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SC Court of Appeals

THE STATE OF SOUTH CAROLINA

In the Court of Appeals

Case Tracking No. 2016-2185

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APPEAL FROM LEXINGTON COUNTY

Civil Action No. 2016-CP-32-815

G. Thomas Cooper, Jr., Circuit Court Judge

SEP 19 2017
SC Court of Appeals

State Farm Mutual Automobile Insurance Company (Respondent)..... Plaintiff

vs.

Myra M. Windham (Appellant) Defendant

FINAL BRIEF OF RESPONDENT

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STATEMENT OF THE ISSUES ON APPEAL

- I. Whether The Circuit Court Correctly Held That Windham Is Not Entitled To Stack Pursuant To South Carolina Statutory And Common Law?**
- II. Whether The Circuit Court Properly Held That The Clear and Unambiguous Policy Language Prohibits Windham From Stacking?**

STATEMENT OF THE CASE

This is an appeal from a declaratory judgment action to determine whether Appellant Myra M. Windham (“Windham”) is entitled to stack UIM coverages when she was involved in an automobile accident while driving a car that she does not own.

On October 5, 2012, Windham was involved in an automobile accident with Jennifer Mary McCardle (“McCardle”) while operating a rental car owned by Enterprise Leasing Corporation. Windham was using the rental car as a temporary substitute vehicle following an automobile accident with Stephen Keever (“Keever”) that occurred on September 29, 2012. Windham claims that she was injured as a result of both accidents and that her injuries exceed the amount of Keever’s and McCardle’s liability insurance. Windham filed suit against Keever and McCardle in March 2013 in the Lexington County Court of Common Pleas, c/a number 2013-CP-32-1043 (“underlying case”).

In 2014, Windham served State Farm as UIM carrier, seeking recovery of UIM benefits against State Farm. State Farm issued five automobile policies to Myra Windham and/or Paul Windham. As a result of the October 5, 2012 accident, Windham has received \$100,000 from McCardle’s liability carrier and State Farm issued payment to Windham under the Underinsured Motorist (“UIM”) Coverage in the amount of \$100,000.00. Windham contends she is entitled to stack the remaining UIM limits from the other vehicles listed in the Policy Declarations because she was operating a “temporary substitute car.” State Farm denies that Windham was entitled to stack coverage to recover UIM benefits under multiple policies, because none of her vehicles were involved in the October 5, 2012 accident.

To resolve the dispute, State Farm filed this declaratory judgment action, seeking a declaration that Windham is not permitted to stack UIM coverage under the terms of State Farm's Policies or South Carolina law because none of her vehicles were involved in the accident on October 5, 2012. Windham filed an answer and counterclaim, contending she was entitled to stack. Both sides moved for summary judgment, stipulating to the material facts and contending the question was a matter of law based on statutory and policy interpretation.

A hearing on the cross-motions for summary judgment was held on June 23, 2016. On August 6, 2016, the circuit court denied Windham's motion and granted State Farm's motion for summary judgment, finding Windham was not permitted to stack UIM coverages while operating a temporary substitute vehicle pursuant to South Carolina law and the unambiguous language found in the policies. The circuit court denied Windham's motion for reconsideration on September 6, 2016. Windham filed a notice of appeal on October 26, 2016.

STATEMENT OF FACTS

A. The Accidents

The following facts are stipulated by the parties. On September 29, 2012, Windham was involved in an automobile accident with Stephen Keever, while operating her Toyota Camry. Keever's liability carrier provided Windham a 2013 Dodge rental car as a temporary substitute vehicle following the accident. The rental car was paid for by Keever's liability carrier. On October 5, 2012, Windham was involved in an automobile accident with Jennifer Mary McCardle ("McCardle") while operating the Dodge rental car owned by Enterprise Leasing Corporation. None of the Windham household vehicles were involved in the McCardle accident. Windham was injured as a result of both accidents. She claims that her injuries exceed the amount of Keever's and McCardle's liability insurance. Windham filed suit against Keever and McCardle in March 2013 in the Lexington County Court of Common Pleas, c/a number 2013-CP-32-1043.

In 2014, Windham served State Farm as UIM carrier, seeking recovery of UIM benefits against State Farm. State Farm issued five automobile policies to Myra Windham and/or Paul Windham. As a result of the October 5, 2012 accident, Windham has received \$100,000 from McCardle's liability carrier and State Farm issued payment to Windham under the Underinsured Motorist ("UIM") Coverage in the amount of \$100,000.00. State Farm denied Windham's pursuit of additional coverage under the other four policies.

B. The Policies

State Farm issued five automobile policies to Myra Windham and/or Paul Windham, policy numbers 162 8590-D19-40C; 234 0370-A08-40M; 203 0864-F04-40C; 4629-A16-40Q; and 457 1883-B10-40A ("the Policy or Policies"), to Myra M. Windham and/or Paul

A. Windham. The terms of the policies are incorporated as if fully stated here. The Policies were in full force and effect on the date of the accident. The Policies included Underinsured Motorist (“UIM”) Coverage limits in the amount of \$100,000/\$300,000/\$50,000.

The UIM portions of the Policies provide:

3. If:
 - a. *you* or any *resident relative* sustains *bodily injury* or *property damage*:
 - (1) while *occupying* a motor vehicle not *owned by you* or any *resident relative*; or
 - (2) while not *occupying* a motor vehicle; and
 - b. Underinsured Motor Vehicle Coverage provided by this policy and one or more other vehicle policies issued to *you* or any *resident relative* by the State Farm Companies apply to the same *bodily injury* or *property damage*, then

the maximum amount that may be paid from all such policies combined is the single highest limit provided by any one of the policies. *We* may choose one or more policies from which to make payment.

The policy further provides,

4. If *you* or any *resident relative* sustains *bodily injury* or *property damage* while *occupying* a motor vehicle other than *your car* that is *owned by you* or any *resident relative*, then this coverage applies only to the extent of the underinsured motor vehicle coverage applicable to the motor vehicle that the *insured* was occupying.

However, if the motor vehicle that the *insured* was *occupying* was not insured for underinsured motor vehicle coverage at the time of the accident, then the maximum amount that may be paid from all policies combined that are issued to *you* or any *resident relative* by the State Farm Companies is the minimum limits required by the Financial Responsibility Act. *We* may choose one or more policies from which to make payment.

The term “**owned by**” is defined in the Policy as:

1. owned by;

2. registered to; or
3. leased, if the lease is written for a period of 31 or more consecutive days, to.

The term "Your car" is defined in the policy as, "the vehicle shown under 'YOUR CAR' on the Declarations Page. *Your car* does not include a vehicle that *you* no longer own or lease."

STANDARD OF REVIEW

In cases with stipulated facts, this court reviews "whether the trial court properly applied the law to those facts." *Kay v. State Farm Mut. Auto. Ins. Co.*, 349 S.C. 446, 448, 562 S.E.2d 676, 678 (Ct. App. 2002) (quoting *WDW Props. v. City of Sumter*, 342 S.C. 6, 10, 535 S.E.2d 631, 632 (2000)).

ARGUMENT

I. **The Circuit Court Correctly Held That Windham Is Not Entitled To Stack Pursuant To South Carolina Statutory And Common Law.**

For the first time in this matter, Windham asserts that her owned car was actually involved in the accident, such that she meets South Carolina's stacking requirements. This argument is not preserved for review. Moreover, the argument is meritless.

A. **Windham's New Argument Regarding Her Car's Involvement Is Not Preserved For Appellate Review.**

A review of the record demonstrates that Windham did not present this new argument regarding her own car's "involvement" in the accident to the circuit court. As such, it is not properly before this Court.

This Court has made clear that it "will not consider issues on appeal which have not been preserved for appellate review." *Ulmer v. Ulmer*, 369 S.C. 486, 632 S.E.2d 858 (2006). The issue preservation requirement ensures that the circuit court has the opportunity "to rule properly after it has considered all relevant facts, law, and arguments," *I'On, LLC v. Town of Mt. Pleasant*, 338 S.C. 406, 422, 526 S.E.2d 716, 724 (2000), and provides this Court "with a platform for meaningful appellate review," *Herron v. Century BMW*, 395 S.C. 461, 465, 719 S.E.2d 640, 642 (2011). *See also Myers v. Myers*, 391 S.C. 308, 321, 705 S.E.2d 86, 93 (Ct. App. 2011) (finding that factual error

was not preserved for appellate review because the appellant failed to raise any issues regarding the court's factual findings in his Rule 59(e), SCRCP, motion); *Arnal v. Arnal*, 363 S.C. 268, 609 S.E.2d 821 (Ct. App. 2005) (finding wife's failure to raise family court's exclusion of parcel of land from marital estate in a Rule 59(e) motion precluded review of the issue on appeal).

“There is no error preservation exception allowing a party to bypass calling an erroneous ruling to the attention of the tribunal making it before appealing that ruling to a higher court.” *State v. Oxner*, 391 S.C. at 134, 705 S.E.2d at 52 (2011) (affirming dismissal of the appeal because the appellant failed to move for reconsideration of a *sua sponte* ruling in the circuit court before appealing the ruling and thus “failed to preserve any issue related to that ruling for our appellate review”).

By advancing her new argument in section I of her brief regarding the “involvement standard,” Windham attempts to employ the very strategy repeatedly prohibited by the South Carolina Supreme Court. Windham cannot keep “an ace card up [her] sleeve—intentionally or by chance—in the hope that an appellate court will accept that ace card and, via a reversal, give [her] another opportunity to prove [her] case.” *I'On*, 338 S.C. at 422, 526 S.E.2d at 724-25.¹ Thus, the argument is not properly before the Court and should not be considered in this appeal.

¹ Though it is unclear from Windham's filings which order she is challenging, Respondent only addresses the circuit court's order dismissing the action because “the denial of a motion for summary judgment is not appealable, even after final judgment.” *Olson v. Faculty House of Carolina, Inc.*, 354 S.C. 161, 168, 580 S.E.2d 440, 444 (2003).

B. Even if This Court Reaches The Merits of Windham's Newly Crafted Argument, The Circuit Court Nevertheless Correctly Held That Windham Is Not Entitled To Stack Pursuant to South Carolina Law.

Even if this Court reaches the merits of Windham's newly crafted argument, the circuit court correctly held that pursuant to South Carolina law, State Farm is entitled to summary judgment as a matter of law, declaring that Windham is not entitled to stack UIM coverage.

Section 38-77-160 of the South Carolina Code states, in pertinent part:

Automobile insurance carriers shall offer, at the option of the insured, uninsured motorist coverage up to the limits of the insured's liability coverage in addition to the mandatory coverage prescribed by S.C. Code Ann. § 38-77-150. Such carriers shall also offer, at the option of the insured, underinsured motorist coverage up to the limits of the insured liability coverage to provide coverage in the event that damages are sustained in excess of the liability limits carried by an at-fault insured or underinsured motorist or in excess of any damages cap or limitation imposed by statute. *If, however, an insured or named insured is protected by uninsured or underinsured motorist coverage in excess of the basic limits, the policy shall provide that the insured or named insured is protected only to the extent of the coverage he has on the vehicle involved in the accident. If none of the insured's or named insured's vehicles is involved in the accident, coverage is available only to the extent of coverage on any one of the vehicles with the excess or underinsured coverage.*

S.C. Code Ann. § 38-77-160 (emphasis added).

To ascertain whether an insured may stack under section 38-77-160, the court must determine whether the insured qualifies as a Class I or Class II insured. A Class I insured is an insured or named insured that has a vehicle involved in the accident. *South Carolina Farm Bureau Mut. Ins. Co. v. Mooneyham*, 304 S.C. 442, 442 n.1, 405 S.E.2d 396, 397 n.1 (1991); *Nationwide Mut. Ins. Co. v. Rhoden*, 728 S.E.2d 477 (2012). In *Rhoden*, the Supreme Court analyzed section 38-77-160 and reasoned that “[h]aving a vehicle involved in the accident reasonably implies ownership of the vehicle.” *Rhoden*,

728 S.E.2d at 481. A Class II insured is an insured whose vehicle was not involved in an accident. *Id.* Although Class I insureds may stack coverage, Class II insureds may not. *Fireman's Ins. Co. v. State Farm Mut. Auto. Ins. Co.*, 295 S.C. 538, 370 S.E.2d 85 (1988) (stating “where the insured is a member of the second class (none of the insureds vehicles is involved in the accident), UIM recovery is limited to the extent of coverage on one vehicle with UIM coverage”).

At the time of the October 5, 2012 accident, Windham occupied a vehicle that was owned by Enterprise and was temporarily rented to her. It is stipulated that Windham had no ownership interest in this vehicle. South Carolina law is clear that, pursuant to section 38-77-160, in order to be a Class I insured, the insured must “have” a vehicle involved in the accident and “having” a vehicle involved in the accident reasonably implies ownership of the vehicle. *Rhoden*, 728 S.E.2d at 481. Because there is no dispute that Windham did not own the vehicle involved in the accident, she did not “have” a vehicle in the accident as is required by the statute. Thus, pursuant to section 38-77-160 and *Rhoden*, Windham “ha[d]” no vehicle in the accident and is necessarily a Class II insured, thereby prohibiting Windham from stacking UIM coverage.

Nevertheless, Windham attempts to eviscerate *Rhoden's* holding and dismiss its clear import. Windham argues that *Rhoden's* words don't mean what they say. Furthermore, Windham's newfound argument that her own vehicle actually was “involved” in the accident is unavailing. Essentially, Windham contends that this Court should adopt a broad definition of “involved” and conclude that Windham's owned car, the Camry, was involved in the second accident with McCardle accident, thereby

entitling her to stacking. However, this argument finds no support in South Carolina law or logic.

To further her argument, Windham relies on a wholly inapplicable case to diminish *Rhoden's* clear import. Windham's reliance upon *Merck v. Nationwide Mut. Ins. Co.*, 318 S.C. 22, 455 S.E.2d 697 (1995) is unavailing. In *Merck*, the insured's disabled vehicle was on a tow truck in the emergency lane. The insured was standing beside the tow truck with the tow truck driver when an intoxicated driver ran off the road, striking the insured, the tow truck driver, and the tow truck. *Id.* The Supreme Court affirmed this court's conclusion that the insured's vehicle was "involved in the accident" because it was present at the scene, and the accident had an effect on it when the car was thrown from the wrecker. Despite Windham's assertions to the contrary, *Merck's* holding and circumstances are wholly distinguishable from the facts at hand. Windham's car was not on the scene, nor did the accident have an effect on her car.²

Thus, Windham's newly-crafted argument regarding her car's "involvement" in the accident is neither properly before this Court nor persuasive under these circumstances. As such, the Court should affirm the circuit court's order granting State Farm summary judgment (R. pp.1-8).

² Furthermore, Windham is bound by her stipulations in this matter. She has stipulated that the rental car does not meet the definition of "your car" under the Policy. Yet, now Windham tries to contradict her own stipulations and argue, for the first time on appeal, that "your car" was involved in the accident. Furthermore, as discussed further in Section II, *infra*, Windham's "involvement" argument ignores and is contrary to the unambiguous policy language prohibiting stacking unless an insured is occupying a vehicle that meets either the definition of "your car" or a vehicle "owned by" "you" or a "resident relative" as discussed below.

II. The Circuit Court Properly Held That The Clear and Unambiguous Policy Language Prohibits Windham From Stacking.

In addition to South Carolina statutory and common law, the Policy language compels the same result—Windham is not entitled to stack under the circumstances presented.

"Where the contract's language is clear and unambiguous, the language alone determines the contract's force and effect." *McGill v. Moore*, 381 S.C. 179, 185, 672 S.E.2d 571, 574 (2009) (citation omitted). "Courts must enforce, not write, contracts of insurance, and their language must be given its plain, ordinary[,] and popular meaning." *Sloan Constr. Co. v. Cent. Nat'l Ins. Co. of Omaha*, 269 S.C. 183, 185, 236 S.E.2d 818, 819 (1977) (citation omitted). "[I]f the intention of the parties is clear, courts have no authority to torture the meaning of policy language to extend or defeat coverage that was never intended by the parties. *MGC Mgmt., Inc. v. Kinghorn Ins. Agency*, 336 S.C. 542, 549, 520 S.E.2d 820, 823 (Ct. App. 1999).

State Farm's policy language is clear and unambiguous. If an insured is occupying a motor vehicle other than "your car" that is "owned by" the insured or any resident relative, stacking is prohibited. "Owned by" is expressly defined in the Policy as "[] owned by; [] registered to; or [] leased, if the lease is written for a period of 31 or more consecutive days, to." The definition of "owned by" does not include a "temporary substitute car." This express definition of "owned by" and its application to the prohibition on stacking is consistent with section 38-77-160 and *Rhoden*. There is no basis in law or the Policy to alter the express definition of "owned by" to include "temporary substitute car" for purposes of stacking.

Windham has stipulated that the rental car involved in the accident does not meet either the definition of “your car” or the definition of “owned by” contained in the policy. Her stipulations on these facts are dispositive. In order for stacking to be allowed under the policy, she must be operating a car that is “owned by” an insured. Windham has stipulated that she did not own it, it was not registered to her and she was not leasing it for a period of more than 31 days. Therefore, the rental car does not meet the definition of “owned by”, and she is not permitted to stack under the terms of the UIM coverage. State Farm’s policy is consistent with 38-77-160, and Windham is not entitled to stack UIM coverages from her other policies, as the circuit court properly concluded.

However, Windham argues that State Farm’s Policy is broader than South Carolina law, and allows stacking when an insured is driving a “temporary substitute car.” In making this argument, Windham suggests the Court should look to the definitions of “temporary substitute car” and “non-owned car” definitions that have no bearing on whether an insured can stack UIM coverages.

The term “Non-Owned Car” is defined in the Policies as:

[A] *car* that is in the lawful possession of *you* or any *resident relative* and that neither:

1. is owned by:
 - a. *you*;
 - b. any *resident relative*;
 - c. any other *person* who resides primarily in your household; or
 - d. an employer of any *person* described in a, b, or c, above; nor
2. has been operated by, rented by, or in the possession of:
 - a. *you*, or

- b. any *resident relative*;

during any part of each of the 31 or more consecutive days immediately prior to the date of the accident or loss.

The term “Temporary Substitute Car” is defined in the Policy as:

[A] *car* that is in the lawful possession of the person operating it and that:

1. Replaces *your car* for a short time while *your car* is out of use due to its:
 - a. Breakdown;
 - b. Repair;
 - c. Servicing;
 - d. Damage; or
 - e. Theft; and
2. Neither *you* nor the *person* operating it own or have registered.

If a *car* qualifies as both a *non-owned car* and a *temporary substitute car*, then it is considered a *temporary substitute car* only.

Windham contends that if a vehicle is a “temporary substitute car,” it does not meet the definition of a “non-owned car,” and therefore must be a vehicle that the insured owns for purpose of the UIM statute. However, as the circuit court correctly found, not only does the Policy fail to support this argument, the argument is nevertheless irrelevant to a person’s ability to stack UIM coverage.

The UIM coverage portion of the Policy controls when determining who can stack UIM coverage. Nowhere in the UIM section of the Policy, other than an expanded definition of “insured,” are the terms “temporary substitute car” and “non-owned car” used. Thus, Windham’s argument regarding “temporary substitute car” is wholly irrelevant to the

issue of her ability to stack. Even if Windham's argument was relevant to her ability to stack UIM coverage, the argument nevertheless fails, because "owned by" is expressly defined in the Policy and does not include a "temporary substitute car." If the term "owned by" was meant to include a "temporary substitute car," State Farm would have included that in the definition of "owned by."

Moreover, one of the mandatory criteria of being a "temporary substitute car" is that the car must not be owned by the insured. By its very definition, a "temporary substitute car" cannot be one that the insured owns. Thus, Windham's argument that because a "temporary substitute car" does not meet the policy definition of a "non-owned car" it must therefore be an owned vehicle is categorically defeated by the very definition upon which she relies. Despite Windham's assertions to the contrary, it is clear that a vehicle that does not meet the policies definition of a "Non-owned car" does not automatically mean that it is considered an owned vehicle upon which UIM coverages can be stacked under 38-77-160 or the Policies. By not being included in the definition of a "non-owned car," a temporary substitute vehicle does not somehow morph into a car owned by the insured for the purpose of UIM coverage. Indeed, by its very definition "temporary substitute car" cannot be owned by the insured.

When the Policy is read as a whole, it is clear that the "Non-owned car" and "temporary substitute car" definitions do not and were not intended to apply to UIM coverage. In order to stack, the UIM policy unequivocally states that the vehicle being operated at the time of the accident must be "owned by" the insured and provides a definition for that term. A "temporary substitute car," by its very definition, cannot be owned by the insured. If it is owned by the insured, then it does not meet the definition of

a “temporary substitute car.” The terms are mutually exclusive. Windham’s attempt to defeat the meanings of both “temporary substitute car” and “owned by” requires one to torture the clear and unambiguous language of the Policy.

Windham has stipulated that the rental car was a “temporary substitute car” and that the rental car does not meet the definition of a “your car” or a vehicle “owned by” the insured. In conjunction with the clear policy language, Windham’s stipulations (R., pp. 19-20) defeat her claim that she is entitled to stack UIM coverage.³

Windham further claims that State Farm’s denial of stacking renders her insurance policy on her Camry illusory. This argument makes no sense – Windham is entitled to UIM coverage, per the contract, and is entitled to stacking only in certain limited circumstances—the policy is not illusory, it simply does not permit stacking *in this instance*.

Windham advances the doctrine of “reasonable expectations” as a reason to ignore the plain language of the policy and permit stacking. However, the Supreme Court has held that the doctrine of reasonable expectations will not be used to alter the plain terms of an insurance policy. *Bell v. Progressive Direct Ins. Co.*, 407 S.C. 565, 581, 757 S.E.2d 399, 407 (2014) (stating that “while we now hold that reasonable expectations

³ Windham again relies on a federal court order in support of her position. See *State Farm and Casualty Insurance Company v. Carol Holmes*, C/A No. 6:14-4050-TMC (D.S.C. Jan. 7, 2016) (holding that because the insured’s rental car was not a non-owned car, it was therefore a temporary substitute car and an owned car, and the insured was entitled to stack UIM coverage). However, the policy language at issue in that case is far different from the policy language in the case *sub judice*; in fact, the policy in the federal court case did not even define “owned by.” Thus, the circumstances and policy language at issue in the two cases is clearly distinguishable. In any event, the district court order has no precedential value in this Court. See *Laffitte v. Bridgestone Corp.*, 381 S.C. 460, 473 n.9, 674 S.E.2d 154, 161 (2009) (noting a federal court decision interpreting state law is not binding on state courts).

may be used as another interpretive tool, the doctrine cannot be used to alter the plain terms of an insurance policy”).

The UIM policy does not permit and cannot be sensibly read to permit stacking when the insured is driving a “temporary substitute car.” The policy language should not be tortured and altered by the Court to reach such an absurd result, and the circuit court should be affirmed.

CONCLUSION

The circuit court properly granted State Farm summary judgment in this declaratory judgment action. Pursuant to both South Carolina law and the clear and unambiguous Policy language, Windham is not entitled to stack UIM coverage because she was driving a “temporary substitute vehicle,” and therefore did not have an owned vehicle involved in the accident. While Windham is certainly entitled to the ‘personal and portable’ UIM coverage in her Policy because she is an insured, she is not entitled to stack her coverage as the Policy, consistent with section 38-77-160, limits Windham’s UIM coverage to the single highest UIM limit on any one of Windham’s five policies. The circuit court correctly reached these conclusions and this Court should affirm.

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RECEIVED

APPEAL FROM LEXINGTON COUNTY
Civil Action No. 2016-CP-32-815
G. Thomas Cooper, Jr., Circuit Court Judge

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SC Court of Appeals

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Myra M. Windham (Appellant) Defendant

CERTIFICATION OF RESPONDENT

Counsel for Respondent hereby certifies that the Final Brief of Respondent
complies with Rule 211(b).

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