Portfolio Media. Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

The Top Property Insurance Rulings Of The First Half Of 2026

By **Eli Flesch**

Law360 (July 30, 2026, 5:10 PM EDT) -- A California ruling boosting policyholders' prospects in water leak suits and a Texas Supreme Court decision compelling appraisal in a complex commercial property loss are among the biggest property insurance decisions of the year so far.

The Fourth Circuit recently affirmed a trial court's decision finding that buffet chain Golden Corral didn't warrant COVID-19 business loss coverage. (Photo by John Greim/LightRocket via Getty Images)

Meanwhile, the buffet chain Golden Corral lost a bid to revive a pandemic coverage suit, and two Texas policyholders were stuck with a larger payment on a windstorm deductible after the state's top court ruled tornadoes should be considered windstorms.

Here, Law360 takes a midyear look at the top property insurance decisions.

Calif. Court Backs Policyholders in Water Leak Ruling

Policyholder advocates in California won a significant victory in May when a state appeals court said litigators could cite an appellate court ruling that could help them in disputes over coverage for non-flood water damage.

The decision by the Second Appellate District to publish the ruling in Nargizyan v. State Farm General

Insurance Co. followed a push by plaintiff firms and consumer advocates to convince the Court of Appeal of the import of the decision to California policyholders facing insurer pushback on water claims.

They saw homeowner Levon Nargizyan's case as exemplifying poor insurer practices — like a failure to properly investigate a loss — and State Farm's particularly tough stance against water damage claims under an exclusion barring coverage for "continuous or repeated seepage or leakage."

The stakes of the case, and the decision's publication are considerable. In California, claims for water damage under traditional homeowners policies are a significant source of losses for the insurance industry. Industry data indicates a similar trend nationally.

"We have some pretty strict citation rules about relying on unpublished appellate authority, and so this allows a really good legal hook, where insurers can't run away from it," Bre Jones, a policyholder attorney with Covington & Burling LLP, told Law360. "That certainly adds to the win far beyond the win just in the case itself."

The case is Nargizyan v. State Farm General Insurance Co., case number B342340, in the Court of Appeal of the State of California, Second Appellate District, Division Seven.

Texas Court Compels Appraisal

In a May ruling, the Texas Supreme Court said that ACE American Insurance Co. and other insurers could force a commercial landlord to enter into an appraisal process to determine the value of losses connected to a burst water line at a Dallas warehouse.

The landlord had argued that it was excused from having to abide by the policy's appraisal provision because the insurers allegedly employed bad-faith "coverage-avoiding conduct" during the adjustment process.

Justice Lehrmann disagreed, and said that "coverage disputes do not render an appraisal improper in the first instance."

Nicholas M. Insua, a policyholder attorney with Reed Smith LLP, said the case presented a great example of the complicated questions about which cases should go to appraisal, rather than stay in court. He noted that the court acknowledged that there are still coverage questions that must be addressed.

A lot of policyholders and their attorneys believe the appraisal process is often skewed in favor of insurers, he added. A core question raised by the ACE American ruling concerns whether coverage or valuation issues should be decided first.

"Can you decide all the valuation issues first and then decide whether certain items that have been now valued fall within the policy's coverage or do not?" he said.

Tressler LLP's Tumialán said that, in light of the ruling, an insurer should be able to implement appraisal procedures without fear that doing so would subject them to bad faith exposure.

"It shows that the courts are cognizant of what insureds might try to do — how they might manipulate a process to manufacture bad faith where there isn't any — and an insurer's just acting according to the terms of the policy," Tumialán said.

The case is In re: ACE American Insurance Co., case number 25-0461, in the Supreme Court of Texas.

4th Circ. Turns Back COVID-19 Revival Bid

The Fourth Circuit earlier this month declined to revisit buffet chain Golden Corral's defeat in its bid for COVID-19 business loss coverage, saying a North Carolina Supreme Court ruling favoring policyholders in another pandemic matter didn't warrant a do-over.

The decision represented another loss for a policyholder that had argued it was shortchanged coverage for business interruption losses stemming from the pandemic.

A three-judge panel said in a published opinion that the North Carolina ruling on COVID-19 losses from 2024, known as North State Deli v. Cincinnati Insurance, wasn't an "extraordinary circumstance" meriting reversal.

In that decision, the North Carolina Supreme Court found that the insuring phrase "direct physical loss" in a deli's property policy included the loss of the use of property following public health orders.

"Relief from a final judgment is rare and the circumstances allowing for such relief are limited due to the strong interest of promoting finality for litigated decisions," said Scott Seaman, a Hinshaw & Culbertson LLP insurer lawyer.

In an email to Law360, he noted every circuit court ruled for insurers in pandemic coverage suits, as did every state top court except in Vermont and North Carolina.

"Simply stated, the Fourth Circuit determined the buffet closed on Golden Corral before it got in line for a new plate," he said.

The case is Golden Corral Corp. v. Illinois Union Insurance Co., case number 25-1682, in the U.S. Court of Appeals for the Fourth Circuit.

Wisc. Top Court Makes Call on Defect Water Leak

In a July ruling, the Wisconsin Supreme Court said that a homeowner's severe rainwater-related loss could be covered, even though the water entered due to allegedly defective construction that itself may be uncovered under an exclusion.

Judge Brian Hagedorn, writing for a 4-3 majority, said the court's "task is to interpret these two clauses in harmony such that neither is functionally erased and the intentions of the parties are fulfilled."

Reversing a state circuit court's opinion, the court also said there are still genuine disputes about whether a construction defect existed in the homeowner's property, as well as how much of the ensuing loss was caused by the defects.

Reed Smith's Insua said he was particularly interested in the court's discussion involving the construction defect exclusions and ensuing loss provision given that those provisions are often highly contested.

Viewed too broadly, he said, an ensuing loss clause can undo a defect exclusion, and viewed too narrowly, it can accomplish nothing.

"The Wisconsin Supreme Court here took a broader view of it, but they added some principled reasons for why they were still giving effect to the exclusion while also allowing the ensuing loss clause to have some meaning," Insua said.

The case is Cincinnati Insurance Co. v. Ropicky et al., case number 2023AP588, in the Supreme Court of Wisconsin.

Texas Justices Clear the Air on Tornadoes

In February, the Texas Supreme Court said the ordinary meaning of a "windstorm" in a homeowners policy unambiguously encompasses tornadoes. The court confirmed that a higher windstorm deductible applied to a Dallas couple's claim after a tornado.

The finding reversed a divided Fifth Court ruling against Privilege Underwriters Reciprocal Exchange and reinstated a trial court's summary judgment for the insurer and against the PURE policyholders, Jeff and Staci Mankoff.

Though "windstorm" wasn't defined under the policy, Justice Debra H. Lehrmann said its dictionary definitions and use in other statutes and rulings point to an ordinary meaning of the term that unambiguously includes tornadoes.

"The common thread running through dictionary definitions of 'windstorm' is a storm with violent, strong winds but little or no precipitation. A tornado falls within these definitional boundaries," Lehrmann said.

"Dictionaries consistently define a 'tornado' as a violent and destructive movement of wind. Indeed, some dictionaries explicitly define a tornado as a type of windstorm."

In an interview, Rosa M. Tumialán, a carrier attorney with Tressler LLP and co-chair of the firm's insurance practice group, said appreciated that the court interpreted words according to their plain meaning.

"The whole case turned on just the reading of one word," she said.

The case is Privilege Underwriters Reciprocal Exchange v. Mankoff et al., case number 24-0132, in the Supreme Court of Texas.

--Additional reporting by Hayley Fowler and Hope Patti. Editing by Amy Rowe.