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S.C. SUPREME COURT

THE STATE OF SOUTH CAROLINA
In The Supreme Court

APPEAL FROM RICHLAND COUNTY
Court of Common Pleas

Jocelyn Newman, Circuit Judge

Appellate Case No. 2021-00005

Stephany A. Connelly and James M. Connelly,.....Plaintiffs

v.

The Main Street America Group, Old Dominion Insurance Company, Allstate Fire and
Casualty Insurance Company, Debbie Cohn, and Freya Trezona,Defendants

Of which Allstate Fire and Casualty Insurance Company, The Main Street America
Group and Old Dominion Insurance Company are the.....Petitioners

And

Stephany A. Connelly and James M. Connelly are the.....Respondents

BRIEF OF THE PETITIONERS

The Main Street America Group and Old Dominion Insurance Company

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TABLE OF CONTENTS

Table of Authorities	iv
Questions Presented	1
Statement of the Case.....	1
Standard of Review.....	4
Argument:	
I. The uninsured-motorist statute is not ambiguous and has been expounded by this Court as requiring a judgment against the at-fault driver before the insurer’s obligation under UM endorsement could be enforced.	4
A. Fair reading of the phrase “legally entitled to recover” reveals no ambiguity that could justify departure from the plain and ordinary meaning of its constituent words.	5
1. “Legally entitled to recover as damages” means what it says.	6
2. The statutory context in which the phrase is set further informs its meaning.	7
3. The lower courts found ambiguity where none existed.	9
B. Under this Court’s jurisprudence, the UM statute establishes a condition precedent—in the form of a judgment against the at-fault driver—to the insurer’s policy obligations.....	10
1. <i>Laird v. Nationwide</i> and its progeny hold that a judgment against the at-fault driver is a sine qua non for the enforceability of the insured’s rights under a UM endorsement.....	11
2. The federal courts have also understood the South Carolina UM statute as conditioning the insured’s right to UM benefits on prior judgment against the uninsured driver....	12
C. Operation of the South Carolina Workers’ Compensation Act’s exclusive-remedy provision deprived Connelly of a tort cause of action against Trezona and thus precluded satisfaction of the condition precedent to the recovery of UM benefits.	13
1. Examination of foreign caselaw reveals a majority rule: the at-fault driver’s immunity under workers’ compensation law bars recovery of UM benefits.	14
2. The court of appeals’ reliance on a West Virginia case of <i>Jenkins v. City of Elkins</i> and an Oklahoma case of <i>Torres v. Kansas City Fire & Marine Inc.</i> was misplaced because the former involved a governmental immunity, and the latter was decided under a statute that allows the insured to sue for UM benefits before establishing the uninsured driver’s liability in tort.	16

3. Two opinions from the supreme court of Florida and Kentucky, each reversing decisions of the lower courts for their erroneous interpretation of the identically worded UM statutes, are instructive here.	19
II. Trezona’s car did not become “uninsured” because in denying Connelly’s claim Old Dominion did not deny that Trezona’s risk of incurring liability to pay damages was within the policy’s coverage.	22
A. Denial of a claim because a covered risk has not materialized is not a denial of coverage of that very risk.	23
B. The insurers’ acknowledgement of Trezona’s fault in causing the accident is not an admission of liability that justifies a finding of denial of coverage and treatment of the car as uninsured.	28
Conclusion	29

TABLE OF AUTHORITIES

Cases

<i>16 Jade Street, LLC v. R. Design Const. Co., LLC</i> , 398 S.C. 338, 728 S.E.2d 448 (2012).....	7
<i>Adcock v. Allstate Ins. Co.</i> , 936 F.2d 567 (4th Cir. 1991).....	12
<i>Adkins v. Varn</i> , 312 S.C. 188, 439 S.E.2d 822 (1993).....	5
<i>Allstate Ins. v. Boynton</i> , 486 So.2d 552 (Fla. 1986).....	21, 22
<i>Allstate v. Wilson</i> , 259 S.C. 586, 193 S.E.2d 527 (1972).....	24, 25
<i>Baessler v. Freier</i> , 258 P.3d 720 (Wyo. 2011).....	6
<i>Bardsley v. Gov’t Emps. Ins. Co.</i> , 405 S.C. 68, 747 S.E.2d 436 (2013).....	9, 10
<i>Bentley v. Spartanburg County</i> , 398 S.C. 418, 730 S.E.2d 296 (2012).....	5
<i>Cobb v. Benjamin</i> , 325 S.C. 573, 482 S.E.2d 589 (Ct. App. 1997).....	4
<i>Commonwealth v. Groller</i> , 41 D.&C. 366 (Pa. D. & C. 1941).....	6
<i>Criterion Ins. Co. v. Hoffman</i> , 258 S.C. 282, 188 S.E.2d 459 (1972).....	8
<i>Daigle v. Hamilton</i> , 782 P.2d 1379 (Okla. 1989).....	19
<i>Davis v. Sch. Dist. of Greenville County</i> , 374 S.C. 39, 647 S.E.2d 219 (2007).....	7
<i>Englert, Inc. v. Netherlands Ins. Co.</i> , 315 S.C. 300, 433 S.E.2d 871 (Ct. App. 1993).....	4
<i>Felts v. Richland County</i> , 303 S.C. 354, 400 S.E.2d 781 (1991).....	4
<i>Ferguson v. State Farm Mut. Auto. Ins. Co.</i> , 261 S.C. 96, 198 S.E.2d 522 (1973).....	11
<i>In re Campbell</i> , 379 S.C. 593, 666 S.E.2d 908 (2008).....	4
<i>In re Joint E. & S. Dist. Asbestos Litig.</i> , 993 F.2d 313 (2nd Cir. 1993).....	23
<i>Jenkins v. City of Elkins</i> , 738 S.E.2d 1 (W.Va. 2012).....	17, 18
<i>Kinard v. Moore</i> , 220 S.C. 376, 68 S.E.2d 321 (1951).....	6
<i>Laird v. Nationwide Ins. Co.</i> , 243 S.C. 388, 134 S.E.2d 206 (1964).....	11
<i>Lawson v. Porter</i> , 256 S.C. 65, 180 S.E.2d 643 (1971).....	11, 12
<i>Machin v. Carus Corp.</i> , 419 S.C. 527, 799 S.E.2d 468 (2017).....	13, 14, 28
<i>Medders v. U.S. Fidelity and Guar. Co.</i> , 623 So. 2d 979 (Miss. 1993).....	16
<i>Noel v. Metropolitan Prop. & Liab. Ins. Co.</i> , 672 N.E.2d 119 (Mass. Ct. App. 1996).....	25, 26
<i>O’Brien v. Government Employees Insurance Company</i> , 372 F.2d 335 (3rd Cir. 1967).....	12, 13
<i>Park v. Safeco Ins. Co. of America</i> , 251 S.C. 410, 162 S.E.2d 709 (1968).....	12
<i>Pharr v. Canal Ins. Co.</i> , 233 S.C. 266, 104 S.E.2d 394 (1958).....	22
<i>Piper v. Am. Fid. & Cas. Co.</i> , 157 S.C. 106, 154 S.E. 106 (1930).....	22
<i>Price v. Peachtree Elec. Servs., Inc.</i> , 396 S.C. 409, 721 S.E.2d 461 (Ct. App. 2012).....	13

<i>S.C. Public Interest Found. v. Courson</i> , 420 S.C. 120, 801 S.E.2d 185 (Ct. App. 2017)	4
<i>Senn Freight Lines Inc. v. Am. Inter-Fidelity Corp.</i> , C/A No. 8:17-cv-02186-JDA (D.S.C. Feb. 4, 2020).....	13
<i>Soledad v. Tex. Farm Bureau Mut. Ins. Co.</i> , 505 S.W.3d 600 (Tex. Ct. App. 2016).....	14, 15
<i>State Farm Mut. Auto, Ins. Co. v. Slusher</i> , 325 S.W.3d 318 (Ky. 2010).....	19, 20, 21
<i>State v. Gaines</i> , 380 S.C. 23, 667 S.E.2d 728 (2008)	10
<i>State v. Sweat</i> , 386 S.C. 339, 688 S.E.2d 569 (2010).....	5
<i>Strickland v. Galloway</i> , 348 S.C. 644, 560 S.E.2d 448 (Ct. App. 2002).....	13
<i>Torres v. Kansas City Fire & Marine Ins. Co.</i> , 849 P.2d 407 (Okla. 1993).....	19
<i>Unisun Ins. Co. v. Schmidt</i> , 339 S.C. 362, 529 S.E.2d 280 (2000)	26, 27
<i>Vernon v. Harleysville Mut. Cas. Co.</i> , 244 S.C. 152, 135 S.E.2d 841 (1964).....	11
<i>WDW Props. v. City of Sumter</i> , 342 S.C. 6, 535 S.E.2d 631 (2000)	4
<i>Whitaker v. Com.</i> , 367 S.W.2d 831 (Ky. 1963).....	6
<i>Williams v. Thomas</i> , 370 S.E.2d 773 (Ga. Ct. App. 1988).....	16
<i>Wise v. Richard Wise d/b/a Wise Serv.</i> , 394 S.C. 591, 716 S.E.2d 117 (Ct. App. 2011)	14
<i>Wisman v. William J. Rhodes and Shamblin Stone, Inc.</i> , 447 S.E.2d 5 (W.Va. 1994).....	18

Statutes

S.C. Code Ann. § 38-77-112 (2015).....	7
S.C. Code Ann. § 38-77-150 (2015).....	1
S.C. Code Ann. § 38-77-150(A) (2015)	5
S.C. Code Ann. § 38-77-150(B) (2015).....	7
S.C. Code Ann. § 38-77-180 (2015).....	8
S.C. Code Ann. § 42-1-540 (1985).....	1, 13
S.C. Code Ann. § 46-750.13 (1962)	10
S.C. Code Ann. 38-77-30(4) (2015)	7

Treatises

1 A. Widiss & J. Thomas, <i>Uninsured and Underinsured Motorist Insurance</i> (2020)	18
10 <i>Larson’s Workers’ Compensation Law</i> (2016).....	19
3 A. Widiss & J. Thomas, <i>Uninsured and Underinsured Motorist Insurance</i> (2020)	17
A. Scalia & B. Garner, <i>Reading Law: The Interpretation of Legal Texts</i> (2012).....	6

Other Authorities

Black's Law Dictionary (10th ed. 2014)..... 7, 22, 23, 28
Garner's Dictionary of Legal Usage (3rd ed. 2011) 6
Merriam-Webster (online edition) 6
The Oxford English Dictionary (2nd ed. 1989) 6

QUESTIONS PRESENTED

This case poses two questions for this Court, each implicating the interplay between the Workers' Compensation Act's exclusive-remedy provision, S.C. Code Ann. § 42-1-540 (1985), and the commands of the uninsured-motorist statute, S.C. Code Ann. § 38-77-150 (2015):

- I. According to its plain and ordinary meaning, and this Court's precedent, the statutory phrase "legally entitled to recover as damages" conditions payment of the uninsured-motorist-coverage (UM) benefits on the insured's recovery of a judgment against the at-fault driver. The court of appeals found the phrase ambiguous without explication of its meaning, sidestepped mandatory authority, and held that the UM statute did not set such a condition. Did the court of appeals err in so holding?
- II. Under the UM statute, an insured vehicle becomes uninsured if its insurer successfully denies coverage. Old Dominion Insurance Company undertook to pay damages for which its insured would become legally responsible. Under the Workers' Compensation Act, however, the insured driver did not, and never could, become liable to pay them. Does denial of a claim, because the insured event did not occur, amount to a denial of coverage that renders an insured vehicle uninsured?

STATEMENT OF THE CASE

Stephany A. and James M. Connelly sued the insurers Allstate Fire and Casualty Insurance Company, Old Dominion Insurance Company and The Main Street America Group¹ for breach of contract and declaratory judgment. (Joint Appendix 118.) The Connellys' complaint alleged that they were entitled to benefits under the uninsured-motorist provisions (UM) of the policy issued by Allstate, and under Old Dominion's policy issued to the mother of Stephany's co-worker, Freya Trezona, who was also named as a defendant. (J.A. 120–26.)

Trezona and Connelly worked at AppleOne Employment Agency. (J.A. 146.) On February 24, 2015, Trezona caused an accident while she and Connelly traveled together for work in

¹ The Main Street America Group is a holding company that owns Old Dominion. The Main Street America Group did not issue the policy in question.

Trezona's car. (Id.) Connelly suffered injuries in the accident because of Trezona's negligence in operating her vehicle. (Id.) At the time, Old Dominion insured the car. (Id.) According to the terms of the policy, Trezona was an insured under its liability portion and Connelly, as Trezona's passenger, was an insured under the UM provision. (J.A. 146–47.)

Following the accident, Connelly made a workers' compensation claim and received benefits. (J.A. 146.) She also made claims for compensation under both the liability and the UM coverages of Old Dominion's policy. (Id.) Because of the exclusive-remedy provision of the South Carolina Workers' Compensation Act (the Act), Connelly was not legally entitled to recover damages from Trezona. (Id.) Citing Trezona's immunity to a tort action and the workers' compensation being Connelly's exclusive remedy, Old Dominion denied the claim under the liability coverage. (Id.) And since Trezona's car was not an uninsured vehicle as defined by the policy, it denied the UM claim as well. (Id.) Connelly also filed a UM claim under her policy with Allstate; it was denied on the same grounds. (J.A. 147.)

In their answer to the complaint, Old Dominion and Main Street asserted that Trezona's immunity from liability in tort precluded Connelly's right to UM benefits under the policy. (J.A. 141.) Having stipulated to the material facts, each party moved for summary judgment. (J.A. 145–97.) At the hearing, the attorneys for the insurers argued that their respective clients were entitled to judgment as a matter of law because, under the Act, the at-fault driver was immune from liability in tort, which liability was a prerequisite for their duty to pay benefits. (J.A. 223, 227–28.) Counsel for the Connelys, on the other hand, argued that the denial of the claim under the liability provisions of the policy made the vehicle uninsured, and that the policy language "legally entitled to recover" could be read as requiring only the showing of driver's fault, as opposed to

demonstrating accrual of a viable cause of action, capable of being reduced to a judgment. (J.A. 238–39.)

The circuit court denied Old Dominion’s and Allstate’s motions and granted summary judgment for the Connellys. (J.A. 5.) As a threshold matter, it found that Old Dominion did not deny liability but rather denied coverage under the policy, rendering Trezona’s car an “uninsured motor vehicle.” (J.A. 7.) Then, having found the UM coverage operable, the court held that “[t]o effectuate the intent of the legislature [it] must interpret the critical language ‘legally entitled to recover’ as simply a requirement to demonstrate fault.” (J.A. 18.)

Main Street and Old Dominion appealed, arguing that a fair reading of “legally entitled to recover,” in accordance with the plain and ordinary meaning of its constituent words, did not reveal any ambiguities; that this Court’s opinions had held that a judgment against the uninsured driver is a condition precedent to recovery of UM benefits; and that the denial of a claim based on the insured driver’s lack of liability due to immunity was not a denial of coverage that renders an insured vehicle uninsured. (J.A. 264–89.)

The court of appeals decided the case without oral arguments and affirmed the circuit court’s order. (J.A. 385.) In doing so, however, it failed to consider mandatory authority cited by Main Street and Old Dominion and held that “finding legal entitlement to recovery is not a condition precedent to entitlement to UM coverage.” (J.A. 378.) The opinion also lacked analysis uncovering semantic dichotomies of the statutory language; the finding of ambiguity rested merely on lack of definitions and the parties’ conflicting interpretations. (J.A. 378–81.) Main Street and Old Dominion petitioned for rehearing of the appeal, pointing out the court of appeals’ misapprehension of the parties’ stipulations and oversight of the applicable caselaw. (J.A. 387–98.) The petition was denied. (J.A. 413.)

STANDARD OF REVIEW

This is an appeal of summary judgment in a declaratory judgment action. A suit for judicial declaration of the parties' rights and obligations is neither equitable nor legal—the underlying issues determine its nature. *Felts v. Richland County*, 303 S.C. 354, 400 S.E.2d 781 (1991). Thus, an action involving interpretation of an insurance contract and the statutory framework in which it operates is necessarily an action at law. *Cobb v. Benjamin*, 325 S.C. 573, 482 S.E.2d 589 (Ct. App. 1997).

In their review of the grant of summary judgment, the appellate courts apply the standard that binds the trial court under Rule 56(c), SCRPC. *Englert, Inc. v. Netherlands Ins. Co.*, 315 S.C. 300, 302, 433 S.E.2d 871, 873 (Ct. App. 1993). The trial court should render summary judgment if, upon consideration of the entire record, it determines that there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. Rule 56(c), SCRPC. When all material facts are stipulated by the parties, only the questions of law remain. *WDW Props. v. City of Sumter*, 342 S.C. 6, 10, 535 S.E.2d 631, 632 (2000). “An appellate court may decide questions of law with no particular deference to the circuit court.” *In re Campbell*, 379 S.C. 593, 599, 666 S.E.2d 908, 911 (2008). “The interpretation of a statute is a question of law, which this Court reviews de novo.” *S.C. Public Interest Found. v. Courson*, 420 S.C. 120, 801 S.E.2d 185 (Ct. App. 2017).

ARGUMENT

I. The uninsured-motorist statute is not ambiguous and has been expounded by this Court as requiring a judgment against the at-fault driver before the insurer's obligation under UM endorsement could be enforced.

Under § 38-77-150(A) of the South Carolina Code, auto insurers, apart from providing collision and liability coverages, must also undertake “to pay the insured all sums he is legally

entitled to recover as damages from the owner or operator of the uninsured motor vehicle.” S.C. Code Ann. § 38-77-150(A) (2015). Old Dominion has complied with this requirement by adopting the statute’s language: its policy provides that Old Dominion “will pay damages which an ‘insured’ is legally entitled to recover from the owner or operator of the ‘uninsured motor vehicle’. . . .” (J.A. 101.)

Under this provision, the insured accrues an enforceable right to UM benefits once she becomes legally entitled to recover damages from the driver who caused her injuries. In other words, the statutory phrase “legally entitled to recover” encapsulates the condition precedent to Old Dominion’s contractual obligation.

A. Fair reading of the phrase “legally entitled to recover” reveals no ambiguity that could justify departure from the plain and ordinary meaning of its constituent words.

This Court has held that “the legislative intent must prevail if it can be reasonably discovered in the language used, and that language must be construed in the light of the intended purpose of the statute.” *State v. Sweat*, 386 S.C. 339, 350, 688 S.E.2d 569, 575 (2010). This seemingly purposive approach is thus anchored in the ordinary meaning of the statutory language: the court must give the words “their plain and ordinary meaning without resort to a subtle or forced construction which limits or expands the statute’s operation.” *Adkins v. Varn*, 312 S.C. 188, 191, 439 S.E.2d 822, 824 (1993). In the end, the courts “are interpreters not legislators and are bound by the language of [the statutes] as written.” *Bentley v. Spartanburg County*, 398 S.C. 418, 426, 730 S.E.2d 296, 301 (2012).

Regrettably, the court of appeals did not adhere to these precepts. Under the guise of following the legislative intent, the court read the words “legally entitled to recover as damages” out of the statute; or conversely, inserted an exception the legislature never conceived. An ascertainment of legislative intent, however, cannot entail rewriting of a statute: “the court has no

right to add the words [the legislature] omitted, nor to interpolate them on conceits of symmetry and policy.” *Kinard v. Moore*, 220 S.C. 376, 388, 68 S.E.2d 321, 325 (1951). Quite the contrary, the court’s task in ascertaining the legislative intent “boils down to finding the meaning of the words used.” A. Scalia & B. Garner, *Reading Law: The Interpretation of Legal Texts* 395 (2012) (quoting R.W.M. Dias, *Jurisprudence*, 219 (4th ed. 1976)). And that meaning is straightforward here: an insured must have a right, under South Carolina law, to a judicial award of compensation from the uninsured driver.

1. “Legally entitled to recover as damages” means what it says.

Exposition of the phrase in accordance with the dictionary definitions of its constituent words demonstrates that it cannot impart any other meaning. The adverb “legally” means, according to the Oxford English Dictionary, “[i]n a legal manner; according to law, lawfully.”

8 *The Oxford English Dictionary* 804 (2nd ed. 1989). Merriam Webster defines “legally” in a similar vein: “in legal manner: in accordance with the law.” *Merriam-Webster* (online edition).²

Judicial usage of this adverb is consistent with these definitions. See e.g. *Commonwealth v. Groller*, 41 D.&C. 366 (Pa. D. & C. 1941) (“according to the applicable law”); *Whitaker v. Com.*, 367 S.W.2d 831 (Ky. 1963) (“enabled by law”); *Baessler v. Freier*, 258 P.3d 720 (Wyo. 2011) (“conforming to or permitted by law or established rules”). The word “entitled” denotes enjoyment of a right. It means: to be “furnished with proper grounds for seeking or claiming something.” *Merriam-Webster* (online edition).³ In legal usage, “to recover” is “to secure by legal process.” *Garner’s Dictionary of Legal Usage* 758 (3rd ed. 2011). And last but not least, “damages” is “money claimed by, or ordered to be paid to, a person as compensation for loss or injury.” *Black’s*

² <https://www.merriam-webster.com/dictionary/legally> (last visited October 18, 2021).

³ <https://www.merriam-webster.com/dictionary/entitled> (last visited October 18, 2021).

Law Dictionary 471 (10th ed. 2014). That word happens to be defined by the statute as including “both actual and punitive damages,” S.C. Code Ann. 38-77-30(4) (2015), thus implying a type of compensation only courts can award.

In light of those definitions, the phrase “legally entitled to recover as damages” can only denote a situation where the insured has a case she can win. Put another way, for a right to compensation under the UM endorsement to arise, the insured must first have a right, under the law, to seek and obtain judicial award of compensation from the uninsured driver. Fair reading of the passage, in accordance with the ordinary meaning of each word, compels this conclusion.

2. *The statutory context in which the phrase is set further informs its meaning.*

The text of the statute must be read as a whole and construed so that “no word, clause, sentence, provision or part shall be rendered surplusage, or superfluous. *16 Jade Street, LLC v. R. Design Const. Co., LLC*, 398 S.C. 338, 343, 728 S.E.2d 448, 450 (2012). Furthermore, the statutory provisions should be interpreted in a way that renders them compatible, not contradictory. *See Davis v. Sch. Dist. of Greenville County*, 374 S.C. 39, 45, 647 S.E.2d 219, 222 (2007). Here, the whole text of Article 3—“Mandate to Write and Insurance Coverage,” S.C. Code Ann. § 38-77-112 (2015), *et seq.*—bolsters the reading of the phrase “legally entitled to recover” as setting forth a prerequisite of a viable court action.

The statute is clear that an insured cannot demand payment of UM benefits and then sue the insurer—if the demand is refused—without first filing an action against the uninsured driver in which the driver’s liability in tort is to be established, and in which the insurer cannot be named as a defendant. Section 38-77-150(B) states explicitly that “[n]o action may be brought under the uninsured motorist provision unless copies of the pleadings in the action establishing liability are served in a manner provided by law upon the insurer” S.C. Code Ann. § 38-77-150(B) (2015).

The section's plain language indicates different timelines for the tort action—in which a UM insurer may appear to assume the defense of the uninsured driver—and a contract action whereby the insured may seek to establish the insurer's liability under the policy. Thus, the tort action must precede the contract action. Moreover, according to this Court in *Criterion Ins. Co. v. Hoffman*, 258 S.C. 282, 188 S.E.2d 459 (1972), an insured must strictly comply with the requirements set forth in § 38-77-150(B) before seeking to enforce her rights under a UM policy.

Apart from § 38-77-150(B), several other provisions found in Article 3 also reinforce the plain and ordinary meaning of the legally-entitled-to-recover language. For example, § 38-77-170 explicitly sets forth the conditions for recovery of UM benefits when the at-fault driver is unknown, and § 38-77-180 establishes the terms on which an action against an unknown driver can be filed—“an action may be instituted against the unknown defendant as ‘John Doe’ and service of process may be made by delivery of a copy of the summons and complaint to the clerk of the court in which the action is brought.” S.C. Code Ann. § 38-77-180 (2015). The inclusion of the *John Doe*-action provision implies that under no circumstance can an insurer be sued before or along with the uninsured driver.

Despite this broader statutory context, the court of appeals found that § 38-77-150(B) “does not address any requirement of filing suit against the at-fault driver.” (J.A. 383.) Such reading of that section, however, renders the *John Doe*-action provision superfluous: why bother with a pro forma lawsuit against a fictional person and not sue the insurer at once? The legislature's failure to provide for a direct action against the insurer when the at-fault driver is unknown, while it created more cumbersome procedure, shows that a successful tort action is indispensable for recovery of UM benefits.

Seen in this light, the Connellys' lawsuit—naming the insurers and the at-fault driver as codefendants under the heading “declaratory judgment–breach of contract”—appears to have been a clever maneuver meant to bypass the requirement of filing a viable tort action against Trezona before proceeding against Old Dominion and Allstate in contract.

3. *The lower courts found ambiguity where none existed.*

To disregard the plain and ordinary meaning of the phrase at issue, the court of appeals found its language ambiguous. It did so without engaging in an analysis of how “legally entitled to recover” could have alternative meanings. Mere assertion of ambiguity, however, does not make it so: “when a court makes a finding of ambiguity, it must set forth either how a provision is capable of more than one meaning or is obscure in meaning. A simple finding of ambiguity, absent any reasoning, is insufficient.” *Bardsley v. Gov’t Emps. Ins. Co.*, 405 S.C. 68, 75, 747 S.E.2d 436, 440 (2013).

Granted, the circuit court offered a reasoning, which the court of appeals adopted: the phrase was ambiguous because the parties disagreed as to its meaning and “the language [wa]s not defined in either the statute or the insurance policies.” (J.A. 378.) But this reasoning is unsound. Note that Connelly had no trouble comprehending the meaning conveyed by the phrase. She stipulated that she “is not legally entitled to recover damages from Trezona, because Trezona is immune from suit as a co-employee under the exclusivity provision of the Act.” (J.A. 146.) In fact, her counsel acknowledged at the summary-judgment hearing that “Ms. Connelly can’t recover from Ms. Trezona because that’s the law.” (J.A. 254.)

The lack-of-definition rationale offered by the lower courts has no merit either. As this Court explained in *Bardsley*, “[i]f policy language was rendered ambiguous simply because it was not defined, insurance policies would need to contain definitions for every word To say that

any word that is not defined is ambiguous is to ignore the utility of human language.” 405 S.C. at 76, 747 S.E.2d at 440. The *Bardsley* court further observed that “we use words because they have commonly accepted meanings, and it is only when they are subject to more than one meaning as used in a particular policy that they may become ambiguous.” *Id.*

Here, the court of appeals failed to examine the semantic content of the phrase and uncover any legitimate bifurcation of its meaning. It did not explain how “legally” did not necessarily mean “according to law” or “under the law,”—which in this case includes not only the common law of tort but also the statutory law that operates to its exclusion—how “entitled” could mean something other than having a right recognized by the law of this state, or how “to recover” did not mean to secure by a process the law provides. For this reason, the finding of ambiguity was baseless and the purposive construction of the phrase unwarranted.

When the statute’s language is unambiguous, as it “conveys a clear and definite meaning, then the rules of statutory interpretation are not needed and the court has no right to impose another meaning.” *State v. Gaines*, 380 S.C. 23, 33, 667 S.E.2d 728, 733 (2008). The court of appeals’ decision violated this principle.

B. Under this Court’s jurisprudence, the UM statute establishes a condition precedent—in the form of a judgment against the at-fault driver—to the insurer’s policy obligations.

In the span of about 15 years following the enactment of the Uninsured Motorist Act of 1959,⁴ this Court repeatedly opined on the statute’s requirements for the recovery of UM benefits. The opinions state that an insured must first successfully sue the at-fault driver in tort before she

⁴ Uninsured Motorist Act of 1959 contains the same critical phrase as the current iteration of the law. The act provided that no policy should be issued “unless it contain[ed] an endorsement or provisions undertaking to pay the insured all sums which he shall be *legally entitled to recover as damages* from the owner or operator of an uninsured vehicle.” S.C. Code Ann. § 46-750.13 (1962) (emphasis added).

can proceed against the insurer in contract. Despite citing one of those opinions—*Ferguson v. State Farm Mut. Auto. Ins. Co.*, 261 S.C. 96, 198 S.E.2d 522 (1973)), which holds that the insurer’s obligation to its insured under the UM policy becomes enforceable only after the liability of the uninsured driver is established, *id.* at 102, 198 S.E.2d at 525—the court of appeals concluded that procurement of a judgment against the at-fault driver is not required by the statute. (J.A. 381.) Alas, the court reached this conclusion without taking stock of the caselaw that squarely addresses the issue.

1. *Laird v. Nationwide* and its progeny hold that a judgment against the at-fault driver is a sine qua non for the enforceability of the insured’s rights under a UM endorsement.

In *Laird v. Nationwide Ins. Co.*, 243 S.C. 388, 134 S.E.2d 206 (1964), this Court held that “[r]ecovery under the uninsured endorsement is subject to the condition that the insured establish legal liability on the part of the uninsured motorist.” *Id.* at 394, 134 S.E.2d at 209 (emphasis added). The insured must do so in a tort action. *Id.* According to the Court, only “[a]fter a judgment is entered against the uninsured motorist, a direct action *ex contractu* can be brought to recover from the insurance company on its endorsement” *Id.* (emphasis added). The opinion in *Vernon v. Harleysville Mut. Cas. Co.*, 244 S.C. 152, 135 S.E.2d 841 (1964), further explained that the UM provision “guarantees payment, within specified limits, of a judgment recovered against an uninsured motorist on his tort liability.” *Id.* at 158, 135 S.E.2d at 844 (emphasis added).

Several years after *Laird* and *Vernon*, this Court decided *Lawson v. Porter*, 256 S.C. 65, 180 S.E.2d 643 (1971), a case that involved assertion of subrogation rights and policy defenses by a UM insurer appearing in a tort action against the uninsured driver. *Id.* at 67–68, 180 S.E.2d at 643–44. The *Lawson* court explained that the insurer’s standing in an action establishing tort liability of the driver differs from that in a contract action in which its own liability under a UM endorsement is to be determined; this difference bears on the type of defenses an insurer can assert.

Id. at 68, 180 S.E.2d at 644. The court noted, citing *Laird*, that successful conclusion of a tort action against the uninsured driver is necessary for the viability of a contract action against the insurer. *Id.* And it further held that “in the event the plaintiff obtains a judgment against the defendant and an action *ex contractu* is brought by [the plaintiff] against [the insurer], under the uninsured motorist provision of his policy, then [the insurer] may plead any policy defenses” *Id.* at 68–69, 180 S.E.2d at 644.

Finally, in *Park v. Safeco Ins. Co. of America*, 251 S.C. 410, 162 S.E.2d 709 (1968), this Court held that an insured has no standing to sue the insurer until and unless he establishes the driver’s liability in tort, thus expressing the condition precedent set by the UM statute: the insured “has no right to call upon his own insurance carrier under the uninsured motorist endorsement of his own policy until such liability is fixed. Stated another way, no right to recover can accrue to plaintiff against [his] insurance company until and unless [the uninsured driver] becomes liable to pay.” *Id.* at 413, 162 S.E.2d at 710.

2. *The federal courts have also understood the South Carolina UM statute as conditioning the insured’s right to UM benefits on prior judgment against the uninsured driver.*

In *Adcock v. Allstate Ins. Co.*, 936 F.2d 567 (4th Cir. 1991), the Fourth Circuit held that, in light of this Court’s holdings in *Laird* and *Vernon*, the district court’s grant of summary judgment was proper “because [the insured]’s release of the [at-fault driver] barred him from ever *establishing the condition precedent* to his recovery of benefits from his own insurance company[.]” *Id.* (emphasis added).

Likewise, the Third Circuit in *O’Brien v. Government Employees Insurance Company*, 372 F.2d 335 (3rd Cir. 1967), considering the legally-entitled-to-recover language of the Virginia’s statute, noted that “Virginia’s sister state, South Carolina, has enacted an Uninsured Motorists Act,

modeled after the Virginia Act, which contains provisions . . . identical to the Virginia Act.” *Id.* at 341–42. The court went on to say that “[a]lthough the courts of that state have not passed upon the identical question involved here, there is no doubt that they view *a judgment* against the motorist *as necessary* to a suit against the insurer on the contract.” 372 F.2d 335, 341–42 (3rd Cir. 1967) (emphasis added).

Recently, the United States District Court for the District of South Carolina granted summary judgment for an insurance company because its insured, seeking payment under the UM coverage, had “not established liability by filing a tort action against the at-fault, uninsured drivers.” *Senn Freight Lines Inc. v. Am. Inter-Fidelity Corp.*, C/A No. 8:17-cv-02186-JDA (D.S.C. Feb. 4, 2020).

C. Operation of the South Carolina Workers’ Compensation Act’s exclusive-remedy provision deprived Connelly of a tort cause of action against Trezona and thus precluded satisfaction of the condition precedent to the recovery of UM benefits.

Section § 42-1-540 of the South Carolina Code disallows tort suits against employers, and by extension co-employees, and limits the injured employee’s rights or remedies to those provided by the Workers’ Compensation Act. S.C. Code Ann. § 42-1-540 (1985); *Machin v. Carus Corp.*, 419 S.C. 527, 534, 799 S.E.2d 468, 471 (2017); *Strickland v. Galloway*, 348 S.C. 644, 647, 560 S.E.2d 448, 449 (Ct. App. 2002). All rights and remedies granted by the Act “exclude all other rights and remedies of such employee . . ., at common law or otherwise, on account of such injury” S.C. Code Ann. § 42-1-540 (1985). The Act operates in derogation of the common law; “it is not amendatory, cumulative or supplemental thereto, nor declaratory thereof but wholly substitutional in character.” *Price v. Peachtree Elec. Servs., Inc.*, 396 S.C. 403, 409, 721 S.E.2d 461, 464 (Ct. App. 2012).

The immunity from liability, which the Act confers on the employers and co-employees, reflects “the broader *quid pro quo* arrangement imposed upon the employer and employee by the Act. The employee receives the right to ‘swift and sure compensation’ in exchange for giving up the right to sue in tort.” *Wise v. Richard Wise d/b/a Wise Serv.*, 394 S.C. 591, 598, 716 S.E.2d 117, 121 (Ct. App. 2011). Compensation under the Act can be both swift and sure because the Act “requires the employer to secure the payment of compensation.” *Id.*

Here, Connelly received benefits under the Act. By exercising her right to swift and sure compensation, she gave up her right to sue Trezona in tort; her legal entitlement to recovery of damages from Trezona was extinguished by operation of the Act. Conversely, the Act conferred an immunity on Trezona, which rendered her actions or omissions incapable of constituting a proximate, or legal, cause of Connelly’s injuries. *See Machin v. Carus Corp.*, 419 S.C. 527, 543, 799 S.E.2d 468, 476 (2017). Because Connelly has never accrued a right of action against Trezona, her abstract rights under Old Dominion’s policy could not have concretized as to actuate its contractual duty. In short, she has not satisfied the condition precedent to the recovery of UM benefits.

1. Examination of foreign caselaw reveals a majority rule: the at-fault driver’s immunity under workers’ compensation law bars recovery of UM benefits.

Until the case at bar, South Carolina appellate courts have not considered the effect of the at-fault driver’s immunity under the Act on an insurer’s liability under the UM endorsement; however, many courts of other jurisdictions have opined on the matter, expounding statutory and policy language similar or identical to that before this Court. Take for instance a 2016 opinion of the Court of Appeals in Austin, Texas, in *Soledad v. Tex. Farm Bureau Mut. Ins. Co.*, 505 S.W.3d 600 (Tex. Ct. App. 2016).

In *Soledad*, the court considered implication of the “legally entitled to recover” language in light of the Texas Worker’s Compensation Act’s exclusive-remedy provision. The court held—without engaging in a detailed explication of the phrase—that the plaintiff, who suffered injuries caused by her co-employee’s negligent driving in the course and scope of their employment, was “not ‘legally entitled to recover’ damages from the owner or operator of the vehicle that caused her injuries, and . . . therefore . . . failed to satisfy her policy’s unambiguous requirements to obtain UM/UIM benefits.” *Id.* at 606. The Texas court remarked, citing 23⁵ court opinions from across the nation, that “the majority of courts in other jurisdictions have also held that an employee who receives workers’ compensation benefits is not ‘legally entitled to recover’ from her employer or co-employee and is therefore not entitled to UM/UIM benefits.” *Id.* at 603–04. Among those cited, a case from South Carolina’s neighboring state is noteworthy.

Just like this Court in *Laird*, *Vernon*, *Lawson*, and *Park*, the Court of Appeals of Georgia interprets the Georgia Uninsured Motorist Act’s requirement that the insurers undertake to pay all sums the insured would be legally entitled to recover as damages, as setting forth a condition in

⁵ *Valentine v. Safeco Lloyds Ins. Co.*, 928 S.W.2d 639 (Tex. App.–Houston [1st Dist.]); *Ex Parte Carlton*, 867 So. 2d 332, 338 (Ala. 2003); *Continental Divide Ins. Co. v. Dickinson*, 179 P.3d 202 (Colo. Ct. App. 2007); *Allstate Ins. Co. v. Boynton*, 486 So.2d 552 (Fla. 1986); *Williams v. Thomas*, 370 S.E.2d 773 (Ga. 1988); *State Farm Mut. Auto. Ins. Co. v. Royston*, 817 P.2d 118, 119 (Haw. 1991); *Atlantic Mut. Ins. Co. v. Payton*, 682 N.E.2d 1144 (Ill. 1997); *Otterberg v. Farm Bureau Mut. Ins. Co.*, 696 N.W.2d 24 (Iowa 2005); *State Farm Mut. Auto. Ins. Co. v. Slusher*, 325 S.W.3d 318 (Ky. 2010); *Hebert v. Clarendon Am. Ins. Co.*, 984 So.2d 952 (La. App. 2008); *Hopkins v. Auto–Owners Ins. Co.*, 200 N.W.2d 784 (Mich. 1972); *Medders v. United States Fid. & Guar. Co.*, 623 So.2d 979 (Miss. 1993); *Kesterson v. Wallut*, 157 S.W.3d 675 (Mo. App. 2004); *Okuly v. USF & G Ins. Co.*, 78 P.3d 877 (Mont. 2003); *Matarese v. New Hampshire Mun. Ass’n Prop. Liab. Ins. Trust, Inc.*, 791 A.2d 175 (N.H. 2002); *Kough v. New Jersey Auto. Full Ins. Underwriting Ass’n*, 568 A.2d 127 (N.J. Super. Ct. App. Div. 1990); *Stuhlmiller v. Nodak Mut. Ins. Co.*, 475 N.W.2d 136 (N.D. 1991); *Snyder v. American Family Ins. Co.*, 871 N.E.2d 574, 583 (Ohio 2007); *Cope v. West Am. Ins. Co. of Ohio Cas. Grp.*, 785 P.2d 1050 (Or. 1990); *Erie Ins. Exch. v. Conley*, 29 A.3d 389 (Pa. Super. Ct. 2011); *Lieber v. ITT Hartford Ins. Ctr., Inc.*, 15 P.3d 1030 (Utah 2000); *Welch v. Miller & Long Co. of Md., Inc.*, 521 S.E.2d 767 (Va. 1999); *Romanick v. Aetna Cas. & Sur. Co.*, P.2d 728 (Wash. 1990).

the form of a suit that “shall have been brought and recovered against the uninsured motorist.” *Williams v. Thomas*, 370 S.E.2d 773, 775 (Ga. Ct. App. 1988) (citing *Hartford Acc., etc., Co. v. Studebaker*, 228 S.E.2d 322 (1976) and nine other Georgia opinions). Absent such action, the insurer is not liable to pay anything to the insured. *Id.* In *Williams*, the Georgia court held that because the exclusive rights and remedies provision of the Georgia Workers’ Compensation Act barred the appellant from obtaining a judgment against the co-employee who caused his injury, he could not “satisfy the condition precedent to an action against his insurer for recovery under the uninsured motorist provisions of his policy.” *Id.*

Farther west, the Supreme Court of Mississippi ruled likewise. In *Medders v. U.S. Fidelity and Guar. Co.*, 623 So. 2d 979 (Miss. 1993), it affirmed the lower court’s decision against an insured seeking UM benefits for the injuries caused by a fellow employee, holding that the statutory phrase “legally entitled to recover . . . limits the scope of the coverage mandated by the statute to those instances in which the insured would be entitled . . . to recover through legal action.” *Id.* at 989. It further held that “[t]here is no statutory mandate to provide coverage where the alleged tortfeasor is immune from liability.” *Id.* According to the court, “[t]he statutory language . . . is ‘simply too unambiguous to admit a judicially created exception’” *Id.* (quoting the United States Court of Appeals for the Fifth Circuit in *Perkins v. Insurance Co. of North America*, 799 F.2d 955, 962 (5th Cir. 1986)).

- 2. The court of appeals’ reliance on a West Virginia case of Jenkins v. City of Elkins and an Oklahoma case of Torres v. Kansas City Fire & Marine Inc. was misplaced because the former involved a governmental immunity, and the latter was decided under a statute that allows the insured to sue for UM benefits before establishing the uninsured driver’s liability in tort.***

According to the court of appeals, Trezona’s immunity under the Act’s exclusive-remedy provision would be inconsequential if the phrase “legally entitled to recover” was construed to

convey a requirement of merely demonstrating fault as opposed to establishing liability. (See J.A. 378–79.) To support this proposition, the court invoked an opinion of the Supreme Court of Appeals of West Virginia in *Jenkins v. City of Elkins*, 738 S.E.2d 1 (W.Va. 2012). (J.A. 379–81.) But unlike here, *Jenkins* involved a type of immunity that ordinarily leaves an injured driver without the prospect of being compensated in any form or manner.

The court of appeals quoted a part of *Jenkins* opinion that in turn quotes a passage from a treatise on uninsured- and underinsured-motorist insurance. (J.A. 380.) In the quoted section, the authors, Alan I. Widiss and Jeffrey Thomas, attempt to dissuade courts from treating the phrase “legally entitled to recover” in terms of its actual meaning and advocate for an interpretation driven by balancing of the public-policy interests—in their view the issue of immunity ought to yield to indemnification of the injured person. *Jenkins*, 738 S.E.2d at 13 (quoting Alan I. Widiss & Jeffrey E. Thomas, *Uninsured and Underinsured Motorist Insurance* § 7.14, at 532 (2005)). The court of appeals failed to appreciate, however, that the passage it quoted pertained to the common-law tort immunities—such as governmental, charitable, or spousal—that leave an injured person “completely without a source of indemnification.” *Id.*

In the chapter on underinsured-motorist coverage, however, Professors Widiss and Thomas address the immunity granted by workers’ compensation laws. They note that “[u]nless a claimant would be entitled to indemnification from a tortfeasor, individuals who are covered by workers’ compensation will not be able to recover from an insurer providing underinsured motorist insurance.” 3 A. Widiss & J. Thomas, *Uninsured and Underinsured Motorist Insurance* § 34.2 (2020). The authors actually concede that their policy arguments lose their persuasive power in regard to the immunity granted by workers’ compensation statutes, which provide for at least partial indemnification of the injured persons. *Id.* In fact, they are adamant that in cases where the

“insureds have been fully indemnified . . . by workers’ compensation . . . there should be no right to also receive the uninsured motorist insurance.” 1 A. Widiss & J. Thomas, *Uninsured and Underinsured Motorist Insurance* § 7.14 (2020).

Likely for this reason—and because, unlike in the workers’ compensation context, the plaintiffs suing governmental entities have not given up their rights to sue in exchange for the prospect of swift and sure compensation—the West Virginia supreme court’s invocation of Widiss and Thomas’s policy arguments against governmental immunity could still be consistent with its own caselaw addressing workers’-compensation immunity in light of the UM statute. Note that at the outset of its analysis of the phrase “legally entitled to recover,” the *Jenkins* court distinguished its earlier decision in *Wisman v. William J. Rhodes and Shamblin Stone, Inc.*, 447 S.E.2d 5 (W.Va. 1994), because it involved an immunity granted by the Workers’ Compensation Act: “An employee who receives workers’ compensation benefits for injuries that result from a motor vehicle collision with a co-employee which occurs within the course and scope of employment is not entitled to assert a claim for uninsured or underinsured motorist benefits.” *Jenkins*, 738 S.E.2d at 11–12. The *Wisman* opinion further held that “[b]ecause of the provisions for employer and co-employee immunity contained in W. Va. Code §§ 23-2-6 and 6a (1994), workers’ compensation is the exclusive remedy available to an injured employee, and an uninsured or underinsured motorist carrier has no liability.” *Id.*

As in *Jenkins*, West Virginia’s highest court supported its *Wisman* holding with a quote from a highly respected treatise—Larson’s *Workmen’s Compensation Law*: “for the uninsured motorist clause to operate in the first place, the uninsured third person must be legally subject to liability. Thus, if the third person is specifically made immune to tort suit by the compensation act’s exclusive remedy clause, the uninsured motorist provision does not come into play.” *Wisman*,

447 S.E.2d at 8 (citations and quotations marks omitted); *see also* 10 *Larson's Workers' Compensation Law* § 110.05[10] (2016).

Apart from *Jenkins*, which is distinguishable on the grounds articulated above, the court of appeals cited only one case in which the at-fault driver's immunity under a workers' compensation statute was actually at play: *Torres v. Kansas City Fire & Marine Ins. Co.*, 849 P.2d 407 (Okla. 1993). (J.A. 379.)

In *Torres*, the Supreme Court of Oklahoma reiterated its prior holding that the phrase "legally entitled to recover" did not require "an insured to establish all the elements of a viable claim in tort . . ." 849 P.2d at 410. Note, however, that *Torres*'s persuasive value is questionable at best. This is because unlike §§ 38-77-150(B), 160, and 180 of the South Carolina Code, Oklahoma's uninsured-motorist statute does not mandate prior tort action against the uninsured driver. Under Oklahoma law, an insured "may file an action directly against his insurance company without joining the uninsured motorist as a party defendant and litigate all of the issues of liability and damages in that one action." *Daigle v. Hamilton*, 782 P.2d 1379, 1381 (Okla. 1989). But as this Court held in *Laird*, *Vernon*, *Lawson*, and *Park*, among others, that is not the case under the law of South Carolina.

3. *Two opinions from the supreme court of Florida and Kentucky, each reversing decisions of the lower courts for their erroneous interpretation of the identically worded UM statutes, are instructive here.*

In *State Farm Mut. Auto, Ins. Co. v. Slusher*, 325 S.W.3d 318 (Ky. 2010), the Supreme Court of Kentucky examined the implications of the immunity conferred by the workers' compensation law for the application of the UM statute. But unlike the court of appeals here, the *Slusher* court demonstrated not only how an ambiguity of the statutory language may arise but also when a finding to that effect is without merit.

The facts of *Slusher* are analogous to the facts at bar: an estate of a truck driver, killed due to negligence of his co-worker, received workers' compensation and then sought payment under the UM endorsement of his policy. *Id.* at 319–20. The Kentucky Court of Appeals found the phrase “legally entitled to collect” ambiguous and used the “essential facts” approach to resolve that ambiguity. *Id.* at 321. It held that “to recover UM or UIM benefits an insured need only prove: (1) the fault of the uninsured or underinsured motorist; and (2) the extent of damages caused [thereby].” *Id.* Kentucky’s highest court, however, disagreed and reversed. *Id.* at 325.

The supreme court acknowledged that the “[c]ontract language, like statutory language may be clear on its face and yet contain a latent ambiguity[,]” *id.* at 322, and agreed with the lower court that the cases it relied on in reaching its decision indeed exposed a latent ambiguity. *Id.* at 323. The case *sub judice*, however, indicated no circumstance warranting an analogous finding. *Id.* The opinions cited by the lower court involved Missouri’s sovereign immunity law, which prevented further recovery from the tortfeasor, and Georgia’s comparative negligence law, which prevented recovery by the sixty-percent-at-fault plaintiff from a forty-percent-at-fault tortfeasor. *Id.* at 323–24. These different legal regimes exposed ambiguity of the word “legally” in the phrase “legally entitled to collect.” *Id.* at 324. A court could legitimately ask, “Did ‘legally’ mean under the law of Georgia or the law of Kentucky?” *Id.* Likewise, “Did ‘a legal right to recover mean ‘legal’ under Missouri law or ‘legal’ under Kentucky law?” *Id.* The *Slusher* court concluded that the case under its review raised no similar questions. *Id.* It held that by operation of the exclusive-remedy provision of the workers’ compensation statute, the plaintiff “is not now, nor will ever be, ‘legally entitled to collect’ any further amounts from the [tortfeasor].” *Id.* at 323. And consequently, because “the contractual language of the . . . policy affords payment of UM . . . benefits only for ‘bodily injury an insured is legally entitled to collect from the owner or driver of

an uninsured . . . motor vehicle,’ under the facts of this case, the [plaintiff] may not collect under its UM . . . coverage.” *Id.*

The Supreme Court of Kentucky deemed as merely conclusory the lower court’s declaration that the language at issue was ambiguous. *Id.* at 323–24. This is because, the court held, when the interplay between the policy language and the exclusive remedy provisions of the Workers’ Compensation Act is examined, no such ambiguity can be found. *Id.* at 323. The Kentucky court could find “no construction of such language that would support a conclusion that the [plaintiff] was ‘legally entitled to collect’ any amounts from either the owner of the vehicle . . . or its driver . . . over and above the workers’ compensation benefits already awarded under the Act.” *Id.*

In Florida, the Supreme Court, considering similar facts, reached the same conclusion. At the outset of its analysis in the case of *Allstate Ins. v. Boynton*, 486 So.2d 552 (Fla. 1986), the court noted that the plain meaning of the requirement expressed by the phrase “legally entitled to recover” is that “the insured must have a claim against the tortfeasor which could be reduced to judgment in the court of law.” *Id.* at 555. Having observed the lower court’s more limited construction of the phrase, the Supreme Court of Florida proceeded to examine the out-of-state caselaw where “legally entitled to recover” was held to require only showing of fault on the part of the uninsured motorist and the extent of damages caused thereby. *Id.* at 556. The common thread of those cases, however, was that none of them, as opposed to the case at bar, involved operation of the exclusive-remedy provisions of the workers’ compensation statutes. *Id.*

The *Boynton* court first noted the availability to the insurer of the tortfeasor’s substantive defenses, as well as the importance of the insurer’s subrogation rights, and then warned against lumping together different types of immunities into one broad category. *Id.* at 558. According to

the court, the immunity under the workers' compensation law calls for special attention because it "exists not only to protect the employer in exchange for his provision of immediate, guaranteed benefits but also to protect society by limiting the impact of work-related injury to the remedy offered." *Id.* at 559. The court indicated that "[e]xpanding UM coverage to cover the circumstances before [it] . . . would create a large class of uninsured vehicles." *Id.*

The Supreme Court of Florida commented that in that state the workers' compensation law provides the source of indemnification for a worker injured by a co-worker driving an uninsured vehicle. *Id.* Therefore, considering that the society's goal of protecting the worker under this circumstance has been achieved, the court did "not need to *torture the meaning of a statute aimed at curing another ill entirely* to provide a remedy where one has already been provided." *Id.* (emphasis added).

II. Trezona's car did not become "uninsured" because in denying Connelly's claim Old Dominion did not deny that Trezona's risk of incurring liability to pay damages was within the policy's coverage.

Insurance policies provide for two types of indemnification: against loss caused to the insured by a particular occurrence; and against the insured's liability for payment of an award of damages to a third party. *See Piper v. Am. Fid. & Cas. Co.*, 157 S.C. 106, 112, 154 S.E. 106, 108 (1930). In the latter type, the insurer's obligation to pay damages does not arise until the liability for its payment attaches to the insured. *Pharr v. Canal Ins. Co.*, 233 S.C. 266, 274, 104 S.E.2d 394, 398 (1958) (quoting *Bailey v. United States Fid. & Guar. Co.*, 185 S.C. 169, 175, 193 S.E. 638, 641 (1937)). Put another way, the insured—and by extension any third-party beneficiary of the insurance contract—has no recourse against the insurer until the insured's "liability has become fixed or established . . . on the recovery of a judgment against him . . ." *Black's Law Dictionary*

886 (10th ed. 2014) (the definition of indemnity against liability, quoting 42 C.J.S. *Indemnity* § 22 (1991)).

Here, Old Dominion promised to indemnify Trezona against liability: “We will pay damages for ‘bodily injury’ or ‘property damage’ for which any ‘insured’ becomes legally responsible because of an auto accident.” (J.A. 81.) The scope of that indemnification promise constitutes the policy’s coverage. According to Black’s Law Dictionary, insurance coverage is “an inclusion of a risk under insurance policy[.]” *Black’s Law Dictionary* 446 (10th ed. 2014). It is “the amount and extent of the risk [the insurer] contractually assumed, as specified in the insuring clause and exclusions.” *In re Joint E. & S. Dist. Asbestos Litig.*, 993 F.2d 313, 314 (2nd Cir. 1993). In other words, coverage is circumscribed by the monetary limits, the status of the driver as an insured under the policy definition, and the exclusionary provisions that describe particular events or circumstances giving rise to driver’s liability in which indemnification is not owed. In short, it is “the net total of policy inclusions minus exclusions.” *Utica Mut. Ins. Co. v. Munich Reinsurance Am., Inc.*, 381 F. Supp. 3d 185, 210 (N.D.N.Y. 2019) (quotation marks and citation omitted).

Thus, a denial of coverage must stem from an ascertainment that a particular risk lay beyond the scope of the insurer’s legally enforceable promise: for example, an accident occurred a day after the policy expired; the driver did not meet the definition of an “insured” because he or she was not a member of the named-insured’s household; or the driver, while meeting one of the definitions of an insured, used the vehicle without reasonable belief of being entitled to do so.

A. Denial of a claim because a covered risk has not materialized is not a denial of coverage of that very risk.

The court of appeals concluded that Connelly was entitled to UM benefits because, under one of the statutory definitions, Trezona’s car was an uninsured motor vehicle. Indeed, § 38-77-30(14) of the South Carolina Code defines as such “a motor vehicle as to which . . . there is

nominally [liability] insurance, but the insurer writing the same successfully denies coverage thereunder.” S.C. Code Ann. § 37-77-30(14) (2015). According to the court, Old Dominion’s denial of Connelly’s claim, made on the grounds that Trezona is not legally responsible for paying damages to Connelly, was a denial of coverage. A closer reading of the statutory definition, however, reveals that it could not be so.

Consider that the words preceding the word “coverage” are “successfully” and “denied.” The adverb “successfully” connotes an effort to achieve a result, and, coupled with “denied,” implies a process, such as declaratory judgment action. Declaratory judgment action is a procedural vehicle routinely employed by insurers to obtain judicial approval for their understanding of the extent of their contractual promises. Therefore, a denial of coverage occurs when the insurer concludes, sometimes with judicial help, that it did not agree to undertake a particular risk.

The case of *Allstate v. Wilson*, 259 S.C. 586, 193 S.E.2d 527 (1972), provides an example of a successful denial of coverage with simultaneous acknowledgment of the tortfeasor’s liability. In *Wilson*, this Court considered an auto policy’s definition of an “insured,” whether the at-fault driver was embraced by that definition, and the implications for the victim’s UM coverage under her own policy. *Id.* The driver was not a named insured. *Id.* at 590, 193 S.E.2d at 529. To be an “insured,” the driver would have had to have driven the car with the permission of the named insured. *Id.* The plaintiff sued both the driver and his father, the named insured on the policy. *Id.* The insurer retained counsel to represent both defendants. *Id.* It did so, however, under reservation of rights because, in his statement to the insurer, the father denied having permitted his son to drive the car. *Id.* at 589, 193 S.E.2d at 529. “At the end of the plaintiff’s testimony the trial judge granted a nonsuit to the father of the defendant on the ground that [the defendant] was driving the

automobile at the time and place in question without permission.” *Id.* The jury found the driver liable but the insurer refused to pay the awarded damages. *Id.* According to this Court, the trial court’s grant of nonsuit to the father marked the moment when the insurer “was successful in denying coverage under its liability policy.” *Id.* at 593, 193 S.E.2d at 530. Consequently, the “vehicle operated by [the defendant] was an ‘uninsured motor vehicle’ within the meaning of the [statutory definition].” The Court therefore held that “the uninsured motorist endorsement became operative when it was ascertained that the [tortfeasor] was uninsured.” *Id.* at 593, 193 S.E.2d at 531.

Here, the extent of coverage provided by Old Dominion has never been in dispute: Trezona was an “insured” under the policy and had been covered for payment of “damages for ‘bodily injury’ for which [she would] become[] legally responsible because of an auto accident.” (R. p. 82.) Thus, in rejecting Connelly’s claim, Old Dominion did not deny that it had agreed to pay tort damages on Trezona’s behalf. Old Dominion simply denied that Trezona had become legally responsible to pay them. (R. p. 147.) If Old Dominion denied Connelly’s claim because Trezona, for example, did not fit the policy definition of an insured, or because the manner or circumstance in which the car was used fell within the scope of exclusionary provisions, then the court of appeals’ conclusion would be valid. But here the reason for the denial of the claim was quite different: an event against which Trezona had been insured—that is, a liability to pay tort damages to Connelly—did not, and under the applicable could not, occur.

That denial of liability and denial of coverage are not synonymous and should not be conflated is well illustrated by the opinion of the Appeals Court of Massachusetts in *Noel v. Metropolitan Prop. & Liab. Ins. Co.*, 672 N.E.2d 119 (Mass. Ct. App. 1996). In that case, the Noels were injured in an accident caused by a driver suffering from a sudden onset of brain-tumor-

related symptoms. *Id.* at 120. Allstate, the driver’s liability insurer, denied the Noels’ claim because the driver, due to symptoms, was not legally responsible for the accident. *Id.* The Noels turned to their insurer, Metropolitan Insurance Company, seeking UM benefits. *Id.* They maintained that Allstate’s denial of their claim constituted a denial of coverage that converted the car in question into an uninsured motor vehicle. *Id.* Metropolitan denied the UM claim because the Noels were not entitled to recover from the driver. *Id.* The Noels sued and won summary judgment. *Id.* Metropolitan appealed. *Id.*

The appeals court distilled the issue before it to “whether an insurer’s denial of a claim on the ground that its insured is not legally responsible constitutes a denial of coverage so as to render its ‘insured’ uninsured” *Id.* In its analysis it distinguished the two, noting that denial of coverage “involves a determination as to whether the particular claim asserted is one to which the policy was intended to apply, whereas the [denial of a claim because the insured is not liable] involves a determination as to the viability of the claim itself.” *Id.* at 121. The court further observed that “an insurer against whom a claim is made will frequently deny such claim on issues relating to liability even though coverage actually is afforded” *Id.* (quoting *Page v. Insurance Co. of N. America*, 256 Cal. App. 2d 374, 380, 64 Cal. Rptr. 89 (1967)).

The *Noel* court reversed the summary judgment and granted one for Metropolitan because the driver “had insurance coverage for damages to persons injured by his automobile in an accident for which he was legally responsible.” *Id.* The court added that “if [the driver] were found liable, the [Noels] would be able to recover from [the liability insurer].” *Id.* In other words, the claim was denied because the liability, though covered, could not materialize.

This Court’s opinion in *Unisun Ins. Co. v. Schmidt*, on the other hand, shows what a denial of coverage actually is. 339 S.C. 362, 529 S.E.2d 280 (2000). In *Schmidt*, a father let his daughter

use the family car. *Id.* at 364, 529 S.E.2d at 281. He instructed her to not let anyone else drive it. *Id.* The daughter, along with her friend Jennifer Hurst, drove the car to a party at Christopher Schmidt’s house. *Id.* At some point during the party, Schmidt, without permission, got in the car and drove off with Hurst asleep in the back seat. *Id.* Having lost control, Schmidt drove into a tree, injuring Hurst. *Id.* As a permissive occupant, Hurst claimed to be an insured under the policy that covered the car and sought UM benefits. *Id.*

This Court held that the car became uninsured because the insurer, State Farm Insurance Company, “successfully denied liability coverage.” *Id.* at 367, 529 S.E.2d at 282. Indeed, through operation of an exclusionary provision, the scope of State Farm’s coverage did not embrace Schmidt’s liability—he was not a permissive driver. *Id.* at 365, 529 S.E.2d at 282. Hence, State Farm’s denial of a claim under the liability part of its policy was a denial of coverage—a denial that its indemnification promise extended to Schmidt. For this reason, the *Schmidt* court’s finding that an otherwise insured car was an uninsured motor vehicle for the purpose of applying UM provision is unremarkable.

Here, however, the circumstances were different. Trezona’s liability to pay damages for bodily injury was covered by Old Dominion. But since it has not come to be, due to the operation of the Act’s exclusive-remedy provision, Old Dominion could deny the claim without having denied coverage of such liability. After all, an insurer’s duty to adjust and pay a claim is gauged by the underlying liability of its insured, which has not arisen here. Because Old Dominion did not deny coverage, Trezona’s car remained an insured vehicle.

B. The insurers' acknowledgement of Trezona's fault in causing the accident is not an admission of liability that justifies a finding of denial of coverage and treatment of the car as uninsured.

The court of appeals invoked the parties' stipulation that Trezona's negligence caused the accident as evidence that liability could not have been denied. (J.A. 383, 146.) In the court's view, "only coverage could be denied, and Insurers made coverage denials." (J.A. 383.) In so holding, however, the court exhibited surprising lack of conceptual discernment.

It is true that in careless lawyerly speech the terms "liability" and "fault," or "negligence," are sometimes used interchangeably. But lapses in proper usage should not lead to misapplication of these very different concepts. Note that Black's Law Dictionary defines liability as "[t]he quality, state, or condition of being legally obligated or accountable," contrasting it with fault: "a traditional element in determining legal responsibility"—"a breach of duty of care as an element of tort of negligence." *Black's Law Dictionary* 725, 1053, 1196 (10th ed. 2014). And negligence, in its strict sense, is a degree of fault in breaching that duty. *Id.* Hence, we can speak of fault-based or no-fault liability. This Court's decision in *Machin v. Carus*, for example, consisted in differentiation of these concepts: it involved apportionment of fault among tortfeasors whose liability in tort could not be established, and who incurred liability under different legal regime, but without regard to their fault. 419 S.C. 527, 799 S.E.2d 468 (2017). It must follow then that a stipulation as to fault in causing an injury cannot amount to admission of liability in tort. After all, to prove the tort of negligence, establishing fault, though necessary, is by no means sufficient.

Main Street and Old Dominion stipulated that "Trezona's negligence caused the accident and Connelly's resulting injuries and damages." (J.A. 146.) But the parties also stipulated that "Connelly's claim under the liability policy [was denied] because . . . Trezona cannot be legally responsible to Connelly due to her immunity under the Act." (*Id.*) Because acknowledgment of the insured's fault in causing an injury is not an admission of liability based on that fault, Old

Dominion could not have denied coverage of that liability. The court of appeals' contrary finding is wrong as a matter of law.

CONCLUSION

At no point did Trezona's car become an uninsured motor vehicle as defined by the statute. And even if it did, Connelly did not have a right to claim benefits under the UM endorsement of Old Dominion's policy. This is because, under South Carolina law, an insured's recovery of benefits under uninsured-motorist coverage is conditioned upon successful tort action against the at-fault driver. Only a liability established in such action can lead to the insurer's liability in contract. Mere demonstration of fault in a declaratory-judgment lawsuit cannot establish tort liability of the uninsured driver. Holding otherwise has no support in the text of the statute and runs counter to the long-standing precedent of this Court.

Because of the South Carolina Workers' Compensation Act's exclusive-remedy provision, Connelly lacked a viable cause of action against Trezona, and, therefore, could not satisfy, as a matter of law, the condition precedent to Old Dominion's policy obligation—the condition encapsulated by the statutory phrase “legally entitled to recover as damages.”

For these reasons, the petitioners The Main Street America Group and Old Dominion Insurance Company respectfully request this Court to reverse the court of appeals' decision to affirm the trial court's Order Granting Plaintiffs' Motion for Summary Judgment and Denying Defendants' Motions for Summary Judgment.

[SIGNATURE PAGE FOLLOWS]

Respectfully submitted,

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