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Water Damage

HANDWRITTEN SETTLEMENT SHOWS PARTIES' INTENT, CALIF. COURT FINDS

Palmer v. State Farm

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A California appeals court has affirmed that a handwritten settlement agreement signed by an insurance company and its policyholder provided that she receive up to her policy limits, not twice that amount.

[Palmer v. State Farm General Insurance Co., No. C057971, 2009 WL 2772691 \(Cal. Ct. App., 3d Dist. Sept. 2, 2009\).](#)

The policyholder had argued that her insurer agreed to potentially pay up to her policy limit on each of her two potential claims, not on both of them combined.

According to the opinion, Sandi Palmer's home and possessions were damaged after a burst dishwasher hose caused flooding. Palmer had a homeowners policy with State Farm General Insurance Co. and filed a claim.

After some disagreement about the amount of damage, the parties met with a mediator and agreed to submit their dispute to binding high/low arbitration. In a handwritten agreement, Palmer and State Farm stipulated that the acceptable low figure was \$14,000 and the high figure could be "up to and including the applicable policy limit."

When State Farm prepared a formal agreement based on the handwritten one, Palmer rejected it, claiming that the insurer had actually agreed to a high figure of twice the policy limit. She sued State Farm in the Sacramento County Superior Court, alleging breach of contract and breach of the implied covenant of good faith and fair dealing and seeking the costs of remediation and restoration of her real and personal property.

The court found in favor of State Farm, saying the "parties agreed to a high/low arbitration proceeding, with a low of \$14,000 and a high 'up to and including the applicable policy limit,' not twice the policy limit as plaintiff now claims."

Palmer appealed, arguing that she and State Farm had agreed that she was entitled to recover up to the applicable policy limits of her insurance policy on each of her two potential claims: one for the house and one for her possessions.

She further argued that there was no substantial evidence to support the trial court's enforcement of the formal agreement and that such enforcement amounted to an impermissible reformation of the settlement agreement executed at the mediation.

The 3rd District Court of Appeal rejected her arguments and affirmed the lower court's ruling. "A settlement agreement is a contract," the panel said, and the handwritten agreement was considered a settlement. "A court has the right to use such settlements as the basis of its judgments."

Palmer did not dispute that a settlement occurred or that the terms of the settlement are memorialized in the settlement agreement executed at the mediation, the court continued. Rather, she simply contended that the formal agreement did not accurately reflect the

handwritten one.

The court did not agree. State Farm had obtained a statement by the mediator that the formal agreement accurately represented the handwritten one, the panel said, and so the trial court did not "impermissibly reform the settlement."

"Rather," the appeals court concluded, it "merely enforced the written settlement reached by the parties at the mediation."

Palmer was represented by [David M. Poore](#) of Kahn Brown & Poore in Petaluma, CA.

State Farm was presented by [Douglas K. Wood](#) of Rudloff Wood & Barrows in Emeryville, CA.

Company: State Farm General Insurance Co.

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