

# Appraisal Coverage Update

March 16, 2026

## Appraisal (First-Party Property) – Michigan

### *Maksym v. Auto-Owners Ins. Co.*

No. 372827, 2026 WL 513521 (Mich. App. Feb. 24, 2026)

The Michigan Court of Appeals affirmed the trial court's order denying the plaintiffs' (the insureds) motion for appraisal because questions regarding coverage existed and reversed the trial court's order granting the defendant Auto-Owners Insurance Company's (Auto-Owners) motion for summary disposition based on the statute of limitations because a question of fact existed as to whether Auto-Owners' denial of some of the insureds' claims was equivocal or even revoked.

The insureds filed a claim with their home-owners insurer, Auto-Owners, for water damage reportedly due to a broken pipe in their second-floor bathroom, which caused water to accumulate under the floor and leak into the kitchen below. Auto-Owners inspected the home and noted water damage limited to the kitchen ceiling and a section of upper kitchen cabinets. The insureds informed Auto-Owners that there was no damage to their second-floor bathroom and that the water leak did not render their home unlivable. In a letter dated Aug. 18, 2022, Auto-Owners notified the insureds that coverage was afforded for water damage resulting from the leaking pipes and denied coverage for other expenses sought, including repairs and upgrades to the home and additional living expenses. Auto-Owners issued two payments to the insureds.

The insureds thereafter remodeled their second-floor bathroom and first floor kitchen. After the remodel was complete, the insureds submitted a proof of loss to Auto-Owners claiming approximately \$135,000 for items, including additional living expenses, second-floor bathroom renovations, recarpeting, hardwood floor refinishing, painting, a remodeled kitchen, plumbing systems upgrades and other items. Auto-Owners rejected the insureds' proof of loss and again reiterated the denial of coverage. The insureds then demanded appraisal, but Auto-Owners informed the insureds that appraisal was premature because they had not provided the requested proofs necessary for a coverage determination. Auto-Owners gave the insureds until June 12, 2023 to provide the material information. After the insureds missed the deadline, Auto-Owners formally denied coverage for the insureds' unproven claims.

The insureds filed suit on Oct. 26, 2023 and filed a motion to compel appraisal of all claims, including those claims that Auto-Owners denied. Auto-Owners opposed the motion, arguing that appraisal was premature because it had not verified the insureds' purported losses and issues of coverage had yet to be determined by the court. Auto-Owners also moved for summary disposition, arguing that the insureds' claims were barred by the policy's one-year limitations period. The trial court denied the

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insureds' motion to compel appraisal and granted Auto-Owners' dispositive motion, finding that Auto-Owners denied the insureds' claim on Aug. 18, 2022, which meant that the limitations period began on that date and expired on Aug. 18, 2023, making the insured's Oct. 26, 2023 lawsuit untimely.

The insureds timely appealed the trial court's decision. The Michigan Court of Appeals addressed two principal issues: (1) whether the trial court erred by granting summary disposition of the plaintiffs' entire claim based on the statute of limitations; and (2) whether the trial court should have compelled a full appraisal of the plaintiffs' claims.

As to the statute of limitations issue, the appellate court, citing *Smitham v. State Farm Fire & Cas Co.*, 297 Mich. App. 537 (2012), noted that a "formal denial such as is necessary to end tolling must be explicit and unequivocally impress upon the insured the need to pursue further relief in court." The appellate court found that Auto-Owners' Aug. 18, 2022 letter acknowledged liability for the water damage resulting from the leaking pipe, denied coverage for plumbing repairs and additional living expenses, but did not formally deny liability for the plaintiffs' other claims. For example, while the letter noted the insureds' prior statement that there was no damage to the second-floor bathroom, Auto-Owners did not expressly deny liability for the second-floor bathroom or for other items beyond the kitchen area. The appellate court further observed that Auto-Owners' subsequent requests for documentation in support of the insureds' claims related to the bathroom and other kitchen losses suggested the question of liability remained unresolved until the insureds provided sufficient support for their claim. Accordingly, the appellate court concluded that a question of fact exists as to whether Auto-Owners' Aug. 18, 2022 denial of the second-floor bathroom and other claims was equivocal or even revoked.

As to the appraisal issue, the appellate court noted that the purpose of appraisal is to resolve the amount of loss in insurance disputes where liability has been admitted; once an insurer admits that a loss is covered, the court is statutorily mandated under MCL 500.2833(1)(m) to order the parties to participate in Michigan's statutory appraisal process. However, if liability is not admitted by an insurer, the trial court must first determine the issue of coverage before ordering appraisal.

The insureds, relying on *Cantina Enterprises II Inc. v. Prop-Owners Ins. Co.*, 349 Mich. App. 682 (2024), argued that a "partial payment" is an acknowledgment of liability by Auto-Owners, which allows the insureds to demand appraisal. The appellate court, however, distinguished this case from *Cantina*, noting that, unlike the present case, the insurer in *Cantina* never formally denied liability for the betterments and improvements claim at issue, but instead, contended proofs were insufficient while still making partial payments for Cantina Enterprises' betterments and improvements and advising Cantina Enterprises that it could submit more proofs. In *Cantina*, the insurer's behavior demonstrated it had conceded that the betterments-and-improvements coverage applied, leaving only a dispute over the amount.

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In the present case, Auto-Owners paid for specific damaged property that it determined was a covered loss but did not make "partial payments" for the disputed claims. Rather, Auto-Owners paid for specific damages it determined were covered while disputing liability for the other claims. Accordingly, the appellate court held that, because coverage issues remained unresolved and because Auto-Owners had not accepted liability for the insureds' remaining claims, the insureds were not entitled to appraisal on those claims. The case was remanded to the trial court for further proceedings consistent with the appellate court's opinion.

By Amy L. Diviney