

# ‘Dodge v. People’s Trust Insurance’ and Its Effect on Coverage of Cast Iron Pipes Claims

On June 2, the Fourth District Court of Appeal rendered a decision in *Dodge v. People’s Trust Insurance*, 46 Fla. L. Weekly D1286 (Fla. 4th DCA June 2, 2021) concerning coverage related to the failure of cast iron pipes in a breach of contract action.

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On June 2, the Fourth District Court of Appeal rendered a decision in *Dodge v. People’s Trust Insurance*, 46 Fla. L. Weekly D1286 (Fla. 4th DCA June 2, 2021) concerning coverage related to the failure of cast iron pipes in a breach of contract action. This case came to the court on appeal of the circuit court’s summary judgment order limiting People’s Trust Insurance (People’s Trust) liability for water damage to \$10,000 under the parties’ homeowner’s insurance policy. Specifically, the appellant challenged the circuit court’s decision to limit damages capped by the policy to \$10,000 per occurrence.

This case involved a first-party breach of insurance contract claim where the insureds, Gene and Kathleen Dodge, sought to recover contractual damages under their People’s Trust homeowner’s policy for water damage caused by overflow of water from the plumbing system. The parties agreed that the Dodges’ loss resulted from the deterioration of cast iron pipes under the home because of “rust or other corrosion.” People’s Trust accepted coverage for the loss in the amount of the

\$10,000 policy limit. The trial court granted People’s Trust’s motion for summary judgment regarding the breach of contract claim for claimed damages above the policy limits.

The Fourth District affirmed the trial court’s order regarding the applicability of the policy’s exclusions section, which included specific language stating that the policy did “not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss ...” One excluded clause that followed was “Water.” Further, a Limited Water Damage Coverage endorsement provided coverage—subject to a \$10,000 sub-limit—for the following losses: “... Sudden and accidental direct physical loss to covered property by discharge or overflow of water or steam from within a plumbing ...” The endorsement excludes coverage for water damage “caused by or resulting from human or animal forces or any act of nature.” The Fourth District concluded that rust and corrosion of water pipes is an “act of nature,” and thus, was excluded from

coverage under a homeowner's insurance policy. The Fourth District further defined "act of nature" as a naturally occurring force that does not require an uncontrollable or unpreventable event.

Over the last several years, Florida insurance carriers have defended several claims for damages above policy limits where insureds continue to make claims under insurance policies with strikingly similar—if not identical—language to the one used by People's Trust in this case. Yet time and time again, insurance carriers have been left with inconsistent trial court rulings from one county to the next that fail to set a precedent for what should be bright line rule for policy coverage and limits whenever a claim for cast iron pipe damage is made. For instance, in the Circuit Court for the 13th Judicial Circuit in and for Hillsborough County, Florida, *Hryc v. Fednat Insurance*, Case No. 2019-CA-756 (June 2, 2020), the court found that the plaintiffs' argument that their insurance policy affords coverage in excess of the \$10,000 Limited Water Damage Coverage Endorsement for the cost to tear out and replace those portions of the plaintiffs' property necessary to access the failed plumbing drain line system was without merit. Specifically, the court ruled in favor of the carrier and found that a plain reading of the Limited Water Damage Coverage Endorsement, giving every provision its full meaning and operative effect when read in context with the policy as a whole, demonstrates that the \$10,000 coverage limit afforded by the Limited Water Damage Endorsement includes all damage occasioned by the peril of water, including tear out and replacement costs. Meanwhile, in the Circuit Court of the 9th Judicial Circuit in and for Orange County,

Florida, in *Angelique Tejada v. Monarch National Insurance*, Case No. 2017-CA-8983 (October 30, 2020), the court ruled that the plaintiff's claim for water damage was not excluded under the Water Damage Exclusion Endorsement. In that case, the court found that The Limited Water Damage Endorsement in the homeowners' policy did not apply to the cost to tear out and replace any part of plaintiff's home necessary to repair the failed plumbing system because cost to tear out was not specifically listed in the endorsement.

Up until now, notable issues between the parties have not focused on whether "rust or other corrosion" caused the loss, but rather whether the above-referenced policy language excludes coverage for the claim as a whole because it is not a covered peril under the policy and whether the above-referenced policy language is meant to limit the scope and value of the claim, if there is coverage for water damage. Particularly, plaintiffs are quick to claim that any and all damages are covered by the policy, most notably claims for damage for tear out and access through the slab in order to replace the cast iron pipes system, even where there is no confirmed water damage to the property.

In *Dodge*, the Fourth District Court of Appeal affirms that insurance contracts are to be interpreted based on their plain meanings, express terms and conditions, and that insurance carriers are not to pay for more than they specifically bargained for when issuing insurance coverage to their insureds. Specifically, this case conveys that the rusting or deteriorating of pipes is something that naturally occurs and, as such, is not covered.

The court was clear when it determined, based on the People’s Trust policy’s exclusionary language combined with its limiting coverage endorsement, that the insurer is not subject to additional damages beyond what the insureds contracted for at the inception of the policy period. Limiting language in water exclusion endorsements is common in homeowner’s policies. However, insurance carriers without such limiting language risk being open to coverage for water damage caused by deteriorating cast iron pipes and should consider revising their policy language to avoid having such contractual damages asserted against them in litigation. This is specifically important if the policy does not provide for further limitations of coverage for any water damage coverage already afforded by the policy. The simplicity of

this opinion may set valuable precedent for defense counsel and insurance carriers moving forward. Namely, by defining “act of nature,” as used in the insurance policy in order to determine coverage, the Fourth District echoes that before the question of whether there is coverage can be answered, there must first be a determination of whether the alleged cause of damage is defined as a covered peril under the policy.



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