UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TENNESSEE

JPP HOLDINGS LLC,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No.: 3:25-CV-272-TAV-DCP
	)	
STATE FARM FIRE AND CASUALTY COMPANY,	)	
	)	
	)	
Defendant.	)	

MEMORANDUM OPINION AND ORDER

This civil action is before the Court on plaintiff's Motion to Compel Appraisal [Doc. 19]. Defendant responded [Doc. 21], and plaintiff replied [Doc. 22]. Accordingly, this matter is ripe for review. *See* E.D. Tenn. L.R. 7.1(a). For the reasons below, plaintiff's Motion to Compel Appraisal [Doc. 19] is **GRANTED.**

I. Background

This case arises from a dispute about insurance coverage for property damage occurring as a result of a windstorm [*See* Doc. 1]. Plaintiff purchased a policy from defendant (the "Policy"), which insured plaintiff's property located at and around 100 Teejay Drive Oak Ridge, Tennessee (the "Insured Buildings"), against physical damage [Doc. 20-1]. The Policy, which began on October 20, 2023, and ended on October 20, 2024 (the "Policy Period"), provided insurance coverage for accidental direct physical loss to the Insured Buildings [*Id.* at 1, 42]. With respect to the appraisal process, the Policy states:

> If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. Each party will notify the other of the selected appraiser's identity within 20 days after receipt of the written demand for an appraisal. The two appraisers will select an umpire. If the appraisers cannot agree upon an umpire within 15 days, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:
>
> (1) Pay its chosen appraiser; and
>
> (2) Bear the other expenses of the appraisal and umpire equally.
>
> If there is an appraisal, we will still retain our right to deny the claim.

[*Id.* at 56].

The complaint alleges that on or about May 26, 2024, May 27, 2024, and/or on other dates within the Policy period, a severe windstorm struck the Insured building, leading to substantial accidental direct loss to the Insured Buildings (the "Loss") [Doc. 1 ¶¶ 3, 13]. Plaintiff alleges that it promptly reported the Loss to defendant, and defendant accepted the Loss as a covered claim [*Id.* ¶¶ 16–17]. Defendant admits that it "assigned a claim number," but states that it "did not accept this as a covered loss" [Doc. 13 ¶ 17]. Defendant inspected the Insured Buildings and confirmed that there was wind damage [Doc. 1 ¶¶ 18–19; Doc. 13 ¶¶ 18–19]. However, defendant disputes whether the damage occurred within the Policy Period [Doc. 13 ¶¶ 13, 19–21, 24]. Ultimately, defendant generated an estimate of $11,866.59 for repairs because of the Loss [Doc. ¶ 20; Doc. 13 ¶ 20]. Defendant issued payment to plaintiff in the amount of $9,366.59 (equal to $11,866.59 minus plaintiff's deductible) [Doc. 1 ¶ 21; Doc. 13 ¶ 21; Doc. 20, p. 5; Doc. 22-1].

Plaintiff alleges that defendant undervalued the damage to the Insured Buildings, and it has not been properly compensated for the Loss [Doc. 1 ¶¶ 22–23]. On January 14, 2025, plaintiff notified defendant that it disagreed with loss amount calculated by defendant and demanded an appraisal [*Id.* ¶ 24; Doc. 13 ¶ 24; Doc. 22-2]. Defendant rejected plaintiff's appraisal demand in a letter dated January 15, 2025 [Doc. 1 ¶ 27; Doc. 13 ¶ 27]. On January 16, 2025, plaintiffs submitted another demand for an appraisal, which defendant again rejected [Doc. 1 ¶¶ 28–29; Doc. 13 ¶¶ 28–29]. Plaintiff now requests that the Court compel defendant to participate in the appraisal process [Doc. 20, p. 6].

II. Analysis

Plaintiff argues that appraisal is mandatory because it issued a written demand for appraisal, there is a dispute as to the amount of loss, and courts view insurance appraisal clauses favorably [Doc. 20, pp. 6–11].

Defendant responds that appraisal is not appropriate because this case concerns a coverage dispute rather than a dispute as to the amount of loss, and plaintiff should have filed its request for relief under Federal Rule of Civil Procedure 56 [Doc. 21, pp. 4–6].

Plaintiff replies that defendant acknowledged a covered loss when it issued a partial payment on plaintiff's claim, and federal courts in Tennessee routinely compel appraisals even absent a particular Federal Rule of Civil Procedure authorizing such [Doc. 22, pp. 2, 4–5].

"A federal court sitting in diversity applies the substantive law of the state in which it sits." *Morrow v. State Farm Fire & Cas. Co.*, 592 F. Supp. 3d 672, 675 (E.D. Tenn. 2022) (quoting *Hayes v. Equitable Energy Res. Co*., 266 F.3d 560, 566 (6th Cir. 2001)).

"Tennessee law presumes a contract is governed by the law of the jurisdiction in which it was executed absent a contrary intent." *Id.* (internal quotation marks and citations omitted). In this case, the Court applies Tennessee substantive law because the Policy was executed in Tennessee, and there is no evidence of a contrary intent.

Turning to the Policy's language, generally, "courts should construe insurance contracts in the same manner as any other contract." *Id.* at 675 (quoting *Am. Just. Ins. Reciprocal v. Hutchinson*, 15 S.W.3d 811, 814 (Tenn. 2000)). "The language of the policy must be taken and understood in its plain, ordinary and popular sense." *Id.* (quoting *Hutchinson*, 15 S.W.3d at 814). "In Tennessee, the guiding principle of contract interpretation is to ascertain and give effect to the intent of the parties." *Id.* (internal quotation marks and citation omitted).

Here, the Policy expressly provides for appraisal [Doc. 20-1, p. 56]. Specifically, the Policy states that "[i]f [the parties] disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser" [*Id.*]. This appraisal provision is mandatory if invoked, as evidenced by the language "each party *will* select a competent and impartial appraiser" [*Id.* (emphasis added)]. It further states that "each party *will* notify the other of the selected appraiser's identity within 20 days after receipt of the written demand for an appraisal[,]" and the appraisers "*will* state separately the value of the property and the amount of loss" [*Id.* (emphasis added)].

Moreover, this provision states that if the appraisers "fail to agree, they *will* submit their differences to the umpire" and "[a] decision agreed to by any two *will be* binding"

[*Id.* (emphasis added)]. Thus, the Court will give effect to the Policy's plain language, which mandates appraisal if (1) the parties disagree on the amount of loss and (2) either party makes a written demand for an appraisal of the loss [*Id.*]. *See Morrow*, 592 F. Supp. at 675 (finding that "the Policy explicitly provides for appraisal, and the provision is mandatory if invoked by one of the parties").

This kind of appraisal provision is valid in Tennessee. In fact, courts "regularly compel appraisal pursuant to such provisions," even when these motions are not brought pursuant to the Federal Rules of Civil Procedure. *J. Wise Smith & Assocs., Inc. v. Nationwide Mut. Ins. Co.*, 925 F. Supp. 528, 530 (W.D. Tenn. 1995); *see also Kush Enters., LLC v. Mass. Bay Ins. Co.*, No. 3:18-CV-492, 2019 WL 13117568, at *1 (E.D. Tenn. Nov. 7, 2019) ("[W]hile plaintiff did not cite a particular Federal Rule of Civil Procedure, courts regularly compel appraisal pursuant to such provisions . . . the Court will not treat Plaintiff's motion as a one for summary judgment" (internal quotation marks and citations omitted)). Thus, since plaintiff made a written demand for appraisal on January 14, 2025, defendant must proceed with the Policy's appraisal process if there is a disputed amount of loss [Doc. 22-2].

Defendant contends that this case concerns a coverage dispute rather than a dispute as to the amount of loss. Generally, "appraisal provisions are meant to settle disputes between the insured and the insurer regarding the *amount* of a given loss." *Michael v. State Farm Fire & Cas. Co.*, No. 1:24-CV-1046, 2024 WL 3451563, at *3 (W.D. Tenn. May 24, 2024) (emphasis in original). "Appraisal provisions, however, do not settle disputes about the scope of coverage because scope of coverage issues present questions of law." *Id.* (internal quotation marks and citation omitted).

Here, defendant acknowledged that that the Policy covers at least some damage to the Insured Buildings by generating an estimate in the amount of $11,866.59 for repairs and issuing a payment to plaintiff in the amount of $9,366.59 [Doc. 1 ¶¶ 20–21; Doc. 13 ¶¶ 20–21; Doc. 22-1]. *See Kush Enters.*, 2019 WL 13117568, at *2 (determining that there was a dispute as to the loss amount where the plaintiff covered part of the loss); *see also Morrow*, 592 F. Supp. 3d at 676 (determining that the dispute concerned the amount of loss in part because the defendant issued a payment for the damage). Therefore, the dispute here concerns the total amount of loss since defendant has already issued payment. *See Kush Enters.*, 2019 WL 13117568, at *2 ("By contesting whether there is additional covered loss, however, [d]efendant necessarily disagrees with [p]laintiff that the total amount of loss [p]laintiff incurred includes any additional loss."). This conclusion is also supported by defendant's letter to plaintiff on July 31, 2024, acknowledging a loss date within the Policy Period [Docs. 20-1, 21-1]. Moreover, plaintiff's letter demanding appraisal on January 14, 2025, refers to a loss date within the Policy Period [Doc. 22-2, pp. 1–2]. Accordingly, this dispute must be treated as one regarding the total amount of loss. Otherwise, insurance companies could avoid appraisal by claiming a coverage issue when additional loss amounts are disputed.

Lastly, the Court notes that defendant "will not waive any of its coverage or causation contentions by obtaining an appraisal, as these may be raised to the Court afterwards." *Morrow*, 592 F. Supp. 3d at 676. Rather, the "appraiser's authority is limited to the authority granted in the insurance policy or granted by some other express agreement of the parties." *Merrimack Mut. Ins. Co. v. Batts*, 59 S.W.3d 142, 152 (Tenn. Ct. App. 2001). In this case, the Policy permits the appraisers to decide the amount of loss, rather than issues of coverage or causation [Doc. 20-1, p. 56]. Therefore, defendant may dispute those issues after the completion of the appraisal process. Accordingly, the Court finds that appraisal in mandatory in this case.

III. Conclusion

For the reasons explained above, plaintiff's Motion to Compel Appraisal [Doc. 19] is **GRANTED**, and the parties are **ORDERED** to engage in the contractual appraisal process. Accordingly, the stay in this case is hereby **LIFTED.**

IT IS SO ORDERED.

s/ Thomas A. Varlan
UNITED STATES DISTRICT JUDGE