

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF IOWA
CENTRAL DIVISION

<p>JESSICA LAURIE, Plaintiff, vs. STATE FARM FIRE AND CASUALTY COMPANY, Defendant.</p>	<p>Case No. 4:25-cv-00007-RGE-SBJ DEFENDANT STATE FARM FIRE AND CASUALTY COMPANY’S BRIEF IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT</p>
--	--

Pursuant to Federal Rule of Civil Procedure 56 and Local Rule 56(a)(2), Defendant, State Farm Fire and Casualty Company (“State Farm”), submits the following Brief in support of its Motion for Summary Judgment:

TABLE OF CONTENTS

INTRODUCTION3

FACTUAL BACKGROUND4

ARGUMENT 4

A. Summary Judgment Standards 4

B. State Farm is Entitled to Summary Judgment on Laurie’s Iowa Code Chapter 507B Claim (Count I) Because Chapter 507B Does not Provide a Private Cause of Action5

C. State Farm is Entitled to Summary Judgment on Laurie’s Breach of Contract Claim (Count II) Because it Denied Her Vehicle Theft and Fire Claim in Accordance with the Policy Terms.....5

1. Laurie and Charles Webster Participated in the Intentional Destruction of Her Traverse and Intentionally Misrepresented Facts, Excluding Coverage....6

2. The Traverse’s Alleged Theft and Damage Was Not Direct, Sudden, and Accidental and, Therefore, is Not a Loss Covered by the Policy12

D. State Farm is Entitled to Judgment as Matter of Law on Laurie’s Bad Faith Claims (Counts III, IV and V) Because State Farm Had Objectively Reasonable Bases for Denying Her Claim Under the Policy Terms, and Had No Reason to Know its Denial Lacked a Reasonable Basis.....13

1. Iowa Bad Faith Law15

2. State Farm Had Objectively and Subjectively Reasonable Bases For Denying Laurie’s Vehicle Theft and Fire Claim.....15

a. State Farm had objectively reasonable bases for denying coverage of Laurie’s damage claim15

b. State Farm had no bases upon which it knew or should have known its denial of Laurie’s claim was without a reasonable basis.....16

E. Laurie’s Punitive Damage Claim Must Be Dismissed Because Neither Bad Faith Nor Any Willful and Wanton Conduct Support Any Punitive Damage Award...17

F. State Farm is Entitled to Judgment as a Matter of Law on Laurie’s Intentional Infliction of Emotional Distress Claim (Count VI) Because She Cannot Establish That State Farm Engaged in Wrongful Intentional Acts or That Emotional Disturbance is a Likely Result From the Alleged Breach of Contract..18

CONCLUSION.....20

INTRODUCTION

Plaintiff Jessica Laurie (“Laurie”) seeks to recover damages resulting from the April 25-26, 2024 alleged theft of and subsequent incineration of her State Farm-insured 2017 Chevy Traverse. Laurie contends State Farm, which denied coverage of her claim following its thorough investigation, engaged in unfair deceptive acts and practices (Count I), ECF No. 14 ¶¶ 28-35, breached its insurance contract (Count II), ECF No. 14 ¶¶ 36-40, and acted in bad faith (Counts I, III, IV and V)¹ with willful and wanton disregard of her rights in failing to pay for her loss, ECF No. ¶¶ 41-66, entitling her to punitive damages. She further alleges that State Farm’s failure to pay her claim constitutes intentional infliction of emotional distress (Count VI), ECF No. ¶¶ 67-74, also entitling her to damages.

Through its thorough investigation, State Farm developed and obtained detailed and well-documented evidence, including its claim notes, recorded statements, examinations under oath (“EUO”), surveillance video, history of prior insurance claims, communications, and Laurie’s and her then-boyfriend Charles Webster’s inconsistent statements, which support its denial of Laurie’s claim. Specifically, Laurie’s claims is excluded from coverage pursuant to the Policy’s intentional act exclusion and its concealment and fraud provision. In addition, her loss was not direct, sudden and accidental, precluding coverage. This same evidence establishes as a matter of law that State Farm had reasonable bases to deny Laurie’s claim and that it lacked any bases upon which it knew or should have known that its denial was without a reasonable basis. Finally, Laurie cannot provide any evidence to support her allegation that State Farm acted with willful and wanton disregard of

¹ Laurie in her Amended Petition at Law includes Count 3, Bad Faith Practices, ECF No. 14 ¶¶ 41-48; Count 4, Delayed the Investigation and Failure to Communicate, ECF No. 14 ¶¶ 49-61; and Count 5, Denied Benefits Without Factual Basis, ¶¶ 62-66. These three counts appear to deal with alleged specific actions, or inactions, by State Farm that fall under the umbrella of bad faith. Accordingly, State Farm’s arguments address these three counts together as a part of one overall bad faith claim.

her rights or that she has any viable cause of action based on intentional or illegal acts, as is necessary to support both her punitive damages and intentional infliction of emotional distress claims. The Court should grant State Farm's Motion for Summary Judgment in its entirety.

FACTUAL BACKGROUND

State Farm hereby incorporates its Statement of Undisputed Material Facts in Support of its Motion for Summary Judgment as if they were fully set forth herein. Specific facts will be discussed as they are relevant to State Farm's arguments.

ARGUMENT

A. Summary Judgment Standards.

Summary judgment should be granted when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56. To create an issue for trial, the nonmoving party must produce sufficient evidence to support a verdict in his favor based on more than "speculation, conjecture, or fantasy." *Doe v. Dep't of Vet. Affairs*, 519 F.3d 456, 460 (8th Cir. 2008) (quoting *Putnam v. Unity Health Sys.*, 348 F.3d 732, 733-34 (8th Cir. 2003)).

In analyzing a motion for summary judgment, the inquiry is "whether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one-sided that one party must prevail as a matter of law." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 251-52 (1986). Federal Rule of Civil Procedure 56(c) requires summary judgment to be entered "against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986); *see also Anderson*, 477 U.S. at 249-50 ("[T]here is no issue for trial unless there is sufficient evidence favoring the nonmoving party for a jury to return a verdict

for that party. *If the evidence is merely colorable, or is not significantly probative, summary judgment may be granted.*”) (internal citations and quotation marks omitted) (emphasis added).

The mere existence of a scintilla of evidence in support of the plaintiff’s position will be insufficient; there must be evidence on which a jury could reasonably find for the plaintiff. *Anderson*, 477 U.S. at 252. Summary judgment is an appropriate means of resolving a claim brought by an insured against its insurer. *E.g., Wells Dairy, Inc. v. Travelers Indem. Co.*, 241 F.Supp.2d 945, 973 (N.D. Iowa 2003).

B. State Farm is Entitled to Summary Judgment on Laurie’s Iowa Code Chapter 507B Claim (Clause I) Because Chapter 507B Does Not Provide a Private Cause of Action.

Laurie in Count I of her Amended Petition alleges that State Farm committed “unfair deceptive acts and practices” in violation of Iowa Code § 507B.4(9)(a).² However, Iowa law clearly provides that Chapter 507B, which addresses insurance trade practices, does not provide a private cause of action on behalf of a third-party, such as Laurie, for unfair claim settlement practices. *Nsheiwat v. Am. Fam. Mut. Ins. Co., SI*, No. 3:21-cv-00068-JAJ-SBJ, 2021 WL 8895035, at *2-4 (S.D. Iowa Nov. 22, 2021) (addressing first-party bad faith claim); *Bates v. Allied Mut. Ins. Co.*, 467 N.W.2d 255, 259-60 (Iowa 1991) (addressing third-party bad faith claim); *Seeman v. Liberty Mut. Ins. Co.*, 322 N.W.2d 35, 36-42 (Iowa 1982) (same). State Farm is therefore entitled to summary judgment on Laurie’s claim brought pursuant to Iowa Code Chapter 507B.

C. State Farm is Entitled to Summary Judgment on Laurie’s Breach of Contract Claim (Count II) Because it Denied Her Vehicle Theft and Fire Claim in Accordance with the Policy Terms.

Laurie contends State Farm breached its insurance contract by denying her damage claim for her stolen and fire-destroyed Chevy Traverse. Laurie must prove

² Laurie raises her Chapter 507B unfair practices claims pursuant to Iowa Code § 507B.4(9)(a). However, the current Iowa Code section addressing unfair claim settlement practices is Iowa Code § 507B.4(3)(j).

(1) the existence of a contract; (2) the terms and conditions of the contract; (3) that [she] . . . performed all the terms and conditions required under the contract; (4) the defendant's breach of the contract in some particular way; and (5) that plaintiff . . . suffered damages as a result of the breach.

Molo Oil Co. v. River City Ford Truck Sales, Inc., 578 N.W.2d 222, 224 (Iowa 1998). Laurie, as the insured seeking to recover under the Policy, must prove compliance with the Policy's terms. *Kelly v. Iowa Mut. Ins. Co.*, 620 N.W.2d 637, 641 (Iowa 2000).

1. Laurie and Charles Webster Participated in the Intentional Destruction of Her Traverse and Intentionally Misrepresented Facts, Excluding Coverage.

Laurie's Policy specifically excludes coverage for "ANY **COVERED VEHICLE** THAT IS: . . . INTENTIONALLY DAMAGED; OR . . . STOLEN BY OR AT THE DIRECTION OF AN INSURED" SUMF ¶ 3. When a policy excludes coverage for acts committed by or at the direction of an insured, the intentional act bars coverage. *Vance v. Pekin Ins. Co.*, 457 N.W.2d 589, 591 (Iowa 1990). Thus, under the Policy's express terms Laurie cannot recover for damage to the Traverse if she intentionally damaged or stole it or directed someone else to do so. This includes circumstances where Laurie directed or arranged for someone to remove her Traverse from her driveway and set it on fire to destroy it.

Laurie's Traverse, which was shown on neighbor Matthew Flowers's home security camera recording being driven away from Laurie's driveway at 1:11 a.m. on April 26, 2024, was found engulfed in flames approximately 26 minutes later, 3.7 miles from her home. SUMF ¶¶ 32-33. State Farm concluded that "the 2017 Traverse was taken from your home and intentionally burned with your knowledge." SUMF ¶ 36. A court in determining whether circumstantial evidence in addition to motive implicates an insured in committing arson should consider "(1) whether the property was overinsured; (2) the incendiary nature of the fire; (3) the insured[']s access to the premises; (4) evidence of breaking and entering or burglary; (5) other unexplained circumstances implicating the

insured.” *Toney v. Black Hawk Mut. Ins. Ass’n*, 584 N.W.2d 570, 572 (Iowa Ct. App. 1998); *see also St. Paul Fire & Marine Ins. Co. v. Salvador Beauty College, Inc.*, 731 F. Supp. 348, 351 (S.D. Iowa 1990).

Here, numerous pieces of evidence support State Farm’s conclusion that Laurie’s Traverse was intentionally taken from her home and burned with her knowledge and that she intentionally misrepresented what happened to her vehicle. First, the recording from Flowers’s home surveillance camera from approximately 1:09 a.m. on April 26, 2024, shows a person being dropped off on Laurie’s street; walking directly to Laurie’s home past two pickup trucks, an SUV and a car, all parked on the same side of the street, without trying to enter them; and entering the Traverse without difficulty. SUMF ¶ 32. Within several seconds of approaching the left side of the Traverse the person starts the vehicle’s turnkey ignition without activating its security system, supporting the conclusion that this person had a correctly cut key with the necessary transponder. SUMF ¶ 32. The Traverse’s front and rear lights are illuminated consistent with the ignition key being turned into the “on” position. SUMF ¶ 32. The Traverse pulled out of Laurie’s driveway at approximately 1:11 a.m. SUMF ¶ 33. This evidence establishes that the person who entered the Traverse, started it and drove away from Laurie’s home had both the key necessary to start the turnkey ignition and the fob, so he did not have to surreptitiously start the Traverse or divert the security system. This evidence supports the inference that Laurie, the Traverse’s owner and keeper of its keys, provided access to the vehicle to the individual who drove it from the driveway in front of her home.

Second, Laurie claims she received two keys when she purchased the Chevy Traverse, and she maintained both keys over the life of the vehicle. SUMF ¶¶ 6, 21, 24. When Laurie bought the Traverse the dealer gave her one key that had a fob and one that did not. SUMF ¶ 6. Laurie told State Farm she had one set of keys when she first reported the Traverse missing. SUMF ¶ 21. Laurie

contends that the other Traverse key, the one without the key fob, broke in half, leaving a portion of the key in the ignition which she had to remove with a bobby pin when she tried to start it. SUMF ¶¶ 21, 23. She did not produce either part of the broken key during State Farm’s investigation despite stating she believed she brought the broken key parts into her home. SUMF ¶ 24. She also noted in her Affidavit of Vehicle Theft that she did not leave a key, or a broken key, in the Traverse. SUMF ¶ 24. State Farm expert Bryce LaFollette did not locate the remains of a key or key fob in the burned-out Traverse. SUMF ¶ 28.

Laurie contends that the allegedly broken second key establishes that she did not have a key to give anyone else to start the Traverse. However, the totality of the evidence, including that the person who drove the Traverse from her home at 1:11 a.m. on April 26 was able to start the vehicle without activating its anti-theft system, establishes (1) Laurie misrepresented that the Traverse’s second key was broken; and (2) that Laurie or another, at her direction, gave the second key to the person who drove the Traverse to the location where it was ultimately burned. Laurie’s failure to produce the allegedly broken second key she claims she had, with the other evidence discussed, compels the conclusion that she or someone at her direction gave a Traverse key to another to use in taking and burning the vehicle, an intentional act that precludes coverage for her claimed loss.

Third, Webster’s April 26 1:45 a.m. text to Laurie—“[n]ow I just sit n wait . I done did everything already”—and their denial that they communicated overnight, also support the inference that Laurie and Webster provided access to the Traverse to another for the purpose of incinerating it. SUMF ¶¶ 11-13. Importantly, Webster sent this message just over a half hour after the Traverse was driven away from Laurie’s home at 1:11 a.m. and six minutes after Des Moines Police Officer Methfessel was dispatched to the burning Traverse. SUMF ¶¶ 10, 13, 32. Webster ultimately testified he did not remember sending this text. SUMF ¶ 13. This message, in light of all

the facts and circumstances, is Webster telling Laurie he had done what he needed to do to destroy the Traverse, and they now needed to wait for it to be discovered. Additionally, Laurie and Webster denied that they communicated overnight while she was at home and Webster was at work, SUMF ¶¶ 11-12, attempting to hide this communication that supports the conclusion that they facilitated the destruction of Laurie's Traverse.

Fourth, both Laurie and Webster made contradictory statements about the Traverse's condition at the time of the fire. Laurie did not report any problems with the Traverse's brakes in her May 1, 2024 Affidavit of Vehicle Theft. SUMF ¶ 26. They both denied in their May 2024 recorded statements that the Traverse had any maintenance issues. SUMF ¶¶ 26, 29. Significantly, both contradicted these statements in their EUOs. Laurie said that the "brakes were going out" which she learned when Webster told her they needed to be replaced, but he did not tell her how he knew this. SUMF ¶ 27. Webster admitted that in his April 26 8:21 a.m. text to Laurie he said the Traverse was "fucked up," meaning that the brakes were "messed up," "going to the floor, a little bit of grinding," and need to be repaired or replaced. SUMF ¶ 15. Both Laurie's and Webster's contradictory statements about the condition of the Traverse are intentional misrepresentations of the vehicle's condition on the date of the loss made to support their false insurance claim.

Fifth, neither Laurie nor Webster could think of anyone who would damage the Traverse. SUMF ¶ 30. The person who entered the Traverse in Laurie's driveway and drove it away is seen on the surveillance video walking directly toward the Traverse, passing other vehicles without trying to enter them, evidence that he specifically targeted the Traverse. There is no evidence that anyone else besides Laurie and Webster, including the person who entered the Traverse and drove it away, had reason to target the Traverse.

Sixth, Laurie was in financial stress in April 2024. Laurie, who testified she was “born in financial stress,” SUMF ¶ 38, lives on a fixed income that includes social security disability payment for two of her children, including her daughter, J.L., who requires round-the-clock care. SUMF ¶ 37. Laurie also receives money from a trust set up for J.L., in which money is deposited on the first of each month. SUMF ¶ 37. In April 2024 she had pending lawsuits for money damages, including a suit against the City of Des Moines alleging assault by police during an arrest, but she thought it was not going well for her. SUMF ¶ 39. Laurie had a second pending lawsuit against Mayday Restoration arising from tornado damage to her home on March 5, 2022, in which she alleged the company failed to repair the damage as agreed, resulting in her severe emotional and mental distress. SUMF ¶¶ 40-41. She contended that the failure to repair these damages created financial burdens, diminished her ability to provide for her family, and caused pain and suffering that took a toll on her and her children’s mental health. SUMF ¶ 42. During Laurie’s EUO, she did not acknowledge the Mayday Restoration suit, stating she did not have any other pending lawsuits besides her suit against the Des Moines Police Department. SUMF ¶ 42. Laurie’s precarious financial condition support the conclusion that she procured the intentional destruction of her Traverse.

Additional factual circumstances compel the conclusion that Laurie and Webster intentionally misrepresented information to hide the fact that they intentionally acted or directed the Traverse’s destruction by fire. Specifically, Laurie kept the Traverse unlocked in her driveway after Webster’s unlocked Yukon had been stolen from the same driveway in October 2022 and her residence was burglarized in 2019. SUMF ¶¶ 46-47, 50. A person intending to guard against someone taking her vehicle from her driveway after experiencing a prior vehicle theft from the same driveway and a burglary from her same home would lock it.

Moreover, Laurie provided conflicting information about her October 2022 vehicle theft claim and 2019 home burglary claims. Laurie initially denied making an insurance claim on any vehicle in the past three years. SUMF ¶ 45. She later admitted she called in an insurance claim in October 2022 because Webster's 2015 Yukon was stolen from her driveway at her home while Webster was in prison but denied any other involvement in the claim. SUMF ¶ 46. The unlocked Yukon was parked in Laurie's driveway when she went outside her home and saw it was gone. SUMF ¶ 47. Laurie believed the vehicle's key fob was inside the vehicle when the Yukon was allegedly stolen. SUMF ¶ 47. The Yukon was subsequently involved in a hit and run accident at 1900 Saylor Road and driven down a boat ramp. SUMF ¶ 48. Laurie told State Farm that "they" found Webster's Yukon that was stolen and that Webster was still paying on it, SUMF ¶ 49. However, Webster and Laurie both later stated that the Yukon was repossessed after it was recovered. SUMF ¶ 49.

Laurie also made a homeowner's theft claim for an alleged break-in to her home on August 19, 2019, in which her wallet and Traverse keys were taken, but which keys were subsequently returned. SUMF ¶ 50. In her EUO, Laurie denied that any car keys were taken during the alleged burglary. SUMF ¶ 51. Laurie also initially alleged there were "a lot of houses on [her] street that were broken into or the cars were" in August 2019, SUMF ¶ 52, but later she was not sure if there had been other home break-ins in her neighborhood around that date. SUMF ¶ 52. She also did not remember if she lost any cash or other items from her wallet. SUMF ¶ 53. Laurie's inconsistent statements about these prior insurance claims in addition to all of the evidence discussed above support the only conclusion: she intentionally tried to mislead State Farm about the true cause of the alleged theft and destruction of her Traverse in an attempt to get State Farm to cover her claimed loss.

The fact that Laurie removed her daughter’s “special needs car set” from the Traverse, the primary vehicle she uses to transport her daughter, also supports the conclusion that Laurie directed that the Traverse be destroyed. SUMF ¶¶ 54-55. Laurie’s youngest son also used the car seat at that time. SUMF ¶ 55. Laurie removed this vital piece of equipment from the Traverse because she knew the vehicle would be destroyed and she did not want to destroy the car seat with it.

The totality of these details compel State Farm’s conclusion that Laurie “made false statements with the intent to conceal or mispresent . . . material fact[s] or circumstances” of her damage claim resulting from the incendiary fire that destroyed her Traverse. SUMF ¶ 36. They likewise compel the conclusion that Laurie and Webster, at her behest, directed the Traverse’s alleged theft and destruction. Laurie’s evidence to the contrary, considering the detailed, compelling evidence that she engineered the loss and provided false information to State Farm, is “merely colorable” and “not significantly probative” of her breach of contract claim. *Anderson*, 477 U.S. at 249-50. These undisputed facts prevent Laurie from establishing that State Farm breached the terms of its insurance contract when it denied her claim because she directed the alleged theft and destruction of her Traverse and made false statements, intending to conceal or misrepresent material facts and circumstances of her claim. Thus, State Farm is entitled to judgment as a matter of law on Laurie’s breach of contract claim.

2. The Traverse’s Alleged Theft and Damage Was Not Direct, Sudden, and Accidental and, Therefore, is Not a Loss Covered by the Policy.

Laurie’s Policy provides coverage for physical damage loss, which is defined as “direct, sudden, and accidental.” SUMF ¶ 2. “Accident” in the insurance context is defined as “an unexpected and unintended event.” *Weber v. IMT Ins. Co.*, 462 N.W.2d 283, 287 (Iowa 1990). For the reasons discussed above, the evidence establishes that Laurie and Webster directed the intentional taking of and damage to the Traverse. Accordingly, the damage resulting from the

Traverse's alleged theft and incineration is not a covered loss under the Policy's terms as a matter of law. State Farm is entitled to summary judgment on Laurie's breach of contract claim.

D. State Farm is Entitled to Judgment as Matter of Law on Laurie's Bad Faith Claims (Counts I, III, IV and V) Because State Farm Had Objectively Reasonable Bases for Denying Her Claim Under the Policy Terms, and Had No Reason to Know its Denial Lacked a Reasonable Basis.

1. Iowa Bad Faith Law

Under Iowa law, to prevail on her bad faith claim, Laurie must prove by *substantial evidence* both that State Farm had *no* reasonable basis for denying her claim and that State Farm knew or should have known its denial was without reasonable basis. *See Wells Dairy, Inc.*, 241 F.Supp.2d at 969 (emphasis added); *see also Bellville v. Farm Bureau Mut. Ins. Co.*, 702 N.W.2d 468, 473 (Iowa 2005); *Sampson v. Am. Standard Ins. Co.*, 582 N.W.2d 146, 149 (Iowa 1998). The first element is an objective one; the second element is subjective. *Wells Dairy*, 241 F.Supp.2d at 969. Evidence is substantial only if a reasonable mind would accept it as adequate to reach a conclusion. *Sampson*, 582 N.W.2d at 150.

With respect to the first element, the objective element, a reasonable basis exists if the claim is *fairly debatable* either on a matter of fact or law. *Bellville*, 702 N.W.2d at 473 (emphasis added). A claim is "fairly debatable when it is open to dispute on *any* logical basis," such that reasonable people can differ in their beliefs on the relevant facts or law. *Id.* (emphasis added). "Stated another way, if reasonable minds can differ on the coverage-determining facts or law, then the claim is fairly debatable." *Id.* "The fact that the insurer's position is ultimately found to lack merit is not sufficient by itself to establish the first element of a bad faith claim." *Id.* "The focus is on the *existence* of a debatable issue, not on which party was correct." *Id.* (emphasis added). The ultimate issue is whether evidence exists to support a party's factual or legal beliefs that serve as the basis for a denial of a claim. *Id.* at 474 (citation omitted). Whether a claim is fairly debatable

can generally be decided on a motion for summary judgment because an insurer that has an actual, objectively reasonable basis for denying a claim cannot be held liable for acting in bad faith as a matter of law. *Id.* (citing *Gardner v. Hartford Ins. Accident & Indem. Co.*, 659 N.W.2d 198, 206 (Iowa 2003)).

The Iowa Supreme Court explained the following bad faith principles:

An insurer is innocent of bad faith as a matter of law . . . if the insurer took a position in regard to the claim that reasonable minds could hold. ***Unless the trial court is prepared to grant a directed verdict to the insured on his claim under the policy and to hold that reasonable minds could not disagree as to the insured's entitlement to proceeds under the policy, it follows that reasonable minds could disagree about the insured's entitlement to policy proceeds.*** Therefore, the insurer should be entitled to a directed verdict in its favor on the insured's bad faith claim unless the insured is entitled to a directed verdict in his favor on the policy claim.

Id. (quoting Stephen S. Ashley, *Bad Faith Actions Liability & Damages* § 5:04, at 5-17 to 5-18 (2d ed. 1997) (emphasis added)). Essentially, unless Laurie would be entitled to a directed verdict on her bad faith claim at trial, the claim is fairly debatable as a matter of law and summary judgment in Laurie's favor is not appropriate. If reasonable minds can differ there can be no bad faith. *Id.* at 473. An insured must do more than prove negligence or unreasonableness on the part of the insurer to sustain a bad faith claim. *Id.* at 481. "It [is] incumbent upon [the insured] to negate **any** reasonable basis for the insurance company's valuation of [the insured's] claim." *Id.* (emphasis added).

Additionally, bad faith does not turn on whether a jury disagrees with State Farm's decisions. "It is particularly important to recognize that '[c]ourts and juries do not weigh the conflicting evidence that was before the insurer; they decide whether evidence existed to justify denial of the claim.'" *Hallmark Specialty Ins. Co. v. Phoenix C&D Recycling, Inc.*, 527 F.Supp.3d 1032, 1049 (S.D. Iowa 2020) (internal quotation marks and citations omitted). The focus of a bad

faith claim is on the existence of a debatable issue, not on which party was correct. *Bellville*, 702 N.W.2d at 473.

With respect to the second element, the subjective element, even when the insurer lacks a reasonable basis for its denial of a claim, bad faith liability will not attach unless Laurie can establish that State Farm knew or should have known that its basis for denying the claim was unreasonable. *See id.* at 474.

When attempting to prevail on a motion for summary judgment in a bad faith claim, Laurie, as the plaintiff, must demonstrate by substantial evidence that State Farm had *no* objective or subjective basis for the position it took on a claim. The record in the instant case demonstrates State Farm had both.

2. *State Farm Had Objectively and Subjectively Reasonable Bases For Denying Laurie's Vehicle Theft and Fire Claim.*

a. State Farm had objectively reasonable bases for denying coverage of Laurie's damage claim.

The bases for State Farm's decision to deny Laurie's vehicle theft and fire claims under the Policy terms were objectively reasonable, reached after a thorough investigation conducted pursuant to the Policy provisions that required Laurie to undergo questioning and to provide certain information. SUMF ¶ 56. The undisputed evidence State Farm relied upon in denying Laurie's claim, specifically the April 26 video footage showing the Traverse taken from Laurie's driveway, including that the person entered the car without activating its anti-theft system and within seconds started the vehicle turnkey ignition without issue; Webster's text message to Laurie at 1:45 a.m. on April 26; the unaccounted for second Traverse key; the location and timing of the fire that destroyed the Traverse; Laurie's removal of her special-needs car seat from Traverse, which was her primary vehicle for transporting her children; Laurie's history of a prior, similar vehicle theft

and home burglary, and inconsistent statements about the same; and her precarious financial condition are, taken together, objective reasonable bases on which to dispute Laurie's claim. State Farm's reliance on these facts and the Policy language defining loss, the intentional acts exclusion and the concealment or fraud provision, establish that State Farm had objectively reasonable bases for denying Laurie's claim. Based on this evidence, the Court could not grant a directed verdict on Laurie's claim or conclude that reasonable minds could not disagree that she was entitled to damages under the policy. Laurie cannot negate any reasonable bases for State Farm's denial of her vehicle theft and fire claim.

Moreover, Laurie's failure to disclose any expert testimony that State Farm violated any insurance industry standard in handling and denying her claim supports the conclusion that State Farm had an objectively reasonable basis for denying coverage of her claim. Any fact finder would be left to guess whether State Farm's decisions during its course of dealing with Laurie constituted bad faith. They did not. Laurie cannot establish the objective prong of her bad faith claim, entitling State Farm to summary judgment on her bad faith claim.

b. State Farm had no bases upon which it knew or should have known its denial of Laurie's claim was without a reasonable basis.

Even if State Farm's denial of Laurie's vehicle theft and fire claim was objectively unreasonable, Laurie cannot establish that State Farm knew or should have known its bases for denying her claim were unreasonable. *See Bellville*, 702 N.W.2d at 474. As noted above, State Farm relied not only on Policy language. It also relied on the information it gathered during its investigation, including but not limited to the video from her neighbor's home showing an individual entering the Traverse and driving it out of Laurie's driveway; the April 26 1:45 a.m. text message exchange between Laurie and Webster; Laurie's prior vehicle theft and burglary claims and her and Webster's inconsistent statements about the same; the unaccounted-for second

Traverse key; the location and timing of the fire that destroyed the vehicle; Laurie's removal of her disabled daughter's special needs car seat from her primary mode of transportation; and Laurie's financial condition. This basis for State Farm's denial, set forth in its August 21, 2024 letter to Laurie, compels the conclusion that State Farm lacked any basis from which it knew or should have known its denial of Laurie's vehicle theft and fire claim was without *any* reasonable bases. Accordingly, State Farm is entitled to summary judgment on and dismissal of Laurie's bad faith claim.

E. Laurie's Punitive Damages Claim Must Be Dismissed Because Neither Bad Faith Nor Any Willful and Wanton Conduct Supports Any Punitive Damage Award.

Laurie cannot establish that she is entitled to punitive damages as a matter of law. First, she cannot recover punitive damages for breach of contract. *See John & Dave, LLC v. Soc'y Ins.*, 998 F.Supp.2d 783, 798 (N.D. Iowa 2014) ("Under Iowa law, an independent tort—above and beyond a mere breach of contract—is required in order to sustain a claim for punitive damages."). Second, because Laurie's bad faith claim must be dismissed, her punitive damage claim must also be dismissed. *See e.g., Morse v. State Farm Fire & Cas. Co.*, 733 F.Supp.2d 1065, 1077 (S.D. Iowa 2010) (dismissing punitive damages claim because bad faith claim dismissed).

Even in the unlikely event that the Court were to allow Laurie's bad faith claim to proceed, the Court must dismiss Laurie's punitive damage claims. Punitive damages may only be awarded if Laurie proves by a "preponderance of clear, convincing and satisfactory evidence" that State Farm's conduct "constituted willful and wanton disregard for" her rights or safety and caused her actual damages. Iowa Code § 668A.1 (2024); Iowa Uniform Civil Jury Instruction 210.1 (2024). Here, there is no evidence that the State Farm acted with willful and wanton disregard of Laurie's rights. State Farm has established numerous facts during its claim investigation, as discussed above in Section C and in its August 21, 2024 letter denying coverage, to support that it undertook a

thorough investigation and reasoned analysis of all the relevant facts surrounding the alleged vehicle theft and Laurie's life circumstances. State Farm's good faith investigation, in which it asked Laurie to comply with her duties set forth in her Policy to provide requested evidence, records and other information, to answer interview questions and submit to an EUO, SUMF ¶ 56, prevents Laurie from establishing State Farm engaged in willful and wanton misconduct as a matter of law. Accordingly, the Court should grant State Farm summary judgment on Laurie's claim for punitive damages. *See Gordon v. Almanza*, No. 4:16-cv-00603, 2018 WL 2085379, at *3 (S.D. Iowa Feb. 21, 2018) (recognizing Iowa courts permit punitive damages "only in extreme circumstances where behavior constituted a 'willful and wanton disregard for the rights or safety of another,'" and granting summary judgment on such claim where plaintiff could not demonstrate defendant's conduct was willful and wanton); *Amling v. State Farm Ins. Co.*, No. 10-1130, 2011 WL 1584215, at *4 (Iowa Ct. App. Apr. 27, 2011) (upholding grant of summary judgment on punitive damages claim where insureds failed to present evidence of a willful and wanton disregard of their rights).

F. State Farm is Entitled to Judgment as a Matter of Law on Laurie's Intentional Infliction of Emotional Distress Claim (Count VI) Because She Cannot Establish That State Farm Engaged in Wrongful Intentional Acts or That Emotional Disturbance is a Likely Result From the Alleged Breach of Contract.

The evidence that entitles State Farm to judgment as matter of law on Laurie's bad faith claim compels the conclusion that it is also entitled to judgment as a matter of law of her intentional infliction of emotional distress claim. Iowa courts have allowed emotional distress damages in cases "where the theory of recovery includes intentional acts or those arising out of illegal conduct." *Niblo v. Parr Mfg., Inc.*, 445 N.W.2d 351, 355 (Iowa Ct. App. 1989). However, State Farm's evidence developed during its thorough investigation, as described above, establishes that Laurie cannot maintain any cause of action for bad faith or based on any other intentional acts.

Moreover, even if Laurie's breach of contract action survives, this claim generally does not allow recovery for mental anguish. *Bossuyt v. Osage Farmers Nat'l Bank*, 360 N.W.2d 769, 777 (Iowa 1985). One exception provides the ability to recover damages if the nature of the contract or breach is one from which serious emotional disturbance is a particularly likely result. *Miranda v. Said*, 836 N.W.2d 8, 19 (Iowa 2013) (citing Restatement (Second) of Contracts § 353 cmt. a, at 149). "[E]motional distress is not a 'particularly likely result' or a natural and probable consequence of . . . insurance contracts." *Id.* (citing *Clark-Peterson Co., Inc. v. Indep. Ins. Assocs., Ltd.*, 514 N.W.2d 912, 916 (Iowa 1994)).

In *Clark-Peterson*, an insured brought suit seeking a judgment that their insurance policy provided coverage of a wrongful discharge claim, as well as breach of contract for failure to provide coverage, and intentional infliction of emotional distress based on the insurer's failure to provide coverage. Clark-Peterson claimed that its policy covered employment discrimination claims, but its insurer, Cincinnati Insurance Company ("Cincinnati"), provided a defense to such a claim under a reservation of rights. *Clark-Peterson*, 514 N.W.2d at 914. A jury ultimately determined the policy provided coverage and Clark-Peterson's insurer reimbursed the costs Clark-Peterson incurred in the suit. *Id.*

Clark-Peterson sought damages for severe emotion distress due to Cincinnati's failure to provide coverage, which it claimed constituted a breach of contract. *Id.* at 916. "To recover under such a theory plaintiffs must show outrageous conduct that was 'so extreme in degree, as to go beyond all possible bounds of decency, and to be regarded as atrocious, and utterly intolerable in a civilized community.'" *Id.* (citing *Bossuyt*, 360 N.W.2d at 776). Clark-Peterson also sought damages for ordinary emotional distress, which are only available for breach of contract claims if "the breach is of such a kind that serious emotional disturbance was a particularly likely result." *Id.* The Court

concluded a breach of insurance contract case where the insured disputes coverage is not of such a kind “particularly likely to cause emotional disturbance.” *Id.*

Laurie cannot present any evidence that generates an issue of fact that State Farm’s conduct was “so extreme in degree, as to go beyond all possible bounds of decency, and to be regarded as atrocious, and utterly intolerable in a civilized community.” *Id.* State Farm thoroughly investigated Laurie’s claim, consistent with the Policy’s procedures, SUMF ¶ 56, and denied coverage based on both information it collected and the Policy’s terms, particularly the definition of loss, the intentional acts exclusion and the concealment or fraud provision. SUMF ¶¶ 2-4. A coverage dispute based on facts and Policy language is not particularly likely to cause emotional disturbance. *See Clark-Peterson*, 514 N.W.2d at 916. In addition, there is no evidence that State Farm’s investigation and coverage determination were conducted in a manner or were of a subject particularly likely to cause an emotional disturbance that would require this Court to come to a different conclusion than the *Clark-Peterson* court in denying a policyholder’s emotional distress damage claim arising from a breach of contract claim. Therefore, State Farm is entitled to judgment as a matter of law on Laurie’s intentional infliction of emotional distress claim.

CONCLUSION

State Farm relied upon the information it obtained through its comprehensive investigation of Laurie’s stolen and intentionally burned 2017 Chevy Traverse, specifically Laurie and Webster’s recorded statements and EUOs and inconsistencies therein, including about prior insurance claims and the Traverse’s conditions on the date of the fire; video surveillance showing a person entering and driving the Traverse from Laurie’s driveway by starting the turnkey ignition and without activating the vehicle’s anti-theft system; the unaccounted-for second key to the Traverse; Webster’s April 26, 2024, 1:45 a.m. text message to Laurie; Laurie’s removal of her children’s car seat from the primary vehicle she used to transport her disabled daughter, and the

location and timing of the fire. This evidence establishes as matter of law that Laurie's loss was not "direct, sudden, and accidental." It further establishes that Laurie's Traverse was intentionally damaged at her direction, and, therefore, that her loss is not covered pursuant to the Policy's intentional acts exclusion and concealment or fraud provision.

Likewise, the undisputed material facts establish that State Farm had both an objective and subjective basis for denying Laurie's claim, entitling it to judgment as a matter of law on Laurie's bad faith claim. Finally, Laurie's inability to establish her bad faith claim as matter of law, or any other willful and wanton conduct by State Farm, entitles State Farm to judgment as a matter of law on her punitive damage and intentional infliction of emotional distress claims. The Court should therefore grant State Farm's Motion for Summary Judgment in its entirety.

WHEREFORE, Defendant State Farm Fire and Casualty Company respectfully requests that the Court enter an Order granting its Motion for Summary Judgment, dismissing Laurie's breach of contract claim, bad faith claim, intentional infliction of emotional distress claim, and punitive damage claim, and granting such other and further relief as the Court deems just and equitable.

LEDERER WESTON CRAIG PLC

By: /s/ J. Michael Weston

J. Michael Weston AT0008405

118 Third Ave SE, Suite 700

P.O. Box 1927

Cedar Rapids, IA 52406-1927

Telephone: (319) 365-1184

Fax: (319) 365-1186

E-mail: mweston@lwclawyers.com

**ATTORNEYS FOR DEFENDANT
STATE FARM FIRE AND CASUALTY
COMPANY**

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on February 17, 2026, I electronically filed the foregoing with the Clerk of the U.S. District Court for the Southern District of Iowa, Central Division using the ECF system, which will send notification of such filing to the following:

PRO SE PLAINTIFF:

Jessica Laurie

E-mail: jlaurie87@gmail.com

/s/ J. Michael Weston
