

COURT OF APPEALS OF TEXAS, EIGHTH DISTRICT, EL PASO

Oceanus Insurance Company v. Jeff White and Brandy White, as
Parents and Next Friends of H.W., a Minor

372 S.W.3d 700 (Tex. App.—El Paso 2012) · No. 08-11-00111-CV · Decided May 25, 2012

SUMMARY

The Texas Court of Appeals considered whether a medical malpractice insurance policy provided separate coverage for claims against an individual physician in addition to claims against a clinic. The court held that the claims-made-and-reported policy excluded claims previously reported to the physician’s prior insurer and that no claim against the physician was reported to Oceanus during the policy period. The court reversed the trial court’s judgment and rendered judgment declaring that the Oceanus policy did not cover the claims against Dr. Shawn White.

CASE DETAILS

COURT	Court of Appeals of Texas, Eighth District, El Paso
WRITING FOR THE COURT	Guadalupe Rivera; Antcliff; Chew, C.J. (Senior), sitting by assignment
JURISDICTION	Texas
DECIDED	May 25, 2012
DOCKET	08-11-00111-CV
DISPOSITION	reversed
PROCEDURAL POSTURE	Oceanus appealed from a final declaratory judgment order determining that the Oceanus insurance policy provided separate coverage for Dr. Shawn White and was triggered to provide coverage for him in an underlying medical-malpractice action.
STANDARD OF REVIEW	De novo review applies to interpretation of an unambiguous contract and insurance policy. Policy language having a certain or definite meaning is construed as a matter of law.
PRECEDENTIAL VALUE	Published opinion
PARTIES	Oceanus Insurance Company v. Jeff White and Brandy White, as Parents and Next Friends of H.W., a Minor

TOPICS

insurance coverage

declaratory relief insurance

contract interpretation

appellate procedure

standard of review

PRACTICE AREAS

insurance

contracts

appellate procedure

QUESTIONS PRESENTED

1. Whether Oceanus waived its right to appeal the declaratory judgment by failing to include an express reservation of appellate rights in the parties' settlement agreement.
2. Whether the Oceanus policy unambiguously barred coverage for the Whites' individual claims against Dr. White after those claims had previously been reported to and resolved by JUA.
3. Whether coverage under the Oceanus claims-made-and-reported policy was triggered when no claim against Dr. White individually was made and reported to Oceanus during the policy period.
4. Whether Oceanus was required to demonstrate prejudice before denying coverage based on the absence of a claim reported during the policy period.

HOLDINGS

1. Oceanus did not waive its right to appeal because the settlement agreement's references to the final resolution or final outcome of the declaratory action did not clearly demonstrate an intentional relinquishment of appellate rights.
2. The unambiguous Oceanus policy barred the Whites from pursuing coverage for their individual claim against Dr. White because the claim had previously been reported to, defended, and settled by JUA.
3. Coverage for Dr. White individually was not triggered because no claim against him in his individual capacity was made and reported to Oceanus during the policy period.
4. Oceanus was not required to demonstrate prejudice because the policy's claim-reporting requirement was an essential condition of coverage and no claim against Dr. White individually was reported during the policy period.

KEY QUOTATIONS

“The unambiguous language of the policy clearly sets forth that the policy covers only those claims that are first made against the insured and reported to Oceanus while the policy is in force and that Oceanus will not provide defense or indemnity for any medical incident, claim or potentially compensable event which has been reported to the named insured’s previous insurance company” (at 705)

“The Oceanus policy is a claims-made-and-reported policy.” (at 706)

“Because the essential report of a claim against Dr. White was not made, and could not have been made, to Oceanus, we conclude that Oceanus need not demonstrate prejudice to deny coverage.” (at 707)

FACTUAL BACKGROUND

The Whites asserted medical-malpractice claims against Dr. Shawn White and the Wise County Medical and Surgical Clinic. Brandy White made a verbal demand against Dr. White in 2005 while the clinic was insured by the Joint Underwriting Association, and the possible claim was reported to JUA, which defended and settled the claim. In 2008, during the Oceanus policy period, the Whites sent notice concerning Dr. White and separately asserted and reported a potential claim against the clinic to Oceanus. The Oceanus policy was a claims-made-and-reported policy that excluded medical incidents or claims reported, or that should have been reported, to the named insured's previous insurer.

PROCEDURAL HISTORY

The Whites and Oceanus agreed to pursue a declaratory judgment action after settlement of the underlying medical-malpractice claims. The 271st District Court of Wise County declared that the Oceanus policy provided a separate per-claim shared limit for Dr. White and was triggered for purposes of providing coverage. Oceanus appealed, and the Court of Appeals reversed and rendered judgment for Oceanus.

DISPOSITION

reversed

CASES CITED

- Jernigan v. Langley, 111 S.W.3d 153, 156-57 (Tex. 2003)
- Chrysler Ins. Co. v. Greenspoint Dodge of Houston, Inc., 297 S.W.3d 248, 252 (Tex. 2009)
- Gilbert Texas Construction, L.P. v. Underwriters at Lloyd's London, 327 S.W.3d 118, 126 (Tex. 2010)
- National Union Fire Insurance Co. v. Crocker, 246 S.W.3d 603, 606 (Tex. 2008)
- Mid-Continent Casualty Co. v. Global Enercom Management, Inc., 323 S.W.3d 151, 154 (Tex. 2010)
- Prodigy Communications Corp. v. Agricultural Excess & Surplus Insurance Co., 288 S.W.3d 374, 379-81, 383-84 (Tex. 2009)
- Resolution Trust Corp. v. Ayo, 31 F.3d 285, 289 (5th Cir. 1994)
- Financial Industries Corp. v. XL Specialty Insurance Co., 285 S.W.3d 877, 878 (Tex. 2009)
- Jenkins v. State and County Mutual Fire Insurance Co., 287 S.W.3d 891, 895 (Tex. App.—Fort Worth 2009, pet. denied)

OPINION

RIVERA, J.

COURT OF APPEALS EIGHTH DISTRICT OF TEXAS EL PASO, TEXAS OCEANUS INSURANCE COMPANY, ' No. 08-11-00111-CV Appellant, ' Appeal from the v. ' 271st District Court JEFF WHITE AND BRANDY WHITE, ' AS PARENTS AND NEXT FRIENDS OF of Wise County, Texas ' H.W., A MINOR, ' (TC# CV10-05-386) Appellees. OPINION Appellant, Oceanus Insurance Company (Oceanus), appeals the trial court's final order in a declaratory

judgment action arising from medical malpractice claims brought in 2008 against Dr. Shawn White (Dr.

White) and the Wise County Medical and Surgical Clinic (the clinic) by Appellees, Jeff and Brandy White (the Whites). We reverse and render judgment in favor of Oceanus.¹

BACKGROUND In consideration of the Whites' settlement of medical malpractice claims, the parties agreed to pursue a declaratory judgment action and sought the trial court's resolution of two issues: (1) whether separate coverage exists under Oceanus' policy to potentially cover the Whites' direct claims against Dr. White in the underlying medical malpractice lawsuit in addition to the coverage for claims against the clinic; and (2) if such separate coverage exists, whether the Oceanus policy ¹ As this case was transferred from our sister court in Fort Worth, we decide it in accordance with the precedent of that court.

TEX. R. APP. P. 41.3. was triggered thereby obligating Oceanus to defend Dr. White and provide coverage in the underlying medical malpractice lawsuit. In the trial court, the Whites contended that the Oceanus policy covered their direct claims against Dr. White in addition to their claims against the clinic, and that their claims against Dr. White had triggered such coverage.

Oceanus responded that because the Whites had first made their claims against Dr. White in 2005, during the period when Dr. White's professional liability coverage was provided by Joint Underwriting Association (JUA), the Whites could not also recover under the provisions of the Oceanus policy which specify that Oceanus will not provide defense or indemnity for any medical claim that has been reported to the named insured's previous insurance company.² Oceanus further noted that the Whites did not file their claims against the clinic until 2008, during the effective term of the Oceanus policy and after filing their claims against Dr. White in 2005.

For these reasons, Oceanus contended, the Whites could not "stack" the JUA and Oceanus policies regarding their claims against Dr. White. In its final order, the trial court found that the Oceanus policy provided a separate per claim shared limit for Dr. White and that the policy was "triggered for purposes of providing coverage for Dr. Shawn White." **DISCUSSION** Right to Appeal We initially address the Whites' contention that Oceanus has waived its right to appeal the trial court's declaratory action because Oceanus failed to include within the parties' settlement agreement a provision that permits appeal of the trial court's declaratory-judgment ruling.

The ² Because the Whites do not contradict the asserted facts that they first made their claims against Dr. White under the JUA policy prior to their claim under the subsequent Oceanus policy, and that JUA defended and settled their claims against Dr. White, we accept them as true. TEX. R. APP. P. 38.1(g). ² Whites premise their argument upon the fact that Oceanus drafted the provisions and argue that had Oceanus intended to retain a right to appeal the trial court's decision, it would have expressly included the retention of that right within the declaratory-judgment provisions.

We disagree with the Whites' contentions. A waiver is "an intentional relinquishment of a known right or intentional conduct inconsistent with claiming that right." *Jernigan v. Langley*, 111 S.W.3d 153, 156 (Tex. 2003) (citations omitted). No right is waived if the party alleged to have made such waiver "says or does nothing inconsistent with an intent to rely upon such right." *Id.* Thus, intent to impliedly waive a right must be clearly demonstrated by surrounding circumstances and facts.

Id. at 156-57. The declaratory-action provisions of the settlement agreement refer to the "final resolution" as well as the "final outcome" of the declaratory-judgment action.³ However, these terms do not expressly waive either party's right to appeal. Nor do the terms "final resolution" and "final outcome," when construed in light of the agreement to pursue a declaratory judgment and the existing facts and circumstances, constitute an implied waiver of appellate rights.

See *id.* at 156. Because Oceanus did not waive its right to appeal, we are not barred from addressing the issues presented for our consideration. Issues Oceanus presents two issues on appeal. In Issue One, Oceanus complains that the trial court's declaratory judgment is erroneous because its policy unambiguously precludes coverage for claims reported to a previous insurer.

In Issue Two, Oceanus asserts that the trial court ³ The relevant phrases are, "upon final resolution of the declaratory judgment action, Oceanus agrees to pay...", "The parties will await the final outcome of a declaratory judgment action to determine whether...", "upon final resolution of the declaratory judgment action described..." ³ committed error in declaring that coverage under the Oceanus policy was triggered because no one reported to Oceanus in 2008 any claims against Dr. White in his individual capacity as required under the terms of its policy.

Standard of Review Our review of an unambiguous contract is *de novo*. *Chrysler Ins. Co. v. Greenspoint Dodge of Houston, Inc.*, 297 S.W.3d 248, 252 (Tex. 2009). When contract language can be given a certain or definite meaning, it is not ambiguous and will be construed as a matter of law. *Id.* When interpreting an insurance policy, we utilize well-established principles which include construing the policy according to general rules of contract construction to ascertain the parties' intent.

Gilbert Texas Const., L.P. v. Underwriters at Lloyd's London, 327 S.W.3d 118, 126 (Tex. 2010) (citations omitted). In conducting our review, we presume the parties intend what the words of their contract say, examine the entire agreement, "seek to harmonize and give effect to all provisions so that none will be meaningless," attribute the ordinary and generally-accepted meaning to terms unless the policy shows the words are meant in a technical or different sense, and attempt to honor the agreement "and not remake their contract by reading additional provisions into it." *Id.*; *Nat'l Union Fire Ins.*

Co. v. Crocker, 246 S.W.3d 603, 606 (Tex. 2008) ("Most importantly, we must give the policy's words their plain meaning, without inserting additional provisions into the contract."). Even if

parties interpret a policy differently, an insurance contract having a clear and definite meaning is not ambiguous as a matter of law. *Mid-Continent Cas. Co. v. Global Enercom Mgmt., Inc.*, 323 S.W.3d 151, 154 (Tex.

2010) (citations omitted). Relevant Policy Provisions 4 The cover page of the comprehensive physician's policy issued by Oceanus expressly states, "The coverage of this policy is limited for only those claims that are first made against the insured and reported to the Company while the policy is in force." On the following page, the policy provides: The Company will not provide defense or indemnity for any medical incident, claim or potentially compensable event which has been reported to or should have been reported to the Named Insured's previous insurance company.

This includes medical incidents the Named Insured should have reasonably foreseen or should have known may result in a potentially compensable event. The policy outlines the duties of the named insured in the event of a claim and specifies that if a written demand for money or suit involving the named insured or any other protected person under the policy, the named insured must comply with its duties or Oceanus has no duty or obligation to defend or indemnify the named insured.

One of the duties set forth requires the insured to tell Oceanus what happened, as soon as possible, even though no claim has been made. A named insured or any person covered under the policy that is aware of a potentially compensable event is also required to notify Oceanus in writing and provide relevant information as set forth in the policy. Analysis Oceanus first complains that the trial court erred because the unambiguous terms of the Oceanus policy preclude the Whites from making a subsequent claim against Dr. White after the Whites' first claim was reported to the previous insurer, JUA.

We agree. The unambiguous language of the policy clearly sets forth that the policy covers only those claims that are first made against the insured and reported to Oceanus while the policy is in force and that Oceanus will not provide defense or indemnity for any medical incident, claim or 5 potentially compensable event which has been reported to the named insured's previous insurance company, including medical incidents the named insured should have reasonably foreseen or should have known may result in a potentially compensable event.

The evidence before the trial court shows that, previously, the clinic had been insured by JUA, that Brandy White made a verbal demand of Dr. White in 2005 while the JUA policy was in effect, and that the Whites' "possible claim" against Dr. White was reported to JUA in May 2005. Dr. White received from the Whites' attorneys a written notice regarding the claim in 2008.

The notice of the Whites' claim against Dr. White was then forwarded to JUA along with a copy of the correspondence that had been submitted to JUA in 2005 regarding Brandy White's demand.

Later in 2008, when the clinic was no longer insured by JUA, the Whites' attorneys sent a notice letter to the clinic asserting a potential claim against it.

The Whites' claim against the clinic was reported to Oceanus. JUA provided Dr. White counsel and accepted defense of the Whites' medical malpractice litigation claim. Assuming that the Oceanus policy provided coverage to Dr. White as an insured physician, it is clear that the provisions of the policy bar the Whites from pursuing a claim against Dr. White individually under the Oceanus policy after their 2005 claim against Dr. White had been reported to, defended, and settled by JUA.

Issue One is sustained. In its second issue, Oceanus contends that because the Whites' claim against Dr. White, individually, was never reported to Oceanus by Dr. White, no coverage was triggered under the terms of the policy.

We again assume that separate coverage exists under the Oceanus policy. The Oceanus policy specifies that coverage is limited to "claims that are first made against the insured and reported" to Oceanus while the policy is in force.

The policy became effective December 15, 2007, and expired on December 15, 2008. After carefully reviewing the record, we are unable to find that the Whites made a claim against Dr. White in his individual capacity that he would have been required to report to Oceanus within the policy period.

The Oceanus policy is a claims-made-and-reported policy. See *Prodigy Communications Corp. v. Agricultural Excess & Surplus Ins. Co.*, 288 S.W.3d 374, 379-80 n.7 (Tex. 2009) (a claims-made policy requires that the claim be made within the policy period and a claims-made-and-reported policy additionally requires that the claim be reported to the insurer within the policy period).

In *Prodigy*, the Supreme Court observed that a claims-made policy's requirement that a claim be made within the policy period "'defines the limits of the insurer's obligation, and if there is no timely notice, there is no coverage.'" *Id.* at 380 quoting 13 COUCH ON INSURANCE 3d § 186:13. Likewise, a requirement that the claim be reported to the insurer within the policy period "define[s] the scope of coverage by providing a certain date after which an insurer knows it is no longer liable under the policy." *Id.* quoting *Resolution Trust Corp. v. Ayo*, 31 F.3d 285, 289 (5th Cir.

1994). For these reasons, any policy provisions providing individual coverage to Dr. White were not triggered. We also find the Whites' assertion that Oceanus must, but cannot, demonstrate prejudice from the failure of Dr. White to provide notice of their purported claim against Dr. White to be without merit.

The Supreme Court has held that when an insurer denies payment on a claims-made policy upon the basis of breach of the policy's prompt-notice provision, and notice is given within the policy's period, the insurer must show prejudice. *Financial Industries Corp. v. XL Specialty Ins. Co.*, 285 S.W.3d 877, 878 (Tex. 2009).

However, the insurer's knowledge of a claim does not preclude the insurer from showing prejudice as a matter of law. See *Jenkins v. State and County Mut. Fire Ins. Co.*, 287 S.W.3d 891, 895 (Tex. App. – Fort Worth 2009, pet. 7 denied) (addressing prejudice for failure to comply with occurrence-based policy's notice provisions and comparing claims-made prompt-notice condition).

In *Prodigy*, the Supreme Court explained that “[b]ecause the requirement that a claim be reported to the insurer during the policy period... is considered essential to coverage under a claims-made-and-reported policy, most courts have found that an insurer need not demonstrate prejudice to deny coverage when an insured does not give notice of a claim within the policy's specified time frame.” *Prodigy*, 288 S.W.3d at 381 (citations omitted).

Rather than addressing an untimely notice of claim made within the policy term or other reporting period specified by the policy as the Supreme Court did in *Prodigy*, we are faced with a record which shows that no claim was made against Dr. White, individually, under the Oceanus policy, and no claim against Dr. White in his individual capacity was reported to Oceanus within the policy period.

See *id.* at 383-84. In other words, there was no claim made against Dr. White, individually, under the Oceanus policy that Dr. White could report to Oceanus. Because the essential report of a claim against Dr. White was not made, and could not have been made, to Oceanus, we conclude that Oceanus need not demonstrate prejudice to deny coverage. *Prodigy*, 288 S.W.3d at 381.

Issue Two is sustained. CONCLUSION Having sustained Issues One and Two, we reverse the trial court's judgment, render the judgment the trial court should have rendered, and declare that the Oceanus policy does not cover the claims of the Whites, as parents and next friends of H.W., a minor, against Shawn White, M.D. under the Oceanus policy. TEX. R. APP. P. 43.2(c).

GUADALUPE RIVERA, Justice May 25, 2012 8 Before Rivera, J., Antcliff, J., and Chew, C.J. (Senior) Chew, C.J. (Senior), sitting by assignment 9