

[Cite as *Ward v. United Foundries, Inc.*, 2010-Ohio-6694.]

COURT OF APPEALS  
STARK COUNTY, OHIO  
FIFTH APPELLATE DISTRICT

DAVID WARD, et al.

Plaintiffs

-vs-

UNITED FOUNDRIES, INC., et al.

Defendants/Plaintiffs-Appellees

-vs-

GULF UNDERWRITERS  
INSURANCE COMPANY

Defendant-Appellant

JUDGES:

Hon. William B. Hoffman, P.J.

Hon. Sheila G. Farmer, J.

Hon. John W. Wise, J.

Case No. 2009 CA 00019

OPINION

CHARACTER OF PROCEEDING:

Civil Appeal from the Court of Common  
Pleas, Case No. 2006 CV 01666  
(consolidated with 2006 CV 04347)

JUDGMENT:

Reversed and Remanded

DATE OF JUDGMENT ENTRY:

May 3, 2010

APPEARANCES:

For Appellee United Foundries

For Appellant Gulf Underwriters

CRAIG G. PELINI  
KRISTEN E. CAMPBELL  
PELINI, CAMPBELL, WILLIAMS  
& TRAUB LLC  
Bretton Commons – Suite 400  
8040 Cleveland Avenue NW  
North Canton, Ohio 44720

RONALD B. LEE  
ROETZEL & ANDRESS  
220 South Main Street  
Akron, Ohio 44308

MICHAEL R. CASHMAN  
500 Washington Avenue S., Suite 4000  
Minneapolis, Minnesota 55415

*Hoffman, P.J.*

{¶1} Appellant Gulf Underwriter's Insurance Company appeals the July 6, 2009 Judgment Entry of the Stark County Court of Common Pleas, denying its motion for summary judgment and granting Appellee United Foundries, Inc.'s motion for summary judgment on the issue of duty to defend.

### **STATEMENT OF THE FACTS AND THE CASE**

{¶2} On or about June 6, 2003, David Ward, an employee of United, Foundries, Inc. ("United") suffered a workplace injury.

{¶3} On June 7, 2004, Ward filed an intentional tort suit against United alleging he was injured by a melting furnace that was a dangerous condition, and that United had actual knowledge of that dangerous condition. According to Ward, United also subjected him to this dangerous condition "despite knowledge that he and others similarly situated were substantially certain to be injured in the process of performing his job duties." In summarizing this claim for relief, Ward alleged he was injured "as a direct and proximate result of the intentional and wrongful misconduct" of United. Ward also sought punitive damages. Specifically, Ward alleged the conduct by United was "willful, wanton, intentional and/or with actual malice and the Plaintiff is entitled to punitive damages." The complaint also contained a derivative claim by Mary Ward, who alleged she "has suffered the loss of the care, companionship, consortium, services and society of her husband."

{¶4} At the time of this occurrence, Gulf Underwriters Insurance Company ("Gulf") insured United under a policy that was effective from July 1, 2002, to July 1,

2003. Commercial general liability coverage was included in the Gulf Policy. In pertinent part, the "Commercial General Liability Coverage Part" states as follows:

{¶5} "Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

**{¶6} "SECTION I – COVERAGES**

**{¶7} "COVERAGE A BODILY INJURY AND PROPERTY DAMAGE.**

**LIABILITY**

**{¶8} "1. Insuring Agreement**

{¶9} "a. We will pay those sums that the insured becomes legally obligated to pay as damages because of 'bodily injury' or 'property damage' to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any 'suit' seeking damages for 'bodily injury' or 'property damage' to which this insurance does not apply.

{¶10} "No other obligation or liability to pay sums or perform acts or services is covered.

{¶11} "b. This insurance applies to 'bodily injury' and 'property damage' only if:

{¶12} "(1) The 'bodily injury' or 'property damage' is caused by an 'occurrence' that takes place in the "coverage territory"; and

{¶13} "(2) The 'bodily injury' or 'property damage' occurs during the policy period.

{¶14} “c. Damages because of ‘bodily injury’ include damages claimed by any person or organization for care, loss of services or death resulting at any time from the ‘bodily injury.’

**{¶15} “2. Exclusions**

{¶16} “This insurance does not apply to:

**{¶17} “a. Expected or Intended Injury**

{¶18} " 'Bodily injury' or `property damage' expected or intended from the standpoint of the insured . . .

{¶19} “\* \* \*

**{¶20} “e. Employer's Liability**

{¶21} “ ‘Bodily injury’ to:

{¶22} “An ‘employee’ of the insured arising out of and in the course of:

{¶23} “(a) Employment by the insured; or

{¶24} “(b) Performing duties related to the conduct of the insured's insurers; or

{¶25} “(2) The spouse, child, parent, brother, or sister of that "employee" as a consequence of Paragraph (1) above.

{¶26} “This exclusion applies:

{¶27} “(1) Whether the insured may be liable as an employer or in any other capacity<sup>1</sup>; and

{¶28} “(2) To any obligation to share damages with or repay someone else who must pay damages because of injury.<sup>2</sup>

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<sup>1</sup> This provision is referred to as a “dual capacity” exclusion within the insurance industry.

{¶29} “\* \* \*

{¶30} “ **SECTION V – DEFINITIONS**

{¶31} “3. ‘Bodily injury’ means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.

{¶32} “\* \* \*

{¶33} “13. ‘Occurrence’ means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.”

{¶34} United also purchased employers liability coverage from Gulf via an Employers Liability Stop Gap Endorsement, which states, in pertinent part:

{¶35} “**EMPLOYER'S LIABILITY COVERAGE**

{¶36} “THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

{¶37} “This endorsement modifies insurance provided under the following:

{¶38} “COMMERCIAL GENERAL LIABILITY COVERAGE PART

{¶39} “A. SCHEDULE

{¶40} “1. Designated State(s): OHIO

{¶41} “\* \* \*

{¶42} “B. PROVISIONS

{¶43} “The following provisions apply to SECTION I - COVERAGE A. - with respect to ‘bodily injury’ included within the ‘employer's liability hazard.’

{¶44} “1. The exclusions in paragraph 2 of SECTION I - COVERAGE A. - are replaced by the following:

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<sup>2</sup> This provision is referred to as a “third party over-suit” exclusion within the insurance industry.

{¶45} “This insurance does not apply to:

{¶46} “\* \* \*

{¶47} “e. ‘Bodily injury’ intentionally caused or aggravated by you, or ‘bodily injury’ resulting from an act which is determined to have been committed by you with the belief that an injury is substantially certain to occur;

{¶48} “\* \* \*

{¶49} “3. The following additional definition applies:

{¶50} " ‘Employer's liability hazard’ includes:

{¶51} “a. ‘Bodily injury’ sustained by one of your employees if such "bodily injury" arises out of and in the course of such employee's employment by you which is necessary or incidental to your work in a state designated in the Schedule on endorsement CG T3 13 10 89; and

{¶52} “b. Consequential ‘bodily injury’ to a spouse, child, parent, brother or sister of the injured employee provided that such ‘bodily injury’ is the direct consequence of ‘bodily injury’ included within a. above.

{¶53} " ‘Bodily injury’ under a. and b. above is included whether or not:

{¶54} “i. The insured may be liable as an employer or in any other capacity; and

{¶55} “ii. It involves an obligation to share damages with or repay someone else who must pay damages because of the injury.”

{¶56} The Gulf Policy was also endorsed with a Punitive Damages Exclusion, which provides:

{¶57} “In consideration of the premium charged, and notwithstanding anything contained in this policy to the contrary, it is agreed that this policy does not apply to liability for punitive or exemplary damages, in whatever form assessed.”

{¶58} On or about June 11, 2004, United forwarded a copy of the 2004 complaint filed by the Wards to Gulf. Gulf responded on June 25, 2004, and denied defense and indemnity coverage.

{¶59} The Wards’ complaint was dismissed without prejudice on or about February 27, 2006, but was re-filed on April 24, 2006. The new complaint was identical to the previous complaint. Consequently, Gulf maintained its denial of defense and indemnity coverage.

{¶60} On or about June 1, 2007, United filed the instant lawsuit against Appellant Gulf, seeking a declaration Gulf was obligated to provide a defense and indemnity coverage.

{¶61} On November 26, 2007, the trial court consolidated the defense/coverage declaration action with the underlying intentional tort complaint for pretrial discovery. Subsequently the trial court issued an order on June 24, 2008, instructing the parties to file dispositive motions solely on the issue of whether Gulf had a duty to defend United.

{¶62} On July 3, 2008, United filed a motion for summary judgment alleging a duty to defend existed under the Employers Stop Gap Endorsement.

{¶63} On July 17, 2008, Gulf filed a cross-motion for summary judgment alleging there was no possibility of coverage and thus it had no duty to defend.

{¶64} On or about January 5, 2009, the trial court issued an order finding there were no genuine issues of material fact on the duty to defend, and granted summary judgment for United.

{¶65} It is from this decision Gulf now appeals, assigning the following errors for review.

### **ASSIGNMENTS OF ERROR**

{¶66} “I. THE TRIAL COURT ERRED IN DENYING SUMMARY JUDGMENT FOR APPELLANT GULF ON THE DUTY TO DEFEND WHEN THE UNDISPUTED EVIDENCE ESTABLISHED NO POSSIBILITY OF COVERAGE.

{¶67} “II. THE TRIAL COURT ERRED IN GRANTING SUMMARY JUDGMENT FOR APPELLEE UNITED ON THE DUTY TO DEFEND WHEN IT CONCLUDED THAT THE EMPLOYERS LIABILITY STOP GAP ENDORSEMENT WAS ILLUSORY.”

#### **I., II.**

{¶68} We shall address Gulf’s assignments of error together as they are interrelated.

{¶69} Summary judgment proceedings present the appellate court with the unique opportunity of reviewing the evidence in the same manner as the trial court. *Smiddy v. The Wedding Party, Inc.* (1987), 30 Ohio St.3d 35, 36. Civ.R. 56(C) provides, in pertinent part:

{¶70} “Summary judgment shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, written admissions, affidavits, transcripts of evidence in the pending case, and written stipulations of fact, if any, timely filed in the action, show that there is no genuine issue as to any material fact and that the moving

party is entitled to judgment as a matter of law. \* \* \* A summary judgment shall not be rendered unless it appears from such evidence or stipulation and only therefrom, that reasonable minds can come to but one conclusion and that conclusion is adverse to the party against whom the motion for summary judgment is made, such party being entitled to have the evidence or stipulation construed most strongly in his favor.”

{¶71} Pursuant to the above rule, a trial court may not enter a summary judgment if it appears a material fact is genuinely disputed. The party moving for summary judgment bears the initial burden of informing the trial court of the basis for its motion and identifying those portions of the record that demonstrate the absence of a genuine issue of material fact. The moving party may not make a conclusory assertion that the non-moving party has no evidence to prove its case. The moving party must specifically point to some evidence which demonstrates the non-moving party cannot support its claim. If the moving party satisfies this requirement, the burden shifts to the non-moving party to set forth specific facts demonstrating there is a genuine issue of material fact for trial. *Vahila v. Hall*, 77 Ohio St.3d 421, 429, 1997-Ohio-259, citing *Dresher v. Burt*, 75 Ohio St.3d 280, 1996-Ohio-107.

{¶72} It is based upon this standard that we review Gulf’s assignments of error.

{¶73} As set forth above, the underlying complaint filed by the Wards against United alleges David Ward was injured as a result of a dangerous condition of which United had knowledge, and United subjected him to this dangerous condition despite knowledge it was substantially certain he would be injured in the process of performing his job duties.

{¶74} United filed the within action to determine whether Gulf owed a duty to defend, indemnify, or otherwise provide coverage to United for any and all allegations stemming from the underlying intentional tort lawsuit. Gulf maintains it had no duty to defend in this matter and the stop-gap coverage provided to United was not illusory.

{¶75} When a complaint alleges a claim that could potentially be covered by an insurance policy, the duty to defend arises. *Cincinnati Ins. Co. v. CPS Holdings, Inc.* (2007), 115 Ohio St.3d 306, 875 N.E.2d 31. “[When] the complaint brings the action within the coverage of the policy, the insurer is required to make the defense, regardless of the ultimate outcome of the action or its liability to the insured.” *Id.* Even when the action is not clearly within the policy coverage, but the allegations could arguably or potentially state a claim within the policy coverage, the insurer still has a responsibility to defend the entire action. *Sanderson v. Ohio Edison Co.* (1994), 69 Ohio St.3d 582, 586, 635 N.E.2d 19; *Willoughby Hills v. Cincinnati Ins. Co.* (1984), 9 Ohio St.3d 177, 459 N.E.2d 555.

{¶76} However, an insured is not obligated to defend a claim “clearly and indisputably outside the contracted policy coverage.” *Cincinnati Ins. Co. v. CPS Holdings, Inc.*, *supra*. “Only if there is no possibility of coverage under the policy based on the allegations in the complaint will the insurer not have a duty to defend the action.” *Erie Ins. Exch. v. Colony Dev. Corp.* (1999), 136 Ohio App.3d 406, 413, 736 N.E.2d 941.

{¶77} An insurer's duty to defend is broader than the duty to indemnify. *Ohio Govt. Risk Mgt. Plan v. Harrison*, 115 Ohio St.3d 241, 874 N.E.2d 1155, 2007-Ohio-4948, ¶ 19. The duty of the insurance company to defend is separate from the duty of

the insurance company to indemnify. *Willoughby Hills*, supra. Once a duty to defend is recognized, “speculation about the insurer's ultimate obligation to indemnify is premature until facts excluding coverage are revealed during the defense of the litigation and the insurer timely reserves its rights to deny coverage.” *Erie Ins. Exch. Supra* at 413.

{¶78} In its motion for summary judgment, United maintains, “[i]n obtaining the Gulf policy, it was United Foundries’ express intent to procure insurance which would provide a defense and indemnity for claims of substantial certainty employer intentional torts.” (United’s Motion for Summary Judgment, Affidavit of Ronald Martin). United further stated it believed the \$5,000 premium it paid for “Stop-Gap” coverage provided defense and indemnity coverage for substantial certainty employer intentional torts. *Id.*

{¶79} Gulf argues the language in the “Stop Gap” endorsement excludes substantial certainty employer intentional torts which “have been determined to have been committed by [United]”.

{¶80} United argues such coverage was the sole purpose of purchasing the endorsement and, without such coverage, the endorsement is useless. Without it, United asserts it paid a significant premium for nothing.

{¶81} Gulf maintains while the Stop Gap endorsement does not provide coverage for substantial certainty intentional torts, it is not illusory because it does provide coverage for dual capacity suits, third party over-suits, consequential bodily injury and unknown employer liability hazards. We agree.

{¶82} Because the claim as alleged in the Wards’ complaint would not bring the action within the coverage of the policy, we find Gulf is not required to defend nor

indemnify United under the terms of the policy. The complaint clearly alleges an intentional tort claim against the employer. Such claim is clearly excluded from coverage under the Commercial General Liability Policy as modified by the Employers Liability Stop Gap Endorsement to exclude coverage for: “Bodily injury’ intentionally caused or aggravated by you, or ‘bodily injury’ resulting from an act which is determined to have been committed by you with the belief that an injury is substantially certain to occur.” If a contract’s terms are clear and unambiguous, no issue of fact remains and the contract must be interpreted as a matter of law. *Inland Refuse Transfer Co. v. Browning Ferris Indus. of Ohio, Inc.* (1984), 15 Ohio St.3d, 321, 322. Because we find the exclusion is unambiguous, United’s purpose or understanding it was acquiring coverage for such a claim under the Stop Gap Endorsement is irrelevant.<sup>3</sup>

{¶183} United argues because the plaintiff-employee’s claim has yet to be “determined to have been committed,” it is entitled to a defense even if coverage is later determined to be unavailable. We find this argument unpersuasive. If the allegations in Wards’ complaint are ultimately determined to be true, coverage is specifically excluded. Applying the “scope of the allegations” test, we find the claim stated in the complaint is neither potentially nor arguably covered under the terms of the policy. As such, we conclude Gulf has no duty to defend nor indemnify.

{¶184} In his dissent, Judge Wise finds coverage exists based upon the definition of “employer’s liability hazard.” Judge Wise interprets such definitional language as providing coverage to employees for injuries arising out of their employment not

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<sup>3</sup> The insured’s purpose and understanding may well be relevant in a claim by the insured against the issuing insurance agent/agency.

otherwise covered by workers' compensation.<sup>4</sup> Thus, he concludes the only thing the Stop Gap Endorsement could provide coverage for is substantial-certainty intentional torts.<sup>5</sup> As such, Judge Wise, as did the trial court, concludes the Stop Gap Endorsement is illusory. We respectfully disagree.

{¶85} Gulf asserts the Stop-Gap endorsement provides additional coverage for “dual capacity torts” and “third party over-suits” which are specifically excluded under the General Commercial Liability Policy. While acknowledging Gulf’s assertion, United replies, because its only intended purpose for purchasing the Stop-Gap Endorsement was to cover substantial certainty employer intentional torts, the endorsement is illusory.<sup>6</sup> While United’s “understanding”<sup>7</sup> was the endorsement would provide defense and indemnity coverage for substantial certainty employer intentional torts, such understanding goes to the extent of the additional coverage purchased rather than whether additional coverage exists. Although the expanded coverage is not necessarily what United thought it would be, we do not find it to be illusory.

{¶86} Gulf’s two assignments of error are sustained.

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<sup>4</sup> As noted by Judge Wise, employee claims against an employer for negligence are barred under Ohio’s Workers’ Compensation Laws.

<sup>5</sup> Wise, J., dissent ¶94.

<sup>6</sup> Appellee’s Brief at p.6.

<sup>7</sup> Appellee’s Brief at p.1.

{¶87} The judgment of the Stark County Court of Common Pleas is reversed and the matter remanded to that court for further proceedings in accordance with this Opinion and the law.

By: Hoffman, P.J.

Farmer, J. concurs,

Wise, J. dissents

s/ William B. Hoffman  
HON. WILLIAM B. HOFFMAN

s/ Sheila G. Farmer  
HON. SHEILA G. FARMER

HON. JOHN W. WISE

*Wise, J., dissenting*

{¶188} I respectfully dissent from the majority opinion.

{¶189} In the instant case, Appellee argues that coverage for substantial certainty intentional torts was the sole purpose of purchasing the endorsement and that without such coverage, the endorsement is useless and further, that it paid a significant premium for nothing.

{¶190} Appellant Gulf argues that while the Stop Gap endorsement does not provide coverage for substantial certainty intentional torts, it is not illusory because it does provide coverage for dual capacity suits, third party over-suits, consequential bodily injury and unknown employer liability hazards.

{¶191} Pursuant to the Employer's Liability Coverage/Stop-Gap endorsement, such coverage included:

{¶192} "Bodily injury" sustained by one of your employees if such "bodily injury" arises out of and in the course of such employee's employment by you which is necessary or incidental to your work in a state designated in the Schedule on endorsement CG T3 13 10 89; and

{¶193} "b. \*\*\*

{¶194} This writer reads this to mean that this endorsement provided coverage for injuries to employees of Appellee United Foundries arising out of their employment with Appellee that is not covered by the workers' compensation system. In Ohio, the only injuries that would not be covered by workers' compensation are intentional torts and, as the only type of intentional tort that one can insure against without violating Ohio

public policy is substantial-certainty intentional torts, the only thing the stop-gap endorsement could provide coverage for is substantial-certainty intentional torts.

{¶95} While Appellant Gulf argues that other claims such as “dual capacity torts” and “third party over-suits” would be covered under this Endorsement, this writer’s understanding of “dual capacity torts” and “third party over-suits” is such that a foundry would have no use for this type of coverage as it does not produce an end product which would subject it to liability for those types of claims.

{¶96} Based on the language as contained in the endorsement, I would find that to give effect to the exclusion would render its policy illusory.

{¶97} When interpreting an insurance contract, the main goal of the court is to achieve a “ ‘reasonable construction [of the contract] in conformity with the intention of the parties as gathered from the ordinary and commonly understood meaning of the language employed.’ ” *King v. Nationwide Ins. Co.* (1988), 35 Ohio St.3d 208, 211, 519 N.E.2d 1380, quoting *Dealers Dairy Products Co. v. Royal Ins. Co.* (1960), 170 Ohio St. 336, 164 N.E.2d 745. If a contract’s terms are clear and unambiguous, no issue of fact remains and the contract must be interpreted as a matter of law. *Inland Refuse Transfer Co. v. Browning-Ferris Industries of Ohio, Inc.* (1984), 15 Ohio St.3d 321, 322, 474 N.E.2d 271. However, when an ambiguity exists, the contract’s ambiguous terms must be strictly construed against the insurer and liberally in favor of the policyholder. *King*, supra, 35 Ohio St.3d at 211, 519 N.E.2d 1380.

{¶98} When “construing an agreement, the court should prefer a meaning which gives it vitality rather than a meaning which renders its performance illegal or impossible.” *Kebe v. Nutro Machinery Corp.* (1985), 30 Ohio App.3d 175, 30 OBR 316,

507 N.E.2d 369. Generally, “courts disfavor contract interpretations which render contracts illusory or unenforceable.” *Harasyn v. Normandy Metals, Inc.* (July 28, 1988), Cuyahoga App. No. 53212, 1988 WL 86966, quoting *Liqui\*Lawn Corp. v. The Andersons* (Apr. 10, 1986), Cuyahoga App. No. 50240, 1986 WL 4394.

{¶99} I am not inclined to give the insurance policy a reading that would render it useless. Appellee paid a significant premium for this policy, and we fail to see what it paid for if it was not coverage for substantial-certainty intentional torts.

{¶100} Accordingly, I would find the trial court did not err in finding there is no genuine issue of material fact, and Appellee United Foundries was entitled to judgment as a matter of law.

s/ John W. Wise  
\_\_\_\_\_  
HON. JOHN W. WISE

IN THE COURT OF APPEALS FOR STARK COUNTY, OHIO  
FIFTH APPELLATE DISTRICT

DAVID WARD, et al.	:	
	:	
Plaintiffs	:	
	:	
-vs-	:	JUDGMENT ENTRY
	:	
UNITED FOUNDRIES, INC., et al.	:	
	:	
Defendants/Plaintiffs-Appellees	:	Case No. 2009 CA 00019
-vs-	:	
	:	
GULF UNDERWRITERS INSURANCE COMPANY		
Defendant-Appellant		

For the reasons stated in our accompanying Memorandum-Opinion, the judgment of the Court of Common Pleas of Stark County, Ohio, is reversed and the matter remanded to that court for further proceedings in accordance with our opinion and the law. Costs assessed to Appellant.

s/ William B. Hoffman \_\_\_\_\_  
HON. WILLIAM B. HOFFMAN

s/ Sheila G. Farmer \_\_\_\_\_  
HON. SHEILA G. FARMER

\_\_\_\_\_  
HON. JOHN W. WISE