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NO. 64337-1-I

IN THE COURT OF APPEALS  
OF THE STATE OF WASHINGTON  
DIVISION I

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CERTAIN UNDERWRITERS AT LLOYD'S, LONDON,

Respondent,

vs.

THE TRAVELERS PROPERTY CASUALTY COMPANY OF AMERICA,

Appellant,

and

EVERGREEN HEALTHCARE; and LONG-CENTER ASSOCIATES, LP,

Defendants.

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APPEAL FROM KING COUNTY SUPERIOR COURT  
Honorable Julie Spector, Judge

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REPLY BRIEF OF APPELLANT

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The parties agree that the main PROPERTY COVERAGE FORM of the Travelers policy includes an exclusion for “loss or damage caused directly or indirectly” by Flood. (CP 575) They also agree that the policy includes an endorsement that restores coverage, limited to \$1,000,000, for “all loss or damage caused by Flood.” (CP 598, 674)

The parties’ dispute centers around the effect of the flood endorsement. Travelers maintains that, pursuant to the express terms of that endorsement, the most that it agreed to pay for “all loss or damage caused by Flood” is \$1,000,000, and that since it has paid that \$1,000,000, Lloyd’s \$10,000,000 policy has been triggered. Lloyd’s claims that, when Travelers added the flood endorsement to its policy, Travelers not only expressly agreed to provide up to \$1,000,000 in flood coverage, but also to provide up to \$10,000,000 in ordinance or law coverage in connection with flood losses. Lloyd’s further claims that its own obligation is not triggered until Travelers’ \$1,000,000 + \$10,000,000=\$11,000,000 has been exhausted. Only then, according to Lloyd’s, are its “coverage obligations . . . triggered.” (CP 465)

Lloyd’s position in this case is premised on the following incorrect theories :

- The limited \$1,000,000 coverage provided by the flood endorsement for “all loss or damage caused by Flood” applies only to

physical loss or damage caused by flood, and not to other losses caused by flood, such as additional repair costs arising from enforcement of an ordinance or law;

- The Travelers policy's \$10,000,000 ordinance or law coverage applies "in addition to" the limited \$1,000,000 coverage provided by the flood endorsement;

- Lloyd's liability attaches "only after the underlying excess insurer (*i.e.*, Travelers) has paid or admitted liability" \$11,000,000 (Brief of Respondent 10); and

- Even if the Travelers policy could reasonably be read as Travelers reads it, Lloyd's interpretation is also reasonable, thus rendering the Travelers policy ambiguous.

Lloyd's flawed theories can lead to only one conclusion: that Travelers limited its coverage for physical loss due to flood to less than 1 percent of the blanket building coverage (\$277,120,000) available for most other perils, but at the same time inexplicably agreed to provide 100 percent of other incidental coverages, including the ordinance or law coverage, in connection with flood losses. (CP 672)

Lloyd's theories have no basis in the policy language, extrinsic evidence, or the law, and its ultimate conclusion is not only unsupported by the record, it defies common sense.

## I. ARGUMENT

Lloyd's claims that to prevail, all it has to do is to show that its proposed interpretation of the Policy is reasonable. The Travelers policy, however, is not ambiguous, and, in any event, Lloyd's proposed interpretation is not reasonable. Even if it were, that would not be the end of the inquiry because extrinsic evidence shows that any ambiguity must be resolved in Travelers' favor. *See Quadrant Corp. v. American States Insurance Co.*, 154 Wn.2d 165, 172, 110 P.3d 733 (2005).

### A. THE TRAVELERS POLICY UNAMBIGUOUSLY LIMITS LIABILITY FOR ALL FLOOD-RELATED LOSS TO \$1,000,000.

Lloyd's first theory is that the Travelers policy "unambiguously provides a \$10,000,000 limit for Covered Costs and Expenses attributable to Ordinance or Law that is 'in addition to' the \$1,000,000 Flood Limit." (Brief of Respondent 14). This theory leads Lloyd's to claim that Travelers is trying to "rob" Evergreen of, or "avoid paying" Evergreen, the Covered Costs and Expenses attributable to ordinance or law. (Brief of Respondent 11, 14)

Travelers is not trying to "rob" or "avoid paying" Evergreen of anything Evergreen is entitled to be paid. Indeed, not only did Evergreen,

the policyholder, not oppose Travelers' summary judgment motion, Lloyd's itself has admitted (CP 442):

. . . Evergreen suffered an insured loss and the *only* dispute concerns how to allocate the loss to either Travelers or Lloyd's.

(Emphasis added.) Thus, this appeal is between only Travelers and Lloyd's.<sup>1</sup>

Nonetheless, suggesting that Travelers is arguing that it does not provide Evergreen anything more than physical loss coverage for flood (Brief of Respondent 16), Lloyd's points to four policy forms (1) the PROPERTY COVERAGE FORM; (2) the flood endorsement; (3) the Supplemental Coverage Declarations; and (4) the GENERAL CONDITIONS. (Brief of Respondent 15-19) As Travelers explained in its opening brief, however, these forms expressly and unambiguously demonstrate that, "Travelers' liability in this case, *including for ordinance or law coverage*, is limited to that \$1,000,000 flood sublimit." (Brief of Appellant 17) (emphasis added).

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<sup>1</sup> Evergreen and Long-Cent Associates, LP, Evergreen's lessor, were parties in the trial court, but neither opposed Travelers' summary judgment motion. Evergreen, Long-Cent, and Travelers stipulated to a dismissal of the claims between them. (CP 858-59)

1. **The PROPERTY COVERAGE FORM.**

In discussing the PROPERTY COVERAGE FORM, Lloyd's points to the INSURING AGREEMENT (which potentially provides coverage for "direct physical loss or damage to Covered Property . . . caused by or resulting from a Covered Cause of Loss") and the COVERAGE provision (which defines Covered Property and identifies Covered Costs and Expenses, such as repair costs necessitated by enforcement of an ordinance or law). (Brief of Respondent 15-16) In so doing, Lloyd's fails to mention that:

- (a) The INSURING AGREEMENT defines "Covered Cause of Loss" as "risks of direct physical loss *unless the loss is excluded in Section D., Exclusions . . .*" (CP 568) (emphasis added).
- (b) Section D., Exclusions of the PROPERTY COVERAGE FORM, expressly provides that "[t]he Company will not pay for loss or damage caused directly or indirectly by . . . FLOOD." (CP 575) Hence, under the PROPERTY COVERAGE FORM, flood is *not* a Covered Cause of Loss.
- (c) The portion of the COVERAGE provision of the PROPERTY COVERAGE FORM providing ordinance or

law costs or expenses coverage specifically requires a “Covered Cause of Loss.”<sup>2</sup> (CP 573) Thus, *under the PROPERTY COVERAGE FORM, there is no coverage for ordinance or law expenses incurred in connection with flood losses.*

**2. The Flood Endorsement.**

Lloyd’s correctly points out that in the Travelers policy’s flood endorsement, flood is “added to the Covered Causes of Loss.” (Brief of Respondent 15; CP 597) Lloyd’s fails to mention, however, that the flood endorsement expressly provides:

C. Under the Exclusions contained in Section D. of the Property Coverage Form:

...

2. The Flood exclusion *does not apply to the insurance specifically provided under this endorsement.*

...

*All other exclusions and limitations in this policy continue to apply.*

(CP 597) (emphasis added).

---

<sup>2</sup> The Ordinance or Law Coverage in the Coverage portion of the PROPERTY COVERAGE FORM states “If a Covered Cause of Loss occurs to Covered Property, the Company will pay for” ordinance or law coverage as specified in the PROPERTY COVERAGE FORM. (CP 573)

Thus, by its terms, the flood endorsement does *not* delete the flood exclusion from the Travelers policy. Rather, it makes the flood exclusion inapplicable to the insurance *specifically* provided by the flood endorsement. The insurance *specifically* provided by the flood endorsement is limited by that endorsement as follows:

The most the Company will pay for the total of *all loss or damage caused by Flood* in any one policy year is the single highest Annual Aggregate Limit of Insurance specified for Flood shown in the Supplemental Coverage Declarations.

(CP 598) (emphasis added).

Any coverage created by the flood endorsement, therefore, is capped by the limit set forth in the Supplemental Coverage Declarations, and, contrary to Lloyd's position, the flood exclusion continues to otherwise apply.

### **3. The Supplemental Coverage Declarations and GENERAL CONDITIONS.**

As Lloyd's points out, in addition to setting forth a \$1,000,000 limitation on coverage for all flood losses and a \$10,000,000 limit for ordinance or law coverage, the Supplemental Coverage Declarations provides:

LIMITS OF INSURANCE —For application of Limits of Insurance refer to Section O. Limits of Insurance in the General Conditions . . . .

(Brief of Respondent 18; CP 672)

As Lloyd's also points out, Section O of the General Conditions provides:

2. Under the Property Coverage Form, unless otherwise stated in the Supplemental Coverage Declarations, or by endorsement:

...

b. The Limits of Insurance that are specified for [Ordinance or Law] are in addition to the Covered Property Limit(s) of Insurance.

(Brief of Respondent 18; CP 622).

Lloyd's reliance on Section O. of the General Conditions to support its theory that the \$10,000,000 ordinance or law coverage limit is "in addition" to the limited coverage created by the flood endorsement is misplaced for at least two reasons.

First, Section O. states that the ordinance or law coverage is "in addition to Covered Property Limit(s) of Insurance." (CP 622) Contrary to Lloyd's contention, the \$1,000,000 limitation on coverage for flood losses is ***not*** a Covered Property Limit.

Section B. of the PROPERTY COVERAGE FORM states in relevant part (CP 568):

Coverage is provided for ***Covered Property ... as described in Sectio[n] B.1.*** ... for which the Insured has an insurable interest ... ***Coverage applies only when a Limit of Insurance is shown in the Supplemental Coverage Declarations for the specific type of Covered Property . . .***

(Emphases added.) Section B.1, in turn, specifically identifies the types of **property** that constitute Covered Property (assuming, *i.e.*, that a Limit of Insurance is listed in the Supplemental Declarations) (CP 568-71):

- a. Buildings
- b. Business Personal Property
- c. “Electronic Data Processing Equipment” and “Electronic Data Processing Data and Media”
- d. Accounts Receivable
- e. Valuable Papers and Records
- f. “Fine Arts”
- g. “Newly Constructed or Acquired Property”
- h. “Outdoor Property”
- i. Personal Effects of Officers and Employees of the Insured
- j. Covered Property At Undescribed Premises
- k. Covered Property in Transit
- l. Covered Property Overseas<sup>3</sup>

Significantly, flood is not **property**, it is a peril. *See Kish v. Insurance Co. of North America*, 125 Wn.2d 164, 173, 883 P.2d 308

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<sup>3</sup> The Supplemental Coverage Declarations contain limits for each of these twelve items listed in COVERED PROPERTY, B.1., except for Covered Property at Undescribed Premises and Covered Property Overseas, coverages which Evergreen did not purchase. (CP 686-87)

(1994). Thus, flood is not among various types of *property* listed in Section B.1 as Covered Property when a Limit of Insurance appears in the Supplemental Declarations. (CP 568-71) The Travelers policy cannot reasonably be read to define flood as Covered Property,

Consequently, the phrase “Covered Property Limit(s) of Insurance” in Section O of the GENERAL CONDITIONS refers only to the limit(s) of insurance applicable to the various types of Covered Property listed in Section B.1. It does not include the \$1,000,000 limitation on coverage for flood losses. (CP 568-71, 622, 672-73) There is no other reasonable interpretation of “Covered Property Limit(s) of Insurance.” Lloyd’s theory that the ordinance or law coverage is in addition to the limited coverage provided for flood losses makes no sense. *See Tewell, Thorpe, & Findlay, Inc. v. Continental Casualty Co.*, 64 Wn. App. 571, 576, 825 P.2d 724 (1992).

Second, even assuming that the \$1,000,000 limitation on coverage for flood losses somehow constitutes a Covered Property Limit (which it does not), Section O expressly states that the “in addition” language applies **unless otherwise stated in the Supplemental Coverage Declarations or by endorsement.** (CP 622) As noted *supra*, flood is an excluded Cause of Loss under the PROPERTY COVERAGE FORM, and, hence, any coverage for Evergreen’s claim must arise from the flood

endorsement. The flood endorsement (a) specifically provides at most \$1,000,000 in coverage for “*all* loss or damage caused by Flood” and (b) *leaves the flood exclusion in place for all other flood-related losses.* (CP 597-98) (emphasis added). Consistent with the express terms of the flood exclusion, the Supplemental Coverage Declarations provides (CP 674):

17. Flood—  
aggregate in any  
one policy year,  
for *all losses*  
*covered under*  
*this policy*. . . :

- a. Occurring at  
Insured Premises  
within the Flood  
Zones prefixed A  
... \$1,000,000

(Emphasis added.)

Faced with policy language that unambiguously demonstrates that the \$1,000,000 *limitation* on coverage for flood losses applies to “*all losses covered under this policy*” (including physical damage and ordinance and law expenses) Lloyd’s accuses Travelers of being “*simplistic[]*” and “*condescending[]*” for pointing out that dictionary definitions confirm that “*all*” means all. (Brief of Respondent 22; CP 674) (emphasis added). Washington courts, however, frequently resort to dictionaries when an insurance policy term is not defined in the policy.

*Overton v. Consolidated Insurance Co.*, 145 Wn.2d 417, 428, 38 P.3d 322 (2002). Moreover, the Washington Supreme Court has recently held that “all claims” “encompasses all claims.” *McGuire v. Bates*, \_\_\_ Wn.2d \_\_\_, \_\_\_ P.3d \_\_\_ (2010), 2010 WL 2616010, at \*2 (Wash. Jul. 1, 2010). Since “all claims” means all claims, “all losses” means all losses.

Lloyd’s reliance on the boiler and machinery endorsement vis-à-vis the business income, rental value, and extra expense coverages is misplaced. The business income, rental value and extra expense coverages are not Covered Costs and Expenses subject to that portion of Section O that says the limits for ordinance or law coverage or other Covered Costs and Expenses are “in addition to” the Covered Property Limit(s) of Insurance. (CP 572-74, 622) Furthermore, unlike the flood endorsement, the boiler and machinery endorsement does not use the phrase “all loss or damage caused by” the peril at issue. (CP 598, 603) And, unlike the flood section of the Supplemental Coverage Declarations, the boiler and machinery section of the Supplemental Coverage Declarations does not refer to “all losses covered under this policy.” (CP 674-75)

Tellingly, Lloyd’s has not cited *any* legal authority that the terms “all loss or damage caused by Flood” and “all losses covered under this policy” mean something other than what they say—that the coverage

created by the flood endorsement is specifically capped at \$1,000,000. (CP 598, 674) (emphasis added). That Section O says that ordinance or law coverage limits are “in addition to” limits of insurance applicable to the various types of Covered Property listed in Section B.1 does nothing to change that fact.

**B. EXTRINSIC EVIDENCE ESTABLISHES THAT ANY AMBIGUITY MUST BE RESOLVED IN TRAVELERS’ FAVOR.**

Even if the Travelers’ policy language were ambiguous, which it is not, extrinsic evidence would require the same result. Lloyd’s concedes that “[t]he extrinsic evidence shows . . . that Lloyd’s provided \$10,000,000 flood coverage excess of Traveler’s \$1,000,000.” Nevertheless, Lloyd’s argues that no extrinsic evidence clarifies whether Travelers provides an additional \$10,000,000 in ordinance or law coverage. (Brief of Respondent 26)

Lloyd’s ignores a letter written on behalf of its and Travelers’ mutual policyholder, Evergreen. In that letter, Evergreen’s agent took the position that of Evergreen’s \$10,000,000+ loss, the NFIP policy owed \$500,000, Travelers owed \$1,000,000, and Lloyd’s owed the remainder up to its \$10,000,000 limit:

I am writing to press for the full and final settlement from Travelers on this claim. . . .

We have all agreed from the beginning that Travelers had a \$1,000,000 sub limit that applied to this location and flood

zone . . . . Also, FEMA [NFIP] has paid out their entire limit of \$500,000 to Evergreen Centralia on the building . . . . It is now Travelers time and turn to pay Evergreen the \$1,000,000 for the damages and value of the building with the proceeds provided by our insurance contract. With all the building ordinance and increased costs of construction requirements, overall value of this claim could be upwards of \$10,000,000.

. . . FEMA has settled their building claim, then with Travelers settling the next building coverage layer, it will allow for settlement of the excess Lloyd's protection.

(CP 735)

Thus, extrinsic evidence shows that the only party to both the Travelers and Lloyd's insurance contracts expected that once Travelers paid its \$1,000,000 flood sublimit, Lloyd's \$10,000,000 coverage was triggered, even though the loss involved building ordinance expenses. Lloyd's has failed to offer any contrary extrinsic evidence.

**C. LLOYD'S CONTINUES TO CLAIM ITS POLICY SAYS SOMETHING IT DOES NOT SAY.**

To support its position that its policy is triggered only after Travelers pays or admits liability for \$11,000,000, Lloyd's repeatedly claims its policy says that "liability attaches only after the underlying insurers paid or admitted full liability" or words to that effect.<sup>4</sup> (Brief of

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<sup>4</sup> See also Brief of Respondent 10 ("The Lloyd's policy then stated that Lloyd's liability attached only after the underlying excess insurer (*i.e.*, Travelers) has paid or admitted liability for the policy's full amount"); 28 ("the LIMIT paragraph in the Lloyd's policy

Respondent 1-2) Travelers agrees that Lloyd's policy attaches only after Travelers had paid or admitted full liability, but disagrees that its "full liability" is \$11,000,000, as Lloyd's claims. Travelers "full liability" in this case is \$1,000,000, as discussed *supra*.

Moreover, as explained at pages 13-17 of Travelers' opening brief, nowhere does the Lloyd's policy say, as Lloyd's implies, that it is triggered only after Travelers pays \$11,000,000.<sup>5</sup> In fact, the Lloyd's policy expressly says that it is excess to a specific number—namely, \$1,000,000. *See* Appendix. If Lloyd's intended its coverage to be excess of \$11,000,000, it did not say so. The unexpressed intent of one party to an insurance contract is irrelevant. *See Wheeler v. Rocky Mountain Fire & Casualty Co.*, 124 Wn. App. 868, 871, 103 P.3d 240 (2004), *rev. denied*, 155 Wn.2d 1002 (2005).

Lloyd's further contends that "Travelers argued that the Court should not consider the language of Travelers' underlying policy wording even though Lloyd's followed that form." (Brief of Respondent 11) But Travelers merely indicated that Lloyd's has never pointed to anything in its policy that actually says its policy is excess over \$11,000,000. (Brief

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shows that the liability of the Lloyd's underwriters does not attach until **after** Travelers has paid or admitted liability for the loss's full amount") (emphasis in original).

<sup>5</sup> The pertinent Lloyd's policy provisions are set forth in the appendix hereto for the Court's convenience.

of Appellant 16) Because Lloyd’s policy otherwise “follows” the Travelers form, which contains no express language about when the Lloyd’s policy is triggered, it was up to Lloyd’s to specifically say when its coverage is triggered. If Lloyd’s wished to be excess of \$11,000,000, it should have said so.

**D. LLOYD’S SHOULD NOT BE ALLOWED TO CONTRADICT ITSELF.**

Noting that all or most of the insured’s remaining loss, after payment of the \$500,000 NFIP policy and Travelers \$1,000,000, is attributable to ordinance or law expenses (Brief of Respondent 28), Lloyd’s appears to insinuate its policy does not pay for ordinance or law expenses.<sup>6</sup> But Lloyd’s told the trial court:

*. . . Lloyd’s Policy Does Not Respond to Ordinance or Law Costs/Expenses until Travelers Pays its Policy Limit*

. . . .

*. . . The issue is whether Lloyd’s should have to pay for Evergreen’s **Ordinance or Law costs/expenses** before Travelers exhausts its policy limit.*

*. . . Travelers offers no reasonable explanation why Lloyd’s should pay for Evergreen’s Ordinance or Law costs and*

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<sup>6</sup> For example, Lloyd’s claims its policy “insured just the flood peril”, that “[n]one of the extrinsic evidence addresses the issues arising here or even mentions Ordinance or Law”, “Lloyd’s told Evergreen that they would pay for flood damage in excess of the \$500,000 primary NFIP policy and Travelers’ \$1,000,000 Flood limit”, “Evergreen’s damages excess of \$1,500,000 concern Ordinance or Law—not flood” (emphasis omitted), and “language in the Lloyd’s policy does not absolve Travelers of its policy obligation to pay for Ordinance or Law coverage.” (Brief of Respondent 9, 26, 28, 29)

expenses *before* Travelers’ exhausts its \$10,000,000 policy limit.

(CP 784) (boldface in original; italics and underscoring added) Indeed, at oral argument on the insurers’ cross-motions for summary judgment, Lloyd’s attorney said (RP 19):

If it goes above, then Evergreen will get the ten million in code upgrades from Travelers, the one million dollars from Travelers for flood, and then whatever is excess of that Underwriters is going to pay. It could very well exceed the ten million dollars. If it goes, Underwriters pays for that.

*See also* CP 442 (Lloyd’s acknowledging coverage and admitting “the only dispute concerns how to allocate the loss to either Travelers or Lloyd’s”). In fact, *not once in this litigation* has Lloyd’s denied that its policy pays ordinance or law expenses. And even in its brief to this Court, Lloyd’s says, its policy “does not respond to Ordinance or Law coverage *until after* Travelers pays its policy limit.” (Brief of Respondent 27) (boldface in original; italics, underscoring added).

**E. LLOYD’S POSITION LEADS TO AN ABSURD RESULT.**

As discussed *supra*, the Travelers policy’s aggregate limits clause applies to “all losses covered under this policy” language. This language is used only twice in the Travelers policy—with respect to the limits for flood and the limits for earthquake, volcanic eruption, landslide, and mine subsidence (hereinafter collectively referred to as “earth movement”). (CP 674) These perils are excluded in the main PROPERTY COVERAGE

FORM (CP 575), as they are in most policies, presumably because most insurers wish to avoid the huge losses that flood and earth movement typically bring.

Endorsements, however, provide flood and earth movement coverage, albeit with significantly lower limits than those applicable to other perils. (CP 595-98) For example, for flood zone A, the flood endorsement provides up to \$1,000,000 in coverage. (CP 674) The earth movement endorsement provides between \$2,500,000 to \$20,000,000 in coverage depending on the location of the earth movement. (CP 674) While these coverages are not insignificant, they nevertheless amount to only a small percentage of the \$277,120,000 blanket building insurance available for most other perils. (CP 672)

“‘[A] policy should be given a practical and reasonable interpretation rather than a strained or forced construction that leads to an absurd conclusion, or that renders the policy nonsensical or ineffective.’” *Public Utility District No. 1. v. International Insurance Co.*, 124 Wn.2d 789, 799, 881 P.2d 1020 (1994) (quoting *Transcontinental Ins. Co. v. Washington Pub. Utils. Dists.’ Util. Sys.*, 111 Wn.2d 452, 457, 760 P.2d 337 (1988)).

As Travelers pointed out at pages 22-24 of its opening brief, Lloyd’s theory is that although Travelers significantly limited its flood and

earthquake physical loss coverage to relatively nominal amounts, it nonetheless extended 100 percent of the policy's other incidental coverages, including Covered Costs and Expenses, for flood and earthquake related losses. *Lloyd's does not deny that this is an absurd result.* But it is the result that Lloyd's seeks to have this Court reach.

## II. CONCLUSION

It is Lloyd's, not Travelers, that is trying to avoid its contractual obligation. Lloyd's agreed to provide \$10,000,000 in flood coverage once the two underlying insurers—Travelers and NFIP—paid \$1,000,000, and \$500,000 respectively. Now Lloyd's is trying to avoid the very obligation for which it contracted.

The trial court was wrong when it granted summary judgment to Lloyd's, rather than to Travelers. This Court should reverse and remand for entry of summary judgment in Travelers' favor.

DATED this 14<sup>th</sup> day of July, 2010.

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## APPENDIX—Lloyd’s Policy Provisions

The Lloyd’s policy provides:

3. **LIMIT**  
Provided always that *liability attaches to the Underwriters only after the Primary and Underlying Excess Insurer(s) have paid or have admitted liability for the full amount of their respective Ultimate Net Loss liability as set forth in Item 9 of the Schedule and designated “Primary and Underlying Excess Limit(s)” and then the limits of Underwriters Liability shall be those set forth in Item 10 of the Schedule under the designation “Excess Limit(s)”* and the Underwriters shall be liable to pay the ultimate net loss up to the full amount of such “Excess Limit(s)”.  
.....
5. **UNCOLLECTIBILITY OF OTHER INSURANCE**  
Notwithstanding any of the terms of the Policy that might be construed otherwise, the insurance provided by this Policy shall always be excess over the maximum monetary *limits set forth in Item 9 of the Schedule ....*

(CP 528, 699) (emphases added).

Item 9 of the Schedule states (CP 697):

9. Primary and Underlying Excess Limit(s)  
USD1,000,000 Ultimate net loss per occurrence subject to an aggregate limit of  
USD1,000,000 any one Policy year  
Which in turn is excess of  
USD500,000 per occurrence per Building in respect of Buildings . . .

Item 10 of the Schedule provides (CP 697):

10. Excess Limit(s):  
USD10,000,000 Ultimate net loss per occurrence subject to an aggregate limit of  
USD10,000,000 any one Policy year.