

THOUGHT LEADERSHIP

News

## U.S. DISTRICT COURT DENIES INSURED'S MOTION TO COMPEL APPRAISAL

Newsbrief

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Last week, the United States District Court for the Southern District of Texas denied the insured's motion to compel appraisal, concluding that the insured did not comply with the conditions precedent under the insurance policy. In *Hall v. State Farm Lloyds*, No. H-21-1769, 2021 WL 5054647 (S.D. Texas, [Houston Division] November 1, 2021, mem. op.), the insured's residence allegedly sustained damage caused by an explosion 1.8 miles away. Before filing suit, the insured invoked the policy's appraisal clause in a letter stating that he was entitled to recover \$184,376.59 for the damages to the property, that this estimate was substantially different from State Farm's belief (without identifying any loss amount that State Farm "believed" applied), and that the adjuster did not perform an adequate inspection or was not adequately trained. State Farm denied the insured's request, noting that neither State Farm nor the insured could demand appraisal until there was an itemized disagreement over the loss amount. The insured subsequently filed suit, and again invoked the appraisal process, which State Farm again denied. Finally, the insured filed a motion to compel appraisal.

The court quickly denied the insured's motion based on the policy provisions. That is, the policy included the following conditions to invoking an appraisal: (1) the party seeking appraisal must provide the other party with written, itemized documentation of a specific dispute as to the amount of the loss, identifying separately each item being disputed, and (2) a party may not demand appraisal after that party brings suit or action against the other party relating to the amount of loss.

The court noted that it was unclear why the appraisal process was relevant in the first place, as State Farm and the insured disputed whether the nearby explosion caused any covered damage to the insured's property. "The purpose of an appraisal provision is not to determine the cause of the loss."