

Policyholder Playbook Episode 39: Stress That Undefined Terms Are Construed Against the Insurer

April 1, 2025 Greg Van Houten

PRACTICES Insurance Recovery, Litigation

Quick Overview of the Play – When a coverage dispute turns on an undefined term, stress that undefined terms are generally construed against the insurer who drafted the policy.

The best policyholder advocates stack the deck against the insurer by shifting the burden to the insurer or otherwise raising the insurer’s burden of proof. There is a tool for doing so when a coverage dispute turns on an undefined term: the common law that says that an undefined term “will generally be construed against the insurer who drafted it in order to promote coverage for losses to which the policy relates.”¹

In *Stoneline*, a decision handed down by a New York federal court late last month, the court cited that common law enroute to handing the policyholder an important victory.² There, a policyholder sought coverage under a marine cargo policy for marble that was damaged at sea, but the insurer argued that coverage was unavailable because the policy required that cargo be “properly packaged.”³ To frame the issue, the court first noted that “the Policy does not specify any requirements for proper packaging.”⁴ The court next noted that, “[i]f an insurer leaves a policy term indefinite, ‘it will generally be construed against the insurer who drafted it in order to promote coverage for losses to which the policy relates.’”⁵ In other words, at the outset, the court steepened the insurer’s climb.

The insurer, trying to climb the hill, argued that, in order for the cargo to have been “properly packaged,” it had to be “containerized.”⁶ The court noted that the policy didn’t say that.⁷ “As such,” the court held, the insurer “failed to show that there is no genuine dispute as to any material fact,” which meant that summary judgment in the insurer’s favor was not proper.⁸

The best policyholder advocates think about the framework through which the court will analyze the dispute. It is always a good idea for policyholder advocates to consider framing the dispute as one that will be difficult for the insurer to prevail upon given the insurer’s drafting choices. One such drafting choice is the choice to leave key policy terms undefined. When that occurs, the deck can be stacked against the insurer.

To receive future posts by email, please subscribe [here](#).

¹ See *Stoneline Group, LLC v. Liberty Mutual Insurance Co.*, No. 23-cv-8115 at 14 (S.D.N.Y. Mar. 27, 2025) (quoting *Ingersoll Mill. Mach. Co. v. M/V Bodena*, 829 F.2d 293, 306 (2d. Cir. 1987) and citing *Handelsman v. Sea Ins. Co.*, 85 N.Y.2d 96, 101 (1994)).

² No. 23-cv-8115 at 14–16.

³ *Id.* at 6–7, 14.

⁴ *Id.* at 14.

⁵ *Id.* (citations omitted).

⁶ *Id.* at 15.

⁷ *See id.*

⁸ *Id.*