UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	2:24-cv-07455-SVW-JPR	Date	February 14, 2025
Title	*Paul Oakenfold v. State Farm General Insurance Company et al*		

Present: The Honorable	STEPHEN V. WILSON, U.S. DISTRICT JUDGE	
Paul M. Cruz		N/A
Deputy Clerk		Court Reporter / Recorder
Attorneys Present for Plaintiffs:		Attorneys Present for Defendants:
N/A		N/A

Proceedings: ORDER DENYING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT [28]

I. Introduction

Before the Court is a motion for summary judgment brought by Defendant State Farm General Insurance Company ("Defendant"). Motion for Summary Judgment, ECF No. 28 ("Mot."). For the following reasons, the motion is DENIED.

II. Factual and Procedural Background

Defendant issued a homeowner's insurance policy (the "Policy") to Plaintiff Paul Oakenfold ("Plaintiff") for the single-family home located at 6901 Oporto Drive, Los Angeles, CA 90068-2638 (the "Property"). Parties' Statement of Undisputed Material Facts, ECF No. 42 ("UMF") ¶ 1. On June 7, 2023, Plaintiff reported a claim under the Policy, alleging that the Property sustained water damage from a heavy rainstorm in early 2023 (the "Water Damage Claim"). *Id.* ¶ 4.

On October 2, 2023, Defendant paid $71,594.55 to Plaintiff for the Water Damage Claim, which Defendant represented was the full amount of the replacement cost for the covered damages minus the deductible. *Id.* ¶ 6; Declaration of Neal Frantzen, ECF No. 28-2 ("Frantzen Decl.) ¶ 8. This estimate did not account for the damage to the roof, walls, doors, framing, and windows. UMF ¶ 7. Defendant contends

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that the excluded damage was not wind-related, which Plaintiff disputes. *Id.*

Defendant retained Engineering Systems, Inc. ("ESI") to investigate the Water Damage Claim and inspect the Property; ESI submitted a report setting forth its conclusions and opinions as to the cause and origin of the Water Damage Claim. *Id.* ¶ 8-10. In its report, ESI concluded that the water damage at the Property was not the direct result of a recent storm involving wind or precipitation, but instead was due to multiple pre-existing building envelope failures, based on four contributing causes: 1) original design and construction deficiencies; 2) age-related deterioration; 3) retrofitting and replacements around the Property; and 4) lack of routine preventative maintenance and timely repairs. *Id.* ¶ 11-14.

Defendant also reviewed a report from Harris & Sloan Consulting Group, Inc. ("Harris"), who was retained by another insurer in connection with a claim Plaintiff made regarding the Property in 2018 and prepared a report in which it made several conclusions related to earth movement. *Id.* ¶ 16; Frantzen Decl. ¶ 12. Namely, Harris concluded that: 1) interior walls, ceiling, and floor damage were considered pre-existing conditions that were long term in nature due to movement of the earth that provides support for the Property's foundation system; 2) distress was an ongoing condition present for more than 15 years; 3) ongoing soil movement resulted in damage to architectural finishes of the Property's structure; and 4) the replacement of a retaining wall at the Property in 2001 contributed to soil movement. UMF ¶ 16.

On July 2, 2024, Defendant issued a denial letter as to the remaining unpaid portions of the Water Damage Claim, citing the findings from the ESI and Harris reports in support of its conclusion that the remaining damage was subject to the wear and tear and earth movement exclusions. *Id.* ¶ 17-19. Plaintiff disputes the conclusions of this denial letter on the basis of his own investigation conducted by Apex Public Adjusters and Fuhrmann Floors. Parties' Statement of Additional Undisputed Material Facts, ECF No. 43 ("AUMF") ¶ 33-39. Plaintiff contends that these investigators are experts; Defendant contends they are unqualified to offer expert opinions and therefore fail to contradict the expert opinions offered by ESI and Harris. *Id.* Plaintiff contends based on the estimate of the public adjuster, that the total damage is in the amount of $912,101.23; Defendant disputes this estimate. *Id.* ¶ 46.

The Policy contains a wear and tear exclusion which excludes from coverage damage caused by "wear, tear, decay, marring, scratching, deterioration, inherent vice, latent defect, or mechanical breakdown." UMF ¶ 2. Another exclusion, the earth movement exclusion, excludes damage caused by

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earth movement, defined as "the sinking, rising, shifting, expanding, or contracting of earth, all regardless of whether combined with water, sewage, or any material carried by, or otherwise moved by the earth." *Id*.

Defendant now moves for summary judgment as to Plaintiff's various causes of action arising out of the Water Damage Claim, arguing primarily that Defendant already paid out all covered parts of the Water Damage Claim and that the remaining damage claimed by Plaintiff is uncovered, falling within the Policy's wear and tear and earth movement exclusions.[1] Mot. Plaintiff opposes the motion, arguing primarily that the expert damage reports relied on by Defendant are based on faulty assumptions and are contradicted by evidence in this case. Plaintiff's Opposition to Motion for Summary Judgment, ECF No. 32.

III. Legal Standard

Summary judgment should be granted where "the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). The moving party "bears the initial responsibility of informing the district court of the basis for its motion, and identifying those portions of . . . [the factual record that] demonstrate the absence of a genuine issue of material fact." *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). Once the moving party satisfies its initial burden, the non-moving party must demonstrate with admissible evidence that genuine issues of material fact exist. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986) ("When the moving party has carried its burden under Rule 56 . . . its opponent must do more than simply show that there is some metaphysical doubt as to the material facts."). "On an issue as to which the nonmoving party will have the burden of proof . . . the movant can prevail merely by pointing out that there is an absence of evidence to support the nonmoving party's case." *Soremekun v. Thrifty Payless, Inc.*, 509 F.3d 978, 984 (9th Cir. 2007). "Conclusory, speculative testimony in affidavits

[1] Another claim was originally also the subject of this motion: on March 1, 2024, Plaintiff filed a claim reporting that a tree had fallen onto the roof of the Property on March 23, 2023 (the "Tree Claim"). UMF ¶ 22. Additionally, other causes of action against other defendants were also the subject of this motion; namely, Plaintiff alleged that Defendant's adjuster made negligent misrepresentations to Plaintiff. *See* Mot. at 28. However, pursuant to a stipulation by the parties, the Tree Claim and all non-State Farm defendants were dismissed on November 8, 2024. ECF No. 31, 40.

and moving papers is insufficient to raise genuine issues of fact and defeat summary judgment." *Id.*

A material fact for purposes of summary judgment is one that "might affect the outcome of the suit" under applicable law. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). A genuine issue of material fact exists where "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Id.* Although a court must draw all inferences from the facts in the non-movant's favor, *id.* at 255, when the non-moving party's version of the facts is "blatantly contradicted by the record, so that no reasonable jury could believe it, [the] court should not adopt that version of the facts for purposes of ruling on a motion for summary judgment." *Scott v. Harris*, 550 U.S. 372, 380 (2007).

IV. Discussion

The Court finds that granting summary judgment as to Plaintiff's claims would be premature because no discovery has yet been conducted. Therefore, Defendant's motion for summary judgment is denied.

A. Breach of Contract Claim

Defendant submits substantial evidence, based on the ESI and Harris reports, that the unpaid damage to the Property falls within the exclusions to the Policy. However, Plaintiff correctly points out that no discovery has been taken in this case which would allow it to contradict Defendant's expert reports from Defendant's initial investigation of the Water Damage Claim. Even if Plaintiff's public adjuster is a proper cause expert, a ruling the Court declines to make here as it is unnecessary to resolve the motion, Plaintiff should be granted the opportunity to conduct discovery, including retention of an expert for the cause of the damage, before this Court rules on a summary judgment motion regarding the cause of the damage. Defendant itself argues that Plaintiff's adjuster is not an expert in structural engineering. If this is so, Plaintiff should be granted the opportunity to hire such an expert. Therefore, summary judgment as to Plaintiff's breach of contract claim would be premature and shall be denied. Defendant shall be permitted to revise and refile this motion once the parties conduct discovery.

B. Bad Faith Claim

While this Court denies summary judgment as to Plaintiff's breach of contract claim because the parties have yet to conduct discovery, Plaintiff's remaining claim for breach of the implied covenant of good faith and fair dealing regards not the actual coverage determination, but Defendant's conduct in making that coverage determination. Defendant argues that, because Plaintiff already has the entire claim file comprising Defendant's investigation, no further discovery is necessary.

Defendant argues, based on the claim file and its reliance on expert reports, that the genuine dispute rule bars Plaintiff's bad faith claim. The genuine dispute rule states that "an insurer denying or delaying the payment of policy benefits due to the existence of a genuine dispute with its insured as to the existence of coverage liability or the amount of the insured's coverage claim is not liable in bad faith even though it might be liable for breach of contract." *Wilson v. 21st Century Ins. Co.*, 42 Cal. 4th 713, 723 (2007) (quoting *Chateau Chamberay Homeowners Ass'n v. Associated Int'l Ins. Co.*, 90 Cal. App. 4th 335, 347 (2001)). However, "[t]he genuine dispute rule does not relieve an insurer from its obligation to thoroughly and fairly investigate, process and evaluate the insured's claim…*genuine* dispute exists only where the insurer's position is maintained in good faith and on reasonable grounds." *Id*. The genuine dispute rule does not alter the summary judgment standard; a court may grant summary judgment only when "it is undisputed or indisputable that the basis for the insurer's denial of benefits was reasonable—for example, where even under the plaintiff's version of the facts there is a genuine issue as to the insurer's liability under California law." *Id*. at 724.

Here, Defendant reviewed the reports of multiple experts as to causes for the damage and concluded on the basis of those reports that the damage to the Property fell within exclusions to the Policy. Insurers may rely on expert opinions when determining coverage and damages, and reasonable reliance on an expert opinion can support a finding of good faith. *See Paslay v. State Farm Gen. Ins. Co.*, 248 Cal. App. 4th 639, 653 (2016) (finding that "[a] genuine dispute exists only where the insurer's position is maintained in good faith and on reasonable grounds" and that "[t]hose grounds include reasonable reliance on experts"). Further, "[w]here the parties rely on expert opinions, even a substantial disparity in estimates for the scope and cost of repairs does not, by itself, suggest the insurer acted in bad faith." *Fraley v. Allstate Ins. Co.*, 81 Cal. App. 4th 1282, 1293 (2000). However, the mere fact that the insurer relied on an expert does not insulate it from a bad faith claim; for example, if the insurer

"dishonestly selected its experts" or the insurer's experts were "unreasonable," then "biased investigation claims could go to a jury." *Guebara v. Allstate Ins. Co.*, 237 F.3d 987, 996 (9th Cir. 2001); *see also Brehm v. 21st Century Ins. Co.*, 166 Cal. App. 4th 1225, 1239 (2008) (finding that "an expert's testimony will not *automatically* insulate an insurer from a bad faith claim based on a biased investigation") (emphasis in original) (internal quotation marks omitted).

Here, Plaintiff contends that Defendant's reliance on its expert could be found to be unreasonable, for two reasons. First, ESI ignored relevant facts that undermine its opinions Second, Defendant's adjuster had a conversation with ESI prior to ESI releasing its report despite Defendant earlier representing that it did not want to discuss anything about the claims with ESI as Defendant did not want to influence ESI's report. Plaintiff argues that a jury could conclude that Defendant was directly involved and influenced ESI's findings to support a denial of coverage.

Notably, Plaintiff makes no argument about the actual facts of the conversation between ESI and the adjuster, merely asserting that it occurred because such a conversation is noted in ESI's report. It could very well be the case that this conversation was merely ESI summarizing its findings to Defendant's adjuster prior to preparing the final report, and that no jury could make a finding that Defendant "influenced" ESI just because this conversation occurred.

However, the very fact that the contents of this conversation are unknown and that this Court is speculating as to what they might have been compels the conclusion that, just like for Plaintiff's breach of contract claim, the discovery file is not complete because no discovery has been conducted. No depositions have been taken in this case, including, as Plaintiff points out, depositions of the experts upon whose opinions Defendant is relying. Those depositions, and other discovery, could lead to finding relevant facts, such as the contents of the conversation between Defendant's adjuster and ESI prior to ESI releasing its report. If Defendant is correct that no facts exist to support a bad faith claim, then perhaps ESI's deposition will allow Defendant to renew this motion and prevail. Still, Plaintiff should be afforded the opportunity to conduct relevant discovery as to this claim as well. Therefore, granting summary judgment as to this claim would also be premature, and Defendant shall be afforded the opportunity to refile this motion once the parties have conducted discovery.

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V. Conclusion

For the foregoing reasons, Defendant's motion for summary judgment is DENIED. The Court resets the trial date for June 17, 2025, at 9:00 a.m., with a pretrial conference set for June 9, 2025, at 3:00 p.m.

IT IS SO ORDERED.

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