

THOUGHT LEADERSHIP

News

FIFTH CIRCUIT CONCLUDES THAT “REEFER TRAILER” IS A “VEHICLE” –SPOILED MEAT NOT A COVERED LOSS UNDER EQUIPMENT BREAKDOWN POLICY

Newsbrief

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The Fifth Circuit recently concluded that an unhitched trailer was a “vehicle” under an Equipment Breakdown Policy and, thus, the spoiled beef stored in the trailer was not a covered loss. In *Kiobassa Provision Co., Inc. v. Travelers Property Casualty Co. of America*, No. 21-51033, 2022 WL 1800884 (5th Circuit, June 2, 2022, mem. op.), Kiobassa operated a smoked meat business out of San Antonio, Texas. In August 2019, Kiobassa ran out of storage space in its warehouse and loaded 49,016 pounds of organic beef trim onto an unhitched trailer with a mounted refrigeration unit– the “reefer trailer”. The refrigeration unit malfunctioned and the beef spoiled, causing Kiobassa to lose \$167,000 worth of product. Kiobassa then filed an insurance claim under its Equipment Breakdown Policy with Travelers. Travelers denied coverage under the policy.

The dispute centered on whether the reefer trailer was a “vehicle.” In defining the term “Covered Equipment,” the policy provided that it “does not mean” any equipment that is “mounted on or used solely with any *vehicle*.” Travelers argued that the reefer trailer was a vehicle, making its denial of coverage appropriate. Kiobassa argued that the reefer trailer was not a vehicle because the trailer was not able to “move on its own”—it was not attached to a semi-truck and was therefore stationary.

The Fifth Circuit concluded that the reefer trailer fell plainly within the ordinary meaning of the term “vehicle” (consulting dictionaries as the policy did not define the term). The court rejected Kiobassa’s argument that the definition of “vehicle” should be limited to a conveyance that can move on its own. “First, that limitation is not consistent with the common understanding of the word ‘vehicle.’ Self-propulsion is not a vehicle’s defining feature, and whether it can fulfill that function at the time in question is irrelevant to its definition or classification. Second, additional contextual clues point to the reefer trailer being a vehicle: the Texas Department of Transportation considers trailers to be vehicles, the trailer was registered with the Texas Department of Motor Vehicles, and the trailer was accordingly assigned a Vehicle Identification Number.” Because the reefer trailer was a “vehicle”, Kiobassa’s claim was not covered, and the court affirmed summary judgment in favor of Travelers.