from the Circuit Court of Cook County, No. 23-CH-10087; the Hon. Thaddeus L. Wilson, Judge, presiding.
Attorneys for Appellant:	Samuel A. Shelist, of Shelist & Pena, LLC, of Chicago, for appellant.
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