SUPREME COURT OF IOWA

Walnut Creek Townhome Association v. Depositors Insurance Company

913 N.W.2d 80 (Iowa 2018) · No. No. 16-0121 · Decided June 1, 2018

SUMMARY

The Iowa Supreme Court considered whether an insurance appraisal panel could determine the factual cause of hail damage to roofing shingles. The court held that appraisers may determine factual causation and the amount of loss, while courts decide coverage and policy-exclusion questions. The court vacated the court of appeals decision and remanded for further proceedings concerning preexisting shingle damage excluded under the policy.

CASE DETAILS

COURT	Supreme Court of Iowa
WRITING FOR THE COURT	Waterman, Justice
JURISDICTION	Iowa
DECIDED	June 1, 2018
DOCKET	No. 16-0121
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Depositors sought further review of a court of appeals decision reversing a district court judgment that rejected an insurance appraisal award. The Supreme Court of Iowa vacated the court of appeals decision, reversed the district court's rejection of the appraisal award in part, affirmed the denial of additional soft-metal damages, and remanded for adjudication of coverage exclusions.
STANDARD OF REVIEW	Interpretation of an insurance policy is reviewed for correction of errors at law. Factual findings from a bench trial are binding on appeal if supported by substantial evidence, and legal conclusions are reviewed for correction of errors at law.
PRECEDENTIAL VALUE	Published Iowa Supreme Court opinion; precedential
PARTIES	Walnut Creek Townhome Association v. Depositors Insurance Company

TOPICS

insurance coverage | insurance | breach of contract | declaratory relief insurance | appellate procedure

PRACTICE AREAS

property insurance | insurance appraisal | insurance coverage | contract litigation | civil procedure

QUESTIONS PRESENTED

1. Whether insurance appraisers may determine the factual cause of damage to insured property when determining the amount of loss from a covered storm event.
2. Whether the district court could disregard the appraisal award and independently determine that the shingles sustained no hail damage.
3. Whether coverage questions and policy exclusions, including an anticoncurrent-cause provision and exclusions for deterioration and defective materials, remained for the court after the appraisal.
4. Whether Walnut Creek was entitled to additional payment for soft-metal damage under the policy's replacement-cost provision.

HOLDINGS

1. Appraisers may determine the factual cause of damage to insured property when determining the amount of loss attributable to a storm, but they may not decide legal coverage questions or the applicability of policy exclusions.
2. The district court erred by independently finding that the hailstorm caused no shingle damage and by disregarding the appraisal award's determination of the dollar amount of hail damage.
3. The appraisal award is binding as to the dollar amount of hail damage, but the district court must determine whether any portion of that amount is excluded or limited by the policy, including exclusions for prior deterioration and defective shingles under the anticoncurrent-cause provision.
4. Walnut Creek was not entitled to additional sums for soft-metal damage because it had not shown that the damaged property was actually repaired or replaced as required for replacement-cost payment.

KEY QUOTATIONS

> *"Coverage questions are for the court. But this does not mean the court is free to disregard the appraisal award as to factual disputes that may be dispositive of coverage questions."* (at 89)

> *"The appraisal award is binding on the parties as to the dollar amount of the loss for shingle damage caused by the August 8, 2012 hailstorm, but that amount remains subject to coverage exclusions and limitations."* (at 94-96)

> *"In the retrial, the court shall accept the appraisal award as to the hail damage loss, and then determine the amount, if any, Depositors owes under the policy after adjudicating the coverage defenses."* (at 98)

FACTUAL BACKGROUND

Walnut Creek's townhomes had CertainTeed shingles that were known in the roofing industry to have manufacturing defects and were already being investigated for replacement before an August 8, 2012 hailstorm. Walnut Creek's experts attributed shingle damage to the storm, while Depositors' experts attributed the condition to preexisting deterioration and defective materials; Depositors paid for damage to metal gutters and fascia but denied most roof coverage. An appraisal panel valued the loss attributable to the storm at $1,467,830, but the district court rejected the award and found no hail damage to the shingles.

PROCEDURAL HISTORY

Walnut Creek sued Depositors for breach of contract and sought declaratory relief concerning an appraisal of hail damage. The district court denied Walnut Creek's summary-judgment motion, dismissed its declaratory-judgment claim, conducted a bench trial, rejected the appraisal award, and entered judgment for Depositors. The court of appeals reversed as to the appraisal award and breach-of-contract claim and remanded for entry of judgment consistent with the award, except for air-conditioning-unit damages. The Supreme Court granted Depositors' application for further review.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

The district court must accept the appraisal award as to the amount of hail damage loss, exclude the amount attributed to air-conditioning units not owned by Walnut Creek, and adjudicate Depositors' coverage defenses concerning prior deterioration, defective shingles, and the anticoncurrent-cause provision. The court must conduct further proceedings consistent with the opinion.

CASES CITED

- Boelman v. Grinnell Mutual Reinsurance Co., 826 N.W.2d 494, 500 (Iowa 2013)
- Pudil v. State Farm Mutual Automobile Insurance Co., 633 N.W.2d 809, 811 (Iowa 2001)
- Frunzar v. Allied Property & Casualty Insurance Co., 548 N.W.2d 880, 884 (Iowa 1996)
- North Glenn Homeowners Ass'n v. State Farm Fire & Casualty, 854 N.W.2d 67, 68-71 (Iowa Ct. App. 2014)
- Quade v. Secura Insurance, 814 N.W.2d 703, 706-08 (Minn. 2012)
- Central Life Insurance Co. v. Aetna Casualty & Surety Co., 466 N.W.2d 257, 258-64 (Iowa 1991)
- Sager v. Farm Bureau Mutual Insurance Co., 680 N.W.2d 8, 13 (Iowa 2004)
- Postell v. American Family Mutual Insurance Co., 823 N.W.2d 35, 48-49 (Iowa 2012)
- National Surety Corp. v. Westlake Investments LLC, 880 N.W.2d 724, 733-34 (Iowa 2016)
- Travelers Property Casualty Co. of America v. Brookwood, LLC, 283 F. Supp. 3d 1153, 1161-63 (N.D. Ala. 2017)
- Amish Connection, Inc. v. State Farm Fire & Casualty Co., 861 N.W.2d 230, 241 (Iowa 2015)
- Philadelphia Indemnity Insurance Co. v. WE Pebble Point, 44 F. Supp. 3d 813, 818 (S.D. Ind. 2014)
- State Farm Lloyds v. Johnson, 290 S.W.3d 886, 892-93 (Tex. 2009)

- CIGNA Insurance Co. v. Didimoi Property Holdings, N.V., 110 F. Supp. 2d 259, 268 (D. Del. 2000)
- Rogers v. State Farm Fire & Casualty Co., 984 So. 2d 382, 392 (Ala. 2007)
- Munn v. National Fire Insurance Co. of Hartford, 115 So. 2d 54, 55 (Miss. 1959)
- Spearman Industries, Inc. v. St. Paul Fire & Marine Insurance Co., 109 F. Supp. 2d 905, 907 (N.D. Ill. 2000)
- Trout Brook South Condominium Ass'n v. Harleysville Worcester Insurance, 995 F. Supp. 2d 1035, 1041 (D. Minn. 2014)
- HHC Associates v. Assurance Co. of America, 256 F. Supp. 2d 505, 511 (E.D. Va. 2003)
- Wausau Insurance v. Herbert Halperin Distribution Corp., 664 F. Supp. 987, 989 (D. Md. 1987)
- Johnson v. Nationwide Mutual Insurance, 828 So. 2d 1021, 1025 (Fla. 2002)
- Auto-Owners Insurance v. Kwaiser, 476 N.W.2d 467, 469 (Mich. Ct. App. 1991)
- St. Paul Fire & Marine Insurance v. Wright, 629 P.2d 1202, 1203 (Nev. 1981) (per curiam)
- Farmers Automobile Insurance v. Union Pacific Railway, 768 N.W.2d 596, 607 (Wis. 2009)
- Florida Insurance Guaranty Ass'n v. Olympus Ass'n, 34 So. 3d 791, 794 (Fla. Dist. Ct. App. 2010)
- Terra Industries, Inc. v. Commonwealth Insurance Co. of America, 981 F. Supp. 581, 605 (N.D. Iowa 1997)