

BAD FAITH BLOG

Eighth Circuit: Fact Issues Require Reversal of Summary Judgment In Iowa Crop Insurance Hail Loss

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Summary: Bruhn Farms Joint Venture ("Bruhn") suffered significant hail damage to crops. Bruhn notified the insurer of the hail damage. After a month of no action, Bruhn requested and received approval to harvest the crops. By the time insurer sent adjusters to the farm, additional inclement weather had occurred. The adjusters, after spending minimal amount of time in the fields, determined the payable loss and notified Bruhn. Bruhn disagreed with the adjusted loss and refused to sign the proof of loss. The insurer sent payment for the loss without further discussion with Bruhn. Bruhn contacted his insurance agent to negotiate with the insurer. Allegedly both parties agreed to re-calculate the loss using the historical yields. The insurer notified Bruhn's agent it was willing to pay additional funds on Bruhn's claim. However, when Bruhn's agent attempted to accept, the insurer alleged the claim was properly adjusted and paid.

Bruhn Farms Joint Venture v. Fireman's Fund Insurance Company

Bruhn filed suit claiming the insurer breached the contract by mailing payment without an agreement and acted in bad faith. The insurer alleged the claim was properly adjusted and Bruhn failed to request an independent appraisal. The magistrate judge granted summary judgment to the insurer on both claims. As to the contract claim, the judge found the insurer followed the necessary guidelines in determining the amount of loss, and Bruhn failed to request an independent appraisal as required by contract. Because there was no breach of contract, the insurer's position with respect to the claim was fairly debatable. Accordingly, the judge held the claim for bad faith failed and Bruhn appealed.

The Eighth Circuit, applying Iowa law, ruled in favor of Bruhn and determined factual issues precluded summary judgment on both claims. As to the breach of contract claim, the Court held the policy did not place the onus of requesting an independent appraisal solely on Bruhn. Specifically, the Court focused on the language in the policy that stated if the insured and insurer could not agree as to the loss then one of the parties will demand in writing the percentage of loss be set by appraisal. While the policy does not place the burden on either party, the insurer drafted the policy and it was the insurer's responsibility to define terms in clear and explicit language.

In further support of Bruhn's position, the Court found the time period to request independent appraisal expired before the insurer completed its second adjustment. Additionally, policy language requiring payment within 30 days after an agreement prevented the insurer from tendering payment to Bruhn absent such an agreement.

Because there were issues of fact to be resolved concerning the breach of contract claim and such issues were relevant to the bad faith claim, the Court held that the bad faith claim also should have survived summary judgment. Of particular note was the insurer's alleged delay in adjusting the loss and allegedly misleading Bruhn to believe the claim would be favorably resolved.

This case highlights several issues insurers should take into consideration. Policy language is almost always interpreted in favor of the insured and vague and undefined terms often lead to finding of coverage. Additionally, insurers should promptly investigate claims, especially first party property damage claims like the crop hail damage claim here. If there are delays in inspection and disagreements arise over the loss amount, insurers could be foreclosed from challenging the amount of the loss and be exposed to extra-contractual claims.

By Aaron French & Kevin Smith

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