

Virginia Law Governing Insurance Contract Interpretation

As a preliminary matter, it is settled in Virginia that interpreting the undisputed terms of a contract presents a question of law for the court. C. F. Garcia Enterprises, Inc. v. Enterprise Ford Tractor, 480 S.E.2d 497, 498, 253 Va. 104, 107 (1997). The basic law governing analysis is also settled: courts look first to the contract itself. "Courts interpret insurance policies, like other contracts, in accordance with the intention of the parties gleaned from the words they have used in the document." Floyd v. Northern Neck Ins. Co., 427 S.E.2d 193, 196, 245 Va. 153, 158 (1993). "[A]s in the case of any other contract, the words used are given their plain and customary meaning" Hill v. State Farm Mut. Auto Ins. Co., 375 S.E.2d 727, 729, 237 Va. 138, 152 (1989).

That rule regarding doubt applies ever more strongly to exclusionary language. "[T]o be effective, exclusionary language must clearly and unambiguously bring the particular act or omission within its scope." Floyd at 158. Indeed, policies are "to be construed liberally in favor of the insured and strictly against the insurer." Central Sur. & Ins. Corp. v. Elder, 129 S.E.2d 651, 655, 204 Va. 192, 197 (1963). And "the burden is on the insurer to prove that an exclusion applies." American Reliance Ins. Co. v. Mitchell, 385 S.E.2d 583, 585, 238 Va. 543, 547 (1989).

If two constructions are reasonable, an ambiguity exists. Thus, [the question in a case can be] resolved by the mere fact that reasonable men . . . may reach reasonable, but opposite, conclusions" Id. Indeed, "an ambiguity exists when language admits of being understood in more than one way or refers to two or more things at the same time." Lincoln Nat. Life Ins. Co. v. Commonwealth Corrugated Container Corp., 327 S.E.2d 98, 101, 229 Va. 132, 136-137 (1985).

Virginia law is also settled that all ambiguities resolve against the insurer. "An ambiguity, if one exists, must be found on the face of the policy." Id. Insurance policies are contracts whose language is ordinarily selected by insurers rather than by policyholders." St. Paul Fire & Marine Ins. Co. v. S.L. Nusbaum & Co., Inc., 316 S.E.2d 734, 736, 227 Va. 407, 411 (1984). "The courts, accordingly, have been consistent in construing the language of such policies, where there is doubt as to their meaning, in favor of that interpretation which grants coverage, rather than that which withholds it." Id. "Where two constructions are equally possible, that most favorable to the insured will be adopted." Id. "Language in a policy purporting to exclude certain events from coverage will be construed most strongly against the insurer." Id.