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Virginia Supreme Court: Newly-Acquired Subsidiary Does Not Receive Coverage Under Owner's Property Insurance

17 Jan 2019

After EPC MD 15, LLC purchased commercial property fire insurance from Erie Insurance Exchange, it purchased another company that owned a separate building on another property. The new subsidiary was not a named insured under the original policy. When that building sustained fire damage, EPC submitted a claim, claiming that the purchase of the subsidiary made the subsidiary's property "newly acquired property" under the policy. Erie denied coverage. The trial court, on cross-motions for summary judgment, held that the word "acquired" was ambiguous and therefore construed it against Erie, entering judgment for EPC. Erie appealed, and the Virginia Supreme Court, in a unanimous opinion by Justice Kelsey, reversed and entered final judgment in favor of Erie. The Court held that since the subsidiary was always the sole owner of the property, EPC never "acquired" the property, as it only exerted indirect control over the property through the subsidiary. The Court reasoned that EPC's rationale would cause insurers to be unwittingly responsible for properties while having "no underwriting information necessary to make a risk assessment and established no premium rating on the de facto insured that actually owned the newly acquired property." A link to the opinion in *Erie Insurance Exchange v. EPC MD 15, LLC* is here.

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TAGGED: virginia supreme court, Insurance, newly acquired property, ambiguous, Erie Insurance Exchange v. EPC MD 15 LLC