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Southern District Finds Watercraft Exclusion Ambiguous: United Fire & Cas. Co. v. Hall

James Maloney Jul 13, 2017

A case handed down by the Southern District of the Missouri Court of Appeals on June 21, 2017 found a watercraft exclusion in a homeowners' policy ambiguous based on the facts of the case and found the policy did cover liability for a boating injury.

The exclusion in the United Fire & Casualty Company homeowners' policy barred coverage for injuries arising out of the ownership, maintenance, or use of watercraft "owned by or rented to an insured." The insureds at issue were Jeffrey Cox and his two sons, Lucas Cox and Jared Cox. The plaintiff, Zachary Hall, was injured by their alleged negligence when Lucas started the boat's engine while Hall was swimming, which caused the propeller to sever Hall's foot. United Fire acknowledged coverage under Jeffrey's boat and umbrella policies, but it relied on the exclusion to deny coverage under the homeowners' policy. At issue was whether the boat was owned by an insured, which is where the facts took a turn for the somewhat unusual.

United Fire argued Jeffrey owned the boat, such that it would be excluded. However, the boat was actually owned by the Jeffrey L. Cox Living Trust. Jeffrey was a grantor, the sole trustee, and a beneficiary of the trust. Lucas and Jared would become beneficiaries of the trust upon Jeffrey's death. Ultimately, the court found that Jeffrey did not own the boat in his individual capacity (*i.e.*, his capacity as an insured) and that, therefore, the boat was not owned by an insured and the exclusion did not apply.

In reaching this conclusion, the court relied on the Supreme Court of Missouri decision in *Manner v. Schiermeier*, 393 S.W.3d 58 (Mo.banc 2013), which had held that (i) where a term is not defined in a policy, the term will be viewed in the meaning that would ordinarily be understood by the layman who bought and paid for the policy; and (ii) because there are "many dictionary definitions of the terms 'owner' and 'owned' the terms were ambiguous." Turning to the United Fire policy before it, the court reasoned, "Here, similarly, the two homeowner's policies did not define the term 'owned by.' Moreover, this case involved titled property which was subject to the terms of a trust. Under those circumstances there is a distinction between ownership in an individual capacity and ownership as trustee. Thus, under the facts of this case, where the policy documents do not define the term 'owned by' and there is a separation of the rights of the individuals by virtue of the trust, the term 'owned by' is ambiguous. Where policy language is ambiguous, the language must be interpreted in favor of the insured."

The court concluded, "Jeffrey did not hold legal title to the boat in his individual capacity. Instead, legal title to the boat was held by Jeffrey in his capacity as trustee."

ABOUT THE AUTHOR

James Maloney



The law of insurance coverage and bad faith is constantly evolving, and Jim is on the cutting edge. He is at the forefront of... More about James Maloney