

Policyholder Playbook Episode 26: Assess Whether the Insurer's Coverage Position Renders Other Policy Provisions Meaningless

June 11, 2024 Greg Van Houten

PRACTICES Insurance Recovery, Litigation

Quick Overview of the Play – Carefully assess whether the insurer's coverage position renders any policy provisions meaningless. If it does, call attention to that fact in letter writing or briefing.

The best policyholder advocates scrutinize the insurer's coverage position from myriad angles. As a part of that process, they focus not just on the key policy provision at issue in that matter, but on the policy as a whole. That approach makes a lot of sense. A fundamental principle of contract interpretation is that the contract must be interpreted as a whole and in a way that gives meaning to all its provisions. *See, e.g., RSUI Indem. Co. v. The Lynd Co.*, 466 S.W.3d 113, 118 (Tex. 2015) (“We strive to give effect to all of the words and provisions so that none is rendered meaningless.”).

To put an example behind this idea, in *RSUI*, the insurer argued that because the policy at issue was labeled as a “scheduled” policy, its obligations with respect to a property damage claim were capped by certain “scheduled” amounts. *Id.* at 121. The policyholder aptly argued that, if the insurer's obligations were capped by certain “scheduled” amounts, then there would be no need for the policy's aggregate limit, which otherwise would cap the insurer's obligations. *See* Respondent's Br. at *7–8, 2013 WL 6667782. In other words, the insurer's interpretation would render the policy's aggregate limit meaningless.

In issuing its decision, which was decidedly in favor of the policyholder, the Texas Supreme Court considered the policy “as a whole,” and refused to render any of its provisions “meaningless.” 466 S.W.3d at 118, 120.

The key message here is simple: carefully assess whether the insurer's coverage position renders any policy provisions meaningless, as the law favors interpretations that give meaning to all policy terms.

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