SUPREME COURT OF ALABAMA

Sentinel Insurance Co. v. Alabama Municipal Insurance Corp.

188 So. 3d 640 (Ala. 2015) · Decided September 25, 2015

SUMMARY

The Alabama Supreme Court reviewed a declaratory judgment concerning whether Sentinel Insurance Company or Alabama Municipal Insurance Corporation provided primary automobile-liability coverage for an accident involving a City of Opelika street sweeper operated by an ESG employee. The court held that the AMIC policy provided primary coverage and the Sentinel policy provided excess coverage because the liability was not assumed under an insured contract. The court reversed the trial court's judgment and remanded the case.

CASE DETAILS

COURT	Supreme Court of Alabama
WRITING FOR THE COURT	Shaw, Justice; Stuart; Bolin; Murdock; Main; Wise; Bryan; Moore; Parker
JURISDICTION	Alabama
DECIDED	September 25, 2015
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Sentinel appealed from a declaratory judgment entered after cross-motions for summary judgment. The trial court held that Sentinel's policy provided primary coverage for the underlying automobile-accident settlement and that AMIC's policy provided excess coverage.
STANDARD OF REVIEW	De novo review of summary judgment and questions of law. Summary judgment is proper when there is no genuine issue of material fact and the movant is entitled to judgment as a matter of law; the evidence is viewed in the light most favorable to the nonmovant.
PRECEDENTIAL VALUE	Published opinion of the Supreme Court of Alabama; precedential.
PARTIES	Sentinel Insurance Company, Limited v. Alabama Municipal Insurance Corporation

TOPICS

excess insurance · insurance coverage · contract interpretation · declaratory relief insurance · municipal law

PRACTICE AREAS

insurance coverage | insurance litigation | municipal law | contract interpretation

QUESTIONS PRESENTED

1. Whether the AMIC commercial-auto policy or the Sentinel policy provided primary coverage for ESG and Vaughan in connection with the underlying automobile accident.
2. Whether the Sentinel policy's provision making liability coverage primary for liability assumed under an insured contract applied to the settlement liability of ESG and Vaughan.
3. Whether the trial court erred in entering summary judgment and declaratory relief in favor of AMIC.

HOLDINGS

1. The AMIC policy provided primary coverage because the street sweeper was a covered auto owned by the City and was being used by Vaughan, an insured under the policy; the Sentinel policy provided excess coverage under its other-insurance provision.
2. The insured-contract exception did not apply because ESG and Vaughan were directly liable for their own tortious conduct and had not assumed the liability of another.
3. The trial court erred in concluding that Sentinel's policy provided primary coverage; its judgment for AMIC was reversed and the case was remanded.

KEY QUOTATIONS

> *"The determination of which insurance coverage is primary and which, if any, is excess or secondary depends on the exact language of the policy."* (644)

> *"Because, the liability for which ESG seeks coverage was not "assumed" from the City, subparagraph c does not apply."* (646)

> *"The AMIC policy provides primary coverage, and the Sentinel policy provides excess coverage."* (646)

FACTUAL BACKGROUND

The City of Opelika entered into an operations agreement with ESG Operations, Inc., under which ESG performed municipal services and the City provided vehicles and equipment. The City owned a street sweeper and had AMIC add ESG as an additional insured to the City's commercial-auto policy; ESG also obtained a policy from Sentinel. ESG employee Gwendolyn Vaughan was operating the street sweeper when it collided with the Clarks' vehicle, and the Clarks later settled with ESG, Vaughan, AMIC, and Sentinel, with AMIC and Sentinel each paying half of the settlement.

PROCEDURAL HISTORY

The Clarks sued ESG, Vaughan, and the City after Vaughan, while operating a City-owned street sweeper, collided with the Clarks' vehicle. The City was dismissed from the underlying action, and ESG and Vaughan later sought declarations concerning AMIC's and Sentinel's duties to defend and indemnify them. AMIC and Sentinel each paid one-half of the settlement and then sought reimbursement from the other; the trial court entered judgment for AMIC, requiring Sentinel to pay the entire settlement and AMIC's defense costs. Sentinel appealed, but did not challenge the portion concerning AMIC's $5,507 defense costs.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remanded for further proceedings consistent with the opinion.

CASES CITED

- Williams v. State Farm Mut. Auto. Ins. Co., 886 So. 2d 72, 74 (Ala. 2003)
- Blue Cross & Blue Shield of Alabama v. Hodurski, 899 So. 2d 949, 952-53 (Ala. 2004)
- Wilson v. Brown, 496 So. 2d 756, 758 (Ala. 1986)
- Bass v. South-Trust Bank of Baldwin County, 538 So. 2d 794, 797-98 (Ala. 1989)
- West v. Founders Life Assur. Co. of Fla., 547 So. 2d 870, 871 (Ala. 1989)
- Prince v. Poole, 935 So. 2d 431, 442 (Ala. 2006)
- Dow v. Alabama Democratic Party, 897 So. 2d 1035, 1038-39 (Ala. 2004)
- Brown v. W.P. Media, Inc., 17 So. 3d 1167, 1169 (Ala. 2009)
- Nationwide Mut. Ins. Co. v. Hall, 643 So. 2d 551, 558-59 (Ala. 1994)
- Isler v. Federated Guar. Mut. Ins. Co., 567 So. 2d 1264, 1265 (Ala. 1990)
- Protective Nat'l Ins. Co. of Omaha v. Bell, 361 So. 2d 1058 (Ala. 1978)
- Gaught v. Evans, 361 So. 2d 1027 (Ala. 1978)
- Wakefield v. State Farm Mut. Auto. Ins. Co., 572 So. 2d 1220 (Ala. 1990)
- Nationwide Ins. Co. v. Rhodes, 870 So. 2d 695, 697 (Ala. 2003)
- Alabama Republican Party v. McGinley, 893 So. 2d 337, 342 (Ala. 2004)