UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

American Economy Insurance Company v. Scott Sepic, Page Sepic, and Vesta Denver, LLC

Sepic · No. 24-cv-01673-NYW-CYC · Decided June 8, 2026

SUMMARY

The United States District Court for the District of Colorado considers American Economy Insurance Company's motion for summary judgment in a declaratory-judgment action arising from a fire at a home under construction. The court holds that the defendants did not reside at the Madison Street property and therefore grants summary judgment on the issue of coverage for building-property damage and the related breach-of-contract claim. The court reserves or declines to resolve other issues, including whether the defendants sought coverage for damaged personal property.

CASE DETAILS

COURT	United States District Court for the District of Colorado
WRITING FOR THE COURT	Nina Y. Wang
JURISDICTION	United States District Court for the District of Colorado
DECIDED	June 8, 2026
DOCKET	24-cv-01673-NYW-CYC
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff moved for summary judgment on its declaratory judgment claim and defendants' counterclaims for breach of contract, common-law bad faith breach of an insurance contract, and statutory unreasonable delay or denial of insurance benefits.
STANDARD OF REVIEW	Summary judgment is appropriate if there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law. The court views the record in the light most favorable to the nonmoving party, does not weigh evidence or determine witness credibility, and may grant summary judgment when the nonmovant lacks evidence supporting an essential element of its claim.
PRECEDENTIAL VALUE	unpublished
PARTIES	American Economy Insurance Company v. Scott Sepic, Page Sepic, Vesta Denver, LLC

TOPICS

insurance coverage · declaratory relief insurance · summary judgment · breach of contract · insurance bad faith

PRACTICE AREAS

insurance coverage · insurance bad faith · civil procedure · contracts

QUESTIONS PRESENTED

1. Whether the Madison Street home qualified as a policy-defined residence premises and was covered for building-property damage from the fire.
2. Whether defendants' failure to inform American Economy that they had demolished the Belcaro Drive home violated a condition precedent to coverage for personal-property damage.
3. Whether the absence of coverage defeated defendants' breach-of-contract counterclaim.
4. Whether the absence of benefits owed defeated defendants' statutory bad-faith claim under Colorado law.
5. Whether defendants' common-law bad-faith claim could proceed despite the absence of coverage when it alleged bad faith in the investigation, handling, and adjustment of the claim.

HOLDINGS

1. The Madison Street home did not qualify as a residence premises under the policy because defendants did not reside there; no reasonable jury could conclude that they actually lived or dwelled there at the time of the fire. Consequently, there was no building-property coverage for the fire damage to that home.
2. Defendants' failure to inform American Economy that they had demolished the Belcaro Drive home violated an unambiguous condition precedent requiring notice of any change in title, use, or occupancy. Therefore, no coverage was available for personal-property damage arising from the fire.
3. Defendants could not prevail on their breach-of-contract counterclaim to the extent it was based on denial of dwelling or personal-property benefits because the policy did not provide coverage for those losses.
4. Defendants could not succeed on their statutory bad-faith claim because no benefits were owed under the policy.
5. The court did not decide whether defendants' common-law bad-faith claim could proceed. It reserved ruling pending a surreply addressing whether defendants could produce evidence that American Economy violated applicable insurance-industry standards.

KEY QUOTATIONS

> *"At bottom, to reside at a place, a person must live or dwell there for at least a considerable amount of time."* (at 13)

> *"The Policy did not require the Sepics to inform American Economy of an intent to change the title, use, or occupancy. It required them to inform American Economy of the change itself."* (at 19)

> *“However, a common law bad faith claim can “encompass[] the entire course of conduct” between the insured and the insurer”* (at 22)

FACTUAL BACKGROUND

American Economy issued a homeowners' insurance policy covering the property identified in the declarations as 3500 Belcaro Drive. Defendants demolished the Belcaro Drive home in December 2020 without informing American Economy and began constructing a new home at 800 South Madison on the same lot. Defendants never moved into or slept at the Madison Street home, maintained another lodging location, and were present at the Madison Street property primarily to oversee construction. A fire damaged the Madison Street home while it was under construction on December 30, 2023, before a certificate of occupancy had issued.

PROCEDURAL HISTORY

American Economy filed a diversity declaratory judgment action after defendants sought insurance coverage for fire damage to a home under construction. Defendants asserted counterclaims for breach of contract and insurance bad faith. The court previously denied most of defendants' motion for partial summary judgment but granted relief on some affirmative defenses. On American Economy's later motion, the court granted summary judgment concerning building-property coverage, the breach-of-contract claim, and the statutory bad-faith claim, but reserved ruling on the common-law bad-faith claim and left other portions of the declaratory judgment claim unresolved.

DISPOSITION

other

CASES CITED

- Crowe v. ADT Sec. Servs., Inc., 649 F.3d 1189, 1194 (10th Cir. 2011)
- Adler v. Wal-Mart Stores, Inc., 144 F.3d 664, 671 (10th Cir. 1998)
- Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 247–48, 250 (1986)
- Fogarty v. Gallegos, 523 F.3d 1147, 1165 (10th Cir. 2008)
- Banner Bank v. First Am. Title Ins. Co., 916 F.3d 1323, 1326 (10th Cir. 2019)
- Smith v. State Farm Mut. Auto. Ins. Co., 399 P.3d 771, 773 (Colo. App. 2017)
- State Farm Mut. Auto. Ins. Co. v. Nissen, 851 P.2d 165, 167 (Colo. 1993)
- Sullivan v. Nationwide Affinity Ins. Co. of Am., 842 F. App'x 251, 254 (10th Cir. 2021)
- Bailey v. Lincoln Gen. Ins. Co., 255 P.3d 1039, 1051 (Colo. 2011)
- Thompson v. Maryland Cas. Co., 84 P.3d 496, 502, 507 (Colo. 2004)
- Iowa Nat. Mut. Ins. Co. v. Boatright, 516 P.2d 439, 440 (Colo. App. 1973)
- Pour v. Liberty Mut. Pers. Ins. Co., 160 F.4th 899, 907 (8th Cir. 2025)
- Korbel v. Lexington Ins. Co., 308 F. App'x 800, 805 (5th Cir. 2009)
- Potter v. State Farm Mut. Auto. Ins. Co., 996 P.2d 781, 783 (Colo. App. 2000)

- Olave v. Am. Fam. Mut. Ins. Co., No. 23-1337, 2024 WL 3825079, at *6 (10th Cir. Aug. 15, 2024)
- Lee v. Hartford Underwriters Ins. Co., 113 F. App'x 203, 204 (9th Cir. 2004)
- Adkisson v. Safeco Ins. Co. of Ind., No. 6:23-cv-00146-JDK, 2024 WL 5049974, at *9–10 (E.D. Tex. Nov. 15, 2024)
- McMillan v. State Farm Ins. Lloyds, 814 F. Supp. 3d 824, 832 (S.D. Tex. 2025)
- Gardner v. State Farm Fire & Cas. Co., 544 F.3d 553, 560 (3d Cir. 2008)
- GeoVera Specialty Ins. Co. v. Joachin, 964 F.3d 390, 392–93 (5th Cir. 2020)
- Grippin v. State Farm Mut. Auto. Ins. Co., 409 P.3d 529, 533 (Colo. App. 2016)
- Jenkins v. State Farm Fire & Cas. Co., No. 15-cv-02691-CMA-NYW, 2017 WL 11544767, at *2 (D. Colo. May 31, 2017)
- Markel Ins. Co. v. Hollandsworth, 400 F. Supp. 3d 1155, 1160 (D. Colo. 2019)
- Melssen v. Auto-Owners Ins. Co., 285 P.3d 328, 335–36, 337 (Colo. App. 2012)
- Coors v. Sec. Life of Denver Ins. Co., 112 P.3d 59, 62–64 (Colo. 2005)
- DTC Energy Grp. v. Hirschfeld, 912 F.3d 1263, 1274 (10th Cir. 2019)
- In re Country World Casinos, Inc., 181 F.3d 1146, 1150 (10th Cir. 1999)
- Sci. Packages, Inc. v. Gwinn, 301 P.2d 719, 722 (Colo. 1956) (en banc)
- Am. Fam. Mut. Ins. Co. v. Barriga, 418 P.3d 1181, 1185–86 (Colo. 2018)
- Gardner v. State Farm Mut. Auto. Ins. Co., 639 F. Supp. 3d 1158, 1163 (D. Colo. 2022)
- TBL Collectibles, Inc. v. Owners Ins. Co., 285 F. Supp. 3d 1170, 1201 (D. Colo. 2018)
- Keller v. State Farm Mut. Auto. Ins. Co., No. 22-cv-00474-CMA-KAS, 2023 WL 6048790, at *9 (D. Colo. Sept. 15, 2023)
- Pham v. State Farm Mut. Auto. Ins. Co., 70 P.3d 567, 572 (Colo. App. 2003)
- Flickinger v. Ninth Dist. Prod. Credit Ass'n of Wichita, 824 P.2d 19, 24 (Colo. App. 1991)
- Dunn v. Am. Fam. Ins., 251 P.3d 1232, 1235 (Colo. App. 2010)
- MarkWest Hydrocarbon, Inc. v. Liberty Mut. Ins. Co., 558 F.3d 1184, 1193 (10th Cir. 2009)
- Green v. U.S. Anesthesia Partners of Colo., Inc., No. 22-1319, 2023 WL 7015660, at *7 (10th Cir. Oct. 25, 2023)
- Conroy v. Vilsack, 707 F.3d 1163, 1179 n.6 (10th Cir. 2013)
- McCoy v. Meyers, 887 F.3d 1034, 1044 (10th Cir. 2018)
- Harris v. Allstate Ins. Co., No. 09-cv-01953-LTB-MJW, 2010 WL 2543560, at *4 (D. Colo. June 22, 2010)