

IN THE SUPREME COURT OF THE STATE OF IDAHO
Docket No. 52790

GRANT ESPINOSA and NICOLE	)	
ESPINOSA, husband and wife,	)	
	)	
Plaintiffs-Appellants,	)	Boise, April 2026 Term
	)	
v.	)	Opinion Filed: October 6, 2026
	)	
STATE FARM FIRE AND CASUALTY	)	Melanie Gagnepain, Clerk
COMPANY,	)	
	)	
Defendant-Respondent.	)	

Appeal from the District Court of the First Judicial District, State of Idaho, Bonner County. Lamont Berecz, District Judge.

The judgment of the district court is affirmed.

Davillier Law Group, LLC, Sandpoint, for Appellants, Grant and Nicole Espinosa. Allen J. Shoff argued.

Elam & Burke, P.A., Boise, for Respondents, State Farm Fire and Casualty Company. Julianne S. Hall argued.

MEYER, Justice.

After their partially constructed barndominium¹ and outbuildings collapsed during an early winter snowstorm, Grant and Nicole Espinosa submitted claims under their homeowners’ policy, which was issued by State Farm Fire and Casualty Company (State Farm). State Farm investigated and made payments exceeding \$120,000, but it denied the Espinosas’ claims for additional payments. The Espinosas sued State Farm, asserting that State Farm underpaid on structural and personal property claims, failed to cover demolition and outbuilding losses, wrongfully denied additional living expenses, and engaged in unreasonable delays. The district court granted summary judgment in State Farm’s favor, concluding that the Espinosas failed to comply with the

¹ “A **barndominium**—also known as a **barndo**—is a spacious, open-plan home that looks like a barn. It combines ‘barn’ and ‘condominium’ in name and design. Beyond living areas, barndominiums often contain a large garage, workshop, or utility space. They are commonly found in rural settings and have become popular in the 2020s as city-dwellers seek more space and more affordable housing options.” Kristina McGuirk, *What Is a Barndominium? Pros and Cons of This Open Concept Design*, Better Homes & Gardens (updated Jan. 26, 2026), <https://www.bhg.com/what-is-a-barndominium-7567518> (last visited Sept. 30, 2026).

policy's conditions because they failed to provide State Farm with documentation and detailed inventories supporting their claimed losses. With respect to the bad faith claim, the district court also concluded that their insurance claims were fairly debatable.

On appeal, the Espinosas argue that the district court (1) erroneously excluded key evidence on hearsay grounds because it disregarded the possibility that the evidence could be presented in an admissible form at trial, (2) improperly acted as a finder of fact and resolved numerous factual issues against the nonmoving party, and (3) improperly entered judgment on grounds not raised by State Farm's summary judgment motions. For the reasons set forth below, we affirm the judgment of the district court.

I. FACTUAL AND PROCEDURAL BACKGROUND

A. Factual Background

In 2022, the Espinosas began constructing a residential dwelling (referred to by the parties as a barndominium) on their property in Sandpoint, Idaho. During the construction, the Espinosas lived in an RV parked on their property, where they resided with their children and a collection of farm animals and pets.

In May 2022, the Espinosas purchased a homeowner's policy from State Farm for the barndominium (the Policy). In the Policy, the "Section I – Property Coverages" is broken into "Coverage A – Dwelling," "Coverage B – Personal Property," and "Coverage C – Loss of Use." In pertinent part, the Loss of Use coverage obligates State Farm to pay for Additional Living Expenses (ALE), which is "the reasonable and necessary increase in cost incurred by an *insured* to maintain their normal standard of living" "[w]hen a *loss insured* causes the *residence premises* to become uninhabitable" (Italics and bolding in original.) The Dwelling coverage obligated State Farm to pay for "the cost to repair or replace with common construction . . . the damaged part of the" residential dwelling under construction. The Personal Property coverage obligated State Farm to pay only the actual cash value of damaged personal property until repairs or replacement were completed. Payment was also subject to certain conditions. In pertinent part, the Policy required the Espinosas to provide an inventory of the damaged property showing in detail the quantity, description, age, replacement cost, and amount of loss and all bills, receipts, and related documents substantiating the figures in the inventory.

On December 26, 2022, the partially constructed barndominium, which was only rough framed at the time, collapsed following a storm due to the weight of heavy snow on its roof. The

Espinosas' RV was not damaged by the collapse; however, the RV's service lines for water, power, and sewer were damaged, leaving the Espinosas without water, power or sewer. That same day, the Espinosas filed a claim with State Farm. The claim was assigned by State Farm to a State Farm claims professional, Kenneth Parsons.

Five days later, Parsons conducted an inspection of the property to evaluate the damage. During the inspection, the Espinosas gave Parsons a handwritten inventory listing the items of personal property they claimed were damaged in the collapse. This inventory listed, among other things, a 38-foot flatbed farm trailer valued at \$12,000; a personal meat supply lost in a freezer valued at \$10,000; a Lincoln 250 Mig welder valued at \$1,200; a Snap-on/Craftsman tool set valued at \$2,000; and a Craftsman diesel generator valued at \$3,500.

Parsons subsequently spoke with the Espinosas on January 9, 2023, regarding ALE coverage and sent a confirming letter that same day. In the letter, he indicated that ALE "may include" costs for temporary lodging, among other things, and that he expected the Espinosas' home to be "uninhabitable" until June 15, 2023:

Your policy provides coverage for the necessary increase in costs you incur to maintain your standard of living when a covered loss makes your home is [sic] uninhabitable. This could be for an extended period of time, just a few days, or only for a portion of time while specific repairs related to the loss are completed.

Additional Living Expenses may include items like temporary lodging, utilities, pet boarding, mileage, and restaurant meals when your kitchen is unusable, or when your temporary location does not include a kitchen. Settlement is based on the difference between the actual expenses incurred, and your normal routine living expenses. Amounts incurred beyond this difference are expenses not covered by the policy and will be your responsibility.

Please see the following Additional Living Expense coverage under your Homeowners policy which states: [NO TEXT APPEARS IN LETTER.]

Based on the current scope of repairs, we expect your home to be uninhabitable through June 15, 2023 [sic].

That same day, Mr. Espinosa signed a month-to-month lease agreement for a rental house in Sandpoint. The lease agreement required a \$13,000 security deposit and a monthly rent payment of \$4,500. However, during his deposition, Mr. Espinosa testified that the family never moved furniture to, or spent the night at, the rental property, and that the property lacked containment fencing and the infrastructure necessary for his animals, which could not be installed during the winter season. The next day, State Farm transmitted an electronic payment of \$7,500 to the Espinosas' bank account. State Farm emailed a notice to the Espinosas concerning the payment,

which included the notation, “Coverage Paid: Personal Property Damage.” However, State Farm noted in its claim file that the \$7,500 payment was for ALE.

On February 13, 2023, Mr. Espinosa contacted State Farm and requested a \$7,500 payment for ALE. He informed State Farm that he had rented a house and hired a full-time nanny for about three weeks. In response, State Farm explained that it needed documentation showing an increase in the Espinosas’ living expenses, to which Mr. Espinosa responded that he had none. Several days later, Mr. Espinosa again requested an ALE payment and referenced the payment he received the prior month. State Farm responded by explaining the \$7,500 payment was an advancement for personal property damage. State Farm also reminded Mr. Espinosa that it had not received the requested documentation concerning the Espinosas’ routine living expenses. According to a declaration submitted by State Farm employee Kyle Rice in support of State Farm’s motion for summary judgment, “State Farm further explained [to Mr. Espinosa] that because the ‘barndominium’ was under construction in December 2022, ALE coverage could not be extended until the dwelling would have been habitable.”

On February 23, 2023, less than two months after the collapse of the barndominium, State Farm tendered a second check in the amount of \$115,966.47 on the Dwelling claim, for the cost to repair the barndominium. State Farm also provided the Espinosas a “Summary of Loss” statement that itemized the covered repair costs. The statement identified the \$7,500 paid on January 9, 2023, as a prior actual cash value payment under the Policy’s Personal Property coverage.

The Espinosas hired Sun Point Public Adjusting (“Sun Point”) to advocate on their behalf as they pursued their claims under the Policy. Sun Point emailed State Farm on March 1, 2023, to “renew [the Espinosas’] previous requests for a payment covering six (6) months to rent a temporary residence” and additional indemnity payment totaling \$317,380.40. Attached to the email was a month-to-month lease agreement for the rental property in Sandpoint. Sun Point also attached a \$272,300 estimate from North Western General Contracting (NWGC) to reconstruct the barndominium. The estimate from NWGC consisted of one page that briefly described nine construction tasks, such as “Main Structure/Lean-to Foundation with upgrade to code” and “Electrical Rough-in w/Sandpoint ARC.”

State Farm requested additional information regarding the costs to reconstruct the barndominium. In response, the Espinosas submitted a letter from Jeff Jensen, a professional

engineer. In the letter, Jensen stated that he had determined that the barndominium's original foundation was inadequate to support the design loads at the project site and proposed a new foundation plan that "represents an upgrade to International Building Code (IBC) requirements and will allow the placement of an interior concrete slab at the lowest level of the building."

One month later, on April 11, 2023, State Farm sent a letter to the Espinosas in care of Sun Point, which stated that ALE "will not start until the home would have been completed and conclude once repairs have finished." State Farm also stated in its letter that, under the Policy, ALE "is not funded up front" because "it must be incurred."

On May 4, 2023, Sun Point sent an email signed by Gary Johnson, Sun Points' Chief Financial Officer/Director, to State Farm demanding that "State Farm tender an immediate [ALE] payment of \$260,320.90[.]" The email included, among other things, a document listing the labor and material costs for the NWGC bid. About one week later, on May 10, 2023, Johnson emailed State Farm a new inventory of the personal property items that the Espinosas claimed were destroyed when the barndominium collapsed and requested a \$148,306.71 payment for the personal property loss. This inventory differed substantially from the first inventory provided by the Espinosas in December 2022, with twenty-five new items added and a significant increase for the purported value of the lost items. Notably, every item on the inventory was labeled "Total Loss Contents." With respect to the condition of each item, three were labeled as "Average," twelve were labeled as "New," and the remaining thirty-five labeled as "Excellent." Johnson, however, failed to provide State Farm with any documentation detailing the damage to each item or supporting the estimated replacement costs.

In response, State Farm requested additional information regarding the items described on the inventory and copies of the Espinosas' contract with their builder, the schedule of values provided to their bank, and their most recent requisition/draw request. The Espinosas subsequently sent State Farm photographs of some of the personal property items that they claimed were damaged in the collapse. However, each photograph was labeled only with the name of the item, and no other information about the items was provided.

B. Procedural History

In September 2023, the Espinosas filed a complaint against State Farm, alleging (1) State Farm breached the Policy by refusing to pay sums related to the loss of use of the structure, (2)

bad faith, and (3) negligent adjustment. State Farm answered, and a jury trial was scheduled to commence on January 29, 2025.

In September 2024, State Farm filed its first motion for partial summary judgment. State Farm argued that the Espinosas could not establish a prima facie cause of action for breach of contract under the Loss of Use provision because the Espinosas failed to establish they “incurred” ALE after the collapse. Next, State Farm argued that the Espinosas could not substantiate their bad faith claim because (1) their claim was fairly debatable given the wide-ranging estimates for the rebuilding of the collapsed barndominium, (2) the Espinosas failed to provide a detailed inventory of their damaged personal property with supporting documentation as required by the Policy, and (3) the Espinosas’ alleged harm was fully compensable by contract damages. Lastly, State Farm argued that the Espinosas’ negligent adjustment claim should be dismissed because the alleged duty arose from a term of the contract.

Six days after State Farm filed its motion, the Espinosas filed a motion to continue the trial date. The Espinosas explained that the continuance would allow them to acquire funds to pay the retainer fee for Dr. Charlotte Smith, who would educate the jury regarding “the long-term consequences of the traumatic events that started” when the barndominium collapsed.

The Espinosas thereafter filed their opposition to the first partial summary judgment motion. In pertinent part, the Espinosas argued that, under the Loss of Use coverage, they incurred expenses when they became liable for them, not when they actually paid them. The Espinosas argued that State Farm was estopped from arguing otherwise because (1) the Espinosas relied on State Farm’s representation that it expected the barndominium to be uninhabitable until June 15, 2023, and (2) State Farm paid a \$7,500 “one-month advance on ALE costs” in January 2023. Concerning their bad faith claim, the Espinosas argued that the discrepancy between State Farm’s and the Espinosas’ estimates of losses could easily be explained by bad faith, that they complied with the Policy’s requirements for requesting personal property coverage, and that the harm suffered was not fully compensable by contract damages. Lastly, the Espinosas argued that Idaho recognized negligent adjustment claims and that they could establish extra-contractual damages at trial.

In support of their claim for extra-contractual damages, the Espinosas cited a letter authored by Dr. Smith, which was attached to a declaration submitted by the Espinosas’ counsel. In the letter, Dr. Smith opined that the Espinosas suffered worsening physical and psychological

symptoms related to a variety of conditions due to the barndominium's collapse and that the aggravation of these conditions "necessitate additional medical care that would not have otherwise been required." State Farm subsequently moved to strike Dr. Smith's letter, arguing that the Espinosas' attorney lacked personal knowledge and competence to testify regarding the expert opinions contained in the letter, and that the letter was inadmissible hearsay.

The district court held a hearing on State Farm's first motion for partial summary judgment, motion to strike, and the Espinosas' motion to continue. During the hearing, the Espinosas argued that the hearsay rule did not apply because Dr. Smith's letter "was not submitted for the truth of the facts contained therein, just to show the [c]ourt the existence thereof." Later in the hearing, the district court asked the Espinosas' counsel to clarify the import of Dr. Smith's letter if it could not be considered for the truth of the opinions asserted:

[COUNSEL:] So on the bad faith and extra-contractual [sic] damages, your Honor, I do believe that you get to look at what Dr. Smith provided, not for its truth.

THE COURT: You just told me that for any truth.

[COUNSEL:] Not for its truth. For the fact that it exists, your Honor.

THE COURT: Okay. The fact that there is a letter from a doctor. That that exists. That's all?

[COUNSEL:] That exists. And --

THE COURT: But nothing she says in that letter am I to consider, right?

[COUNSEL:] Well, that will be hearsay because she's the one saying those things.

I think what you do take into account is what the affidavit itself provides which is that this doctor has been working with the clients. Because Mr. Shoff [the Espinosas' co-counsel] knows that.

And he provides these documents just to show the [c]ourt. And then you have to look at it in the context of the motion for continuance showing that we are working to try to be ready for trial and to get this very expensive thing that will help the finder of fact.

Following argument, the district court denied the Espinosas' motion to continue the trial and took State Farm's motion to strike and motion for partial summary judgment under advisement.

Thereafter, State Farm filed a second motion for partial summary judgment on the remaining aspects of the Espinosas' claims. State Farm argued that the Espinosas could not

establish any breach as it related to the Dwelling coverage because State Farm paid the actual cash value of the damaged barndominium, and the Espinosas did not disclose any admissible evidence that the rebuild costs would have exceeded State Farm's estimate regarding the structural loss before deductible. Next, State Farm argued that the Espinosas failed to establish any breach under the Personal Property coverage because they failed to provide "all bills, receipts, and related documents that substantiate the figures in [the Espinosas]' submitted inventory claiming a total loss" and failed to submit a signed, sworn proof of loss.

The Espinosas filed their opposition to the second partial summary judgment motion, which was supported by a declaration from Mr. Espinosa. Pertinent here, Mr. Espinosa attached multiple documents and pictures as exhibits to his declaration, including (1) a timeline of events prepared by the Espinosas describing Mr. Espinosa's actions and personal interactions with State Farm claims professional Kenneth Parsons, and (2) the May 4, 2023, email authored by Gary Johnson of Sun Point to State Farm along with various documents purportedly attached as exhibits to the email. The Espinosas argued that there was a genuine issue of material fact whether State Farm fully paid the benefits owed under the Dwelling coverage. Next, the Espinosas argued that State Farm waived the contractual requirement for a "signed, sworn proof of loss" because it never requested one.

State Farm subsequently filed a motion to strike a number of documents attached to Mr. Espinosa's declaration, including the timeline and the May 4, 2023, email. State Farm argued the timeline was inadmissible because it was "rife with inadmissible hearsay" and Mr. Espinosa lacked personal knowledge of all the described events. State Farm argued the email was inadmissible because Mr. Espinosa lacked personal knowledge regarding its contents, it was hearsay, and the email gave no indication that the submitted documents were attached.

The district court issued a memorandum decision and order granting State Farm's motions to strike and motions for summary judgment. First, the district court concluded that State Farm did not breach the Policy by failing to pay amounts due under the Loss of Use coverage because the barndominium was never habitable, and, alternatively, because the Espinosas never "incurred" additional living expenses and did not satisfy the Policy's conditions for seeking ALE payments. With respect to the Espinosas' waiver arguments, the district court determined that any oral promise or action by State Farm would not qualify as a waiver because the Policy required that any waiver be made in writing.

Next, the district court concluded that State Farm did not breach the Policy by failing to pay amounts due under the Dwelling or Personal Property coverages because the Espinosas did not support their claim that State Farm failed to pay all the benefits to which they were entitled or that they were entitled to their demand for \$272,300. The district court noted that many of the documents submitted by the Espinosas had “little or no evidentiary value” because they were “mere estimates and bid proposals, with no indication on their face of acceptance and/or payment”; “invoices related to the non-compensable foundation upgrade”; and “invoices that are irrelevant or unrelated to the rebuild or include[d] in the total amount claimed non-compensable personal items.” Moreover, the court determined that the Espinosas failed to comply with the Policy’s conditions for substantiating a claim for personal property loss.

Next, the district court determined that State Farm did not engage in bad faith because the Espinosas’ claims were “clearly fairly debatable” given that (1) the Espinosas presented State Farm with a dwelling repair estimate more than double the actual cash value payment they had already received; (2) the Espinosas included in their repair estimate a foundation upgrade that was plainly excluded from coverage; (3) the large discrepancies in the valuation of certain items in the first inventory of damaged personal property as compared to the second inventory; and (4) the Espinosas’ failure to provide sufficient documentation to substantiate the very large amounts they claimed for repairs and for alleged damages to personal property. Furthermore, because the bad faith and negligent adjustment claims required a breach of a duty, which the Espinosas could not establish, the court determined that these claims failed.

The court entered final judgment in favor of State Farm. The Espinosas timely appealed.

II. ISSUES PRESENTED ON APPEAL

1. Whether the district court erred in its rulings on the admissibility of the evidence contained in the declarations and exhibits.
2. Whether the district court erred in granting summary judgment on the Espinosas’ breach of contract claims.
3. Whether the district court erred in granting summary judgment on the Espinosas’ negligent adjustment claim.
4. Whether the district court’s decision granting summary judgment was erroneous because it relied on grounds not raised by the moving party.

III. STANDARDS OF REVIEW

“This Court reviews the trial court’s decision regarding ‘the admissibility of testimony offered in connection with a motion for summary judgment’ for an abuse of discretion.” *Mace ex*

rel. Collins v. Luther, 174 Idaho 910, 918, 560 P.3d 1057, 1065 (2024) (quoting *Fragnella v. Petrovich*, 153 Idaho 266, 271, 281 P.3d 103, 108 (2012)). A trial court does not abuse its discretion when it “(1) correctly perceive[s] the issue as one of discretion; (2) act[s] within the outer boundaries of its discretion; (3) act[s] consistently with the legal standards applicable to the specific choices available to it; and (4) reache[s] its decision by the exercise of reason.” *Lunneborg v. My Fun Life*, 163 Idaho 856, 863, 421 P.3d 187, 194 (2018) (citation omitted).

“This Court exercises de novo review of a grant of summary judgment . . .” *Summerfield v. St. Luke’s McCall, Ltd.*, 169 Idaho 221, 228, 494 P.3d 769, 776 (2021) (quoting *AED, Inc. v. KDC Inv., LLC*, 155 Idaho 159, 163, 307 P.3d 176, 180 (2013)). Summary judgment is proper “if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” I.R.C.P. 56(a). “[A] mere scintilla of evidence or merely casting a slight doubt of the facts will not defeat summary judgment.” *Fragnella*, 153 Idaho at 271, 281 P.3d at 108 (citation omitted). When determining “whether the evidence shows a genuine issue of material fact, the trial court must liberally construe the facts, and draw all reasonable inferences in favor of the nonmoving party.” *Id.* (citation omitted). The “[i]nterpretation of an insurance contract is a question of law,” which this Court reviews de novo. *Lanningham v. Farm Bureau Mut. Ins. Co. of Idaho*, 174 Idaho 157, 160–61, 551 P.3d 1251, 1254–55 (2024) (citations omitted).

IV. ANALYSIS

A. The district court did not err in its rulings on the admissibility of the evidence contained in the declarations and exhibits.

Before turning to the district court’s grant of summary judgment, we must address the district court’s evidentiary rulings because “[t]he admissibility of evidence contained in affidavits and depositions in support of or in opposition to a motion for summary judgment is a threshold matter[.]” *Fragnella v. Petrovich*, 153 Idaho 266, 271, 281 P.3d 103, 108 (2012) (citation omitted). The district court largely granted State Farm’s motions to strike certain documents attached to declarations of Mr. Espinosa and the Espinosas’ counsel. On appeal, the Espinosas challenge the district court’s decision to strike the letter from Dr. Charlotte Smith, the timeline created by Mr. Espinosa, and the May 4, 2023, email from Gary Johnson to State Farm. Each argument is addressed in turn.

1. The district court did not err in striking Dr. Smith’s letter.

The district court struck the letter authored by Dr. Smith, which was attached as Exhibit A to a declaration submitted by the Espinosas’ counsel, because counsel lacked personal knowledge

and competence to testify concerning Dr. Smith's opinions, and the letter was inadmissible hearsay. On appeal, the Espinosas do not contend that their counsel was competent to testify concerning the medical opinions expressed by Dr. Smith. Rather, they argue that the district court erred in excluding Dr. Smith's letter because it "was not offered for the truth of its contents, but rather to demonstrate the existence of a medical opinion on extra-contractual damages." They further contend that the district court "elevated form over substance" because "[a]ny technical defect in the evidentiary foundation was curable through" Dr. Smith's live testimony at trial, and the district court's refusal to consider Dr. Smith's letter effectively denied them an opportunity to present important evidence on a required element of their claims.

Idaho Rule of Civil Procedure 56(c)(4) governs the form of affidavits filed in support or in opposition to motions for summary judgment. Rule 56(c)(4) states that "[a]n affidavit . . . must be made on personal knowledge, set out facts that would be admissible in evidence, and show that the affiant or declarant is competent to testify on the matters stated." I.R.C.P. 56(c)(4). Thus, an affidavit that is conclusory, based on hearsay, or not supported by personal knowledge does not satisfy the requirements of Rule 56(c)(4). "Hearsay is a statement, other than one made by the declarant while testifying at the trial or hearing, offered in evidence to prove the truth of the matter asserted." *Oksman v. City of Idaho Falls*, 173 Idaho 839, 847, 549 P.3d 1086, 1094 (2024) (citation modified). *See also* I.R.E. 801(c).

The Espinosas' first argument—that the district court erred in striking Dr. Smith's letter because it was not offered for the truth of its contents—is unpersuasive. The mere fact that the Espinosas obtained a medical opinion regarding their emotional and physical distress is plainly irrelevant to any issue on summary judgment where the opinion cannot be considered for its truth. While we question whether Dr. Smith's letter tied any of the Espinosas' emotional and physical distress to State Farm's handling of their claim, Dr. Smith's letter was clearly offered to substantiate their claims of extra-contractual damages, which was an element essential for both their negligent adjustment and bad faith claims. *Selkirk Seed Co. v. State Ins. Fund*, 135 Idaho 649, 652-53, 22 P.3d 1028, 1031-32 (2000) (a party claiming a negligent adjustment or bad faith claim must establish a causal connection between the defendant's conduct and the resulting harm). The letter was the very definition of hearsay as it was a statement offered to prove the truth of the matter asserted.

The Espinosas’ second argument is equally unavailing. “Summary judgment proceedings are decided on the basis of admissible evidence.” *Johnson v. Beatz Bros. Farms*, 177 Idaho 133, ___, 586 P.3d 1136, 1148 (2026) (quoting *Oswald v. Costco Wholesale Corp.*, 167 Idaho 540, 564, 473 P.3d 809, 833 (2020)). Thus, where evidence is not submitted in admissible form under Rule 56(c)(4), the evidence cannot be considered. There is no question that Dr. Smith’s letter was inadmissible hearsay. Moreover, there is no foundation establishing that Espinosas’ counsel was competent to testify as to the veracity of Dr. Smith’s medical opinions. Therefore, Dr. Smith’s opinions were not submitted in admissible form as required by Rule 56(c)(4). We hold the district court did not err when it struck Dr. Smith’s letter.

2. *The district court did not err in striking a portion of the timeline of events attached to Mr. Espinosa’s declaration.*

The district court struck a portion of a timeline of events prepared by Mr. Espinosa after concluding that the excluded pages were “rife with hearsay” and not based on Espinosa’s personal knowledge. On appeal, the Espinosas argue that the district court erred by striking the portion of Mr. Espinosa’s timeline because (1) Mr. Espinosa’s testimony established his personal knowledge regarding the contents of the timeline; (2) the timeline described events could have been established through Mr. Espinosa’s testimony at trial; (3) “certain entries reflect [the Espinosas’] emotional responses or state of mind during the adjustment process”; and (4) “the timeline entries were not offered for the truth of third-party assertions, but to demonstrate the sequence and timing of events, including gaps in communication, the pattern of delay, and the claims-handling process[.]” With respect to prejudice, they assert that the “exclusion of the timeline improperly foreclosed the jury’s consideration of material facts and prejudiced [their] claims.”

Here, Mr. Espinosa stated in his declaration that the timeline was compiled “with co-Plaintiff Nicole Espinosa” and was based on the Espinosas’ “personal recollections,” as well as emails and phone calls between other individuals. Thus, the struck portion of the timeline was not based on Mr. Espinosa’s personal knowledge; instead, it consisted of inadmissible hearsay concerning emails and phone calls made by others. Therefore, the evidence was inadmissible under Rule 56(c)(4). Accordingly, we hold the district court did not err when it excluded portions of the timeline.

3. *The district court did not err in striking the May 4, 2023, email authored by the Espinosas’ public adjuster.*

The district court struck “Exhibit D” of Mr. Espinosa’s declaration, which included the May 4, 2023, email authored by the Espinosas’ public adjuster, Gary Johnson, and its attached documents. The documents included among other things: (1) a Gantt chart illustrating the construction schedule for the Espinosas’ barndominium; (2) an email listing various fees from an unknown sender to an unknown recipient on an unknown date; (3) a chart, drafted by an unknown person, that purported to break down costs associated with the NWGC bid; (4) receipts for doors, windows, siding, and appliances from 2022; and (4) invoices for replacement costs of the same. In its ruling, the district court excluded Exhibit D because “Mr. Espinosa did not prepare, send, or receive this e-mail directly, it is hearsay, and he lacks the personal knowledge to testify about it.”

On appeal, the Espinosas argue that the district court erred in determining that Mr. Espinosa lacked personal knowledge regarding the email because Mr. Espinosa asserted in his declaration that he received this email contemporaneously. They also argue that the email and attachments are admissible because State Farm disclosed them during discovery and, therefore, they qualify as “admission[s] of a party opponent” under Idaho Rule of Evidence 801(d)(2)(C). They further argued that the exclusion of this evidence was prejudicial because it “directly substantiated [their] documentation of rebuilding costs[.]”

In response, State Farm argues that the district court correctly determined that the email was inadmissible hearsay because “[i]t was an out-of-court statement authored by [the Espinosas’] public adjuster offered to prove the truth of its assertions – namely, that [the Espinosas] had submitted documentation substantiating rebuilding costs[.]” They further argue that the email and documents would not qualify as admissions of a party-opponent because the statements were made by the Espinosas’ agent, not State Farm.

As an initial matter, the district court’s conclusion that Mr. Espinosa did not receive this email directly is unsupported by the record. In his declaration, Mr. Espinosa stated that, although the emails attached to his declaration were authored by his public adjusters, Mr. Espinosas had personal knowledge regarding the emails because he was (1) directly involved in the claim process, (2) gathered responsive information to submit to State Farm, (3) provided guidance to his representatives, and (4) was copied on the correspondence. Given these statements and viewing the evidence in the light most favorable to the Espinosas, there is a basis to conclude that Mr. Espinosa received, and had personal knowledge regarding, the May 4, 2023, email.

Even so, we agree with the district court that Exhibit D is inadmissible. The May 4, 2023, email is an out-of-court statement offered to substantiate the Espinosas' documentation of rebuilding costs, and the email cites to documents that were drafted by persons and entities other than Mr. Espinosa. Furthermore, Mr. Espinosa did not identify who prepared the email attachments, or his involvement in preparing the documents. Therefore, the email is hearsay, and the attached documents are hearsay-within-hearsay that have not been authenticated. *See Johnson*, 177 Idaho at ___, 586 P.3d at 1145 ("Authentication or identification of documentary evidence is a condition precedent to its admissibility." (Citation omitted)).

The Espinosas' argument that Exhibit D is a statement from an opposing party under Idaho Rule of Evidence 801(d)(2) is without merit. Under that rule, statements are not hearsay when the statement "is offered against an opposing party and . . . was made by the party's agent or employee on a matter within the scope of that relationship and while it existed[.]" I.R.E. 801(d)(2)(D). Here, the letter was authored by the Espinosas' agent and, therefore, it is not a statement made by the Espinosas' opposing party, State Farm. Because the Espinosas failed to identify any applicable exception or exclusion to the hearsay rule, we affirm the district court's decision to strike the exhibit and the attachments as inadmissible hearsay.

B. The district court did not err in entering summary judgment on the breach of contract claims in State Farm's favor.

The Espinosas contend the district court erred when it determined that State Farm did not breach the Policy by failing to pay amounts due under the Loss of Use, Dwelling, and Personal Property coverages. "To establish a breach of contract, one must prove the following elements: '(a) the existence of the contract, (b) the breach of the contract, (c) the breach caused damages, and (d) the amount of those damages.'" *York v. Kemper Nw., Inc.*, 177 Idaho 1, ___, 584 P.3d 1, 8–9 (2026) (quoting *Mosell Equities, LLC v. Berryhill & Co.*, 154 Idaho 269, 278, 297 P.3d 232, 241 (2013)). "Insurance policies are contracts, and 'the parties' rights and remedies are primarily established within the four corners of the policy.'" *Lanningham v. Farm Bureau Mut. Ins. Co. of Idaho*, 174 Idaho 157, 160–61, 551 P.3d 1251, 1254–55 (2024) (quoting *Andrae v. Idaho Cnty. Risk Mgmt. Program Underwriters*, 145 Idaho 33, 36, 175 P.3d 195, 198 (2007)). "This Court construes insurance contracts according to 'the general rules of contract law subject to certain special canons of construction.'" *Progressive Nw. Ins. Co. v. Lautenschlager*, 168 Idaho 841, 845, 488 P.3d 509, 513 (2021) (quoting *Arreguin v. Farmers Ins. Co. of Idaho*, 145 Idaho 459, 461, 180 P.3d 498, 500 (2008)).

As with other contracts, this Court “begins with the plain language of the insurance policy to determine whether there is an ambiguity.” *Lanningham*, 174 Idaho at 161, 551 P.3d at 1255 (citing *Lautenschlager*, 168 Idaho at 845, 488 P.3d at 513). “To determine whether an ambiguity exists, the Court must construe the policy as a whole, not by an isolated phrase.” *Id.* (citation modified). “The language of an insurance policy is ambiguous if it is subject to conflicting but reasonable interpretations.” *Lautenschlager*, 168 Idaho at 845, 488 P.3d at 513 (citation modified).

If the language used is unambiguous, this Court gives effect to the plain and ordinary meaning of the words used in the policy. We do not charge policyholders with knowledge of how courts around the country have construed certain words or with the knowledge of those who have spent their careers working in or with the insurance industry. Rather, unless contrary intent is shown, common, non-technical words are given the meaning applied by laymen in daily usage—as opposed to the meaning derived from legal usage—in order to effectuate the intent of the parties. However, this Court cannot create by construction a liability not assumed by the insurer nor make a new contract for the parties, or one different from that plainly intended, nor add words to the contract of insurance to either create or avoid liability. Yet, where an ambiguity exists, this Court adheres to the general rule that any ambiguity must be construed most strongly against the insurer.

Id. at 845–46, 488 P.3d at 513–14 (citation modified).

1. *The district court correctly concluded that State Farm did not breach the Loss of Use provision of the Policy.*

The district court determined that the Espinosas failed to establish that State Farm breached the Loss of Use provision, which provides coverage “[w]hen a **loss insured** causes **the residence premises** to become uninhabitable” (Italics and bolding in original.) The district court concluded that coverage was not due under this provision on three main bases. First, the district court determined that the barndominium was the “residence premises” and, because the barndominium was not habitable before the collapse, it could not “become uninhabitable” as a result of the collapse. Second, the district court determined the Espinosas failed to establish that they “incurred” additional living expenses because the Espinosas never paid any sums under the lease for the rental property and never submitted documentation showing the difference between the Espinosas’ actual expenses incurred and their normal routine living expenses. Third, the district court rejected the Espinosas’ argument that State Farm waived strict compliance with the Policy’s conditions for submitting ALE claims.

On appeal, the Espinosas argue that the district court’s focus on the habitability of the barndominium was erroneous because the Policy defines “residence premises” as the “family

dwelling, other structures and grounds” where the insured resides. They maintain that the “grounds” became uninhabitable following the barndominium’s collapse because their RV’s water, sewer, and electricity connections were damaged, making those services unavailable. Next, the Espinosas argue that the district court erred when it determined that additional living expenses are not incurred until they are actually paid and that the signed lease for the rental property was insufficient proof to support their claim for additional living expenses. The Espinosas also argue that State Farm should be estopped from denying ALE coverage because Parsons made representations to them regarding the availability of ALE coverage and because State Farm made the \$7,500 payment on January 10, 2023, which included a notation in the claim’s file concerning ALE coverage.

In response, State Farm argues the Espinosas “did not incur any increased living expenses after the collapse” because they “never paid rent, never paid a security deposit, and never provided receipts or other evidence of actual additional expenditures.” State Farm further argues that waiver and estoppel cannot be used “to create new rights to benefits [that] the insured never earned under the policy.” For the reasons set forth below, we affirm.

The Loss of Use coverage provides in pertinent part:

COVERAGE C – LOSS OF USE

....

1. Additional Living Expense. When a loss insured causes the residence premises to become uninhabitable, we will pay the reasonable and necessary increase in cost incurred by an insured to maintain their normal standard of living for up to 24 months. . . .

(Italics and bolding omitted.) Further, the Policy defines “residence premises” as:

- a. the one, two, three, or four family dwelling, other structures and grounds; or
- b. that part of any other building structure;

where you reside and which is shown in the Declarations.

(Italics and bolding omitted.) Any such payment is, however, subject to the following conditions:

SECTION I – CONDITIONS

....

2. Your Duties After Loss. After a loss to which this insurance may apply, you must cooperate with us in the investigation of the claim and also see that the following duties are performed:

....

- e. submit to us, within 60 days after the loss, your signed, sworn proof of loss that sets forth to the best of your knowledge and belief:

....

- (7) receipts for additional living expenses incurred and records supporting the fair rental value loss[.]

(Italics and bolding omitted.)

There is no dispute that the collapse of the barndominium qualified as an “insured loss.” The first question this Court must address is whether the collapse caused the Espinosas’ “residence premises” to become “uninhabitable.” To answer that question, we must determine whether the “residence premises” includes the broader area around the barndominium (as the Espinosas argue), or whether it is tethered to an existing, habitable dwelling/business structure (as the district court concluded).

We conclude that the “residence premises” unambiguously included the broader area around the barndominium. As set forth above, the policy defined the residence premises to include “the one, two, three, or four family dwelling, other structures *and grounds* . . . where [the insured] resides and which is shown in the Declarations.” (Emphasis added; italics and bolding omitted.) Here, the Espinosas resided in an RV parked on their property during the barndominium’s construction. The Declarations list the Espinosas’ home address. Thus, the Espinosas’ residence premises included the “grounds” of the property at their home address identified in the Declarations. Accordingly, the district court’s interpretation of the phrase “residence premises” was too narrow. And, because the barndominium’s collapse resulted in the RV losing its service connections for plumbing, water, and electricity during the frigid winter in northern Idaho, we conclude that there is a genuine issue of fact whether the “residence premises” became uninhabitable.

However, this is not the end of our inquiry. The district court cited several grounds for granting State Farm’s first motion for partial summary judgment. To prevail on appeal, the Espinosas must establish that the district court erred on all the grounds cited for granting the motion. *See Andersen v. Prof’l Escrow Servs., Inc.*, 141 Idaho 743, 746, 118 P.3d 75, 78 (2005) (“When a decision is ‘based upon alternative grounds, the fact that one of the grounds may be in error is of no consequence and may be disregarded if the judgment can be sustained upon one of the other grounds.’” (quoting *MacLeod v. Reed*, 126 Idaho 669, 671, 889 P.2d 103, 105 (Ct. App. 1995))).

We therefore turn to whether the district court correctly determined that, under the Policy, an “incurred expense is an expense that has been paid.” Notably, the word “incurred” is not defined in the Policy. Citing Black’s Law Dictionary, the district court noted that “incur” means “[t]o suffer or bring on oneself (a liability or expense).” *Incur*, *Black’s Law Dictionary* (12th ed. 2024). Yet, the district court reasoned that an additional living expense must be paid because the Policy required the Espinosas to submit “receipts for additional living expenses” incurred, which could only be obtained if a payment was made. The Espinosas argue that the Policy’s language pertaining to receipts merely addresses documentation requirements, not the definition of incur, and this language “does not state . . . that receipts are the only acceptable proof of an incurred cost.” In our view, because the Policy does not define the term “incurred,” the documentation requirement in the Policy at most creates an ambiguity as to whether expenses must be paid to be incurred, which we construe most strongly against State Farm. *See Lautenschlager*, 168 Idaho at 845–46, 488 P.3d at 513–14.

Nevertheless, even if the district court erred in concluding that ALE must first be paid by the policy holder in order to be “incurred” under the Policy, the error is harmless because the Espinosas failed to submit evidence substantiating their alleged ALE. The only document the Espinosas submitted in opposition to the summary judgment motion concerning their ALE claim was the month-to-month lease that was signed on January 9, 2023. Critically, during his deposition, Mr. Espinosa testified that the family never moved furniture to, or spent a single night at, the rental property. He also testified that the property lacked containment fencing and the infrastructure for his animals, which could not be installed during the winter season. It is undisputed that the Espinosas never paid rent or the security deposit for the rental property, and they were under no obligation to pay any sums that would have been due under the lease because the lessor and the Espinosas mutually agreed to terminate the lease. Moreover, while the Espinosas would be entitled to ALE to address the expenses associated with maintaining the RV after its service lines were damaged, the Espinosas never submitted any receipts or claims with respect to those expenses. Instead, their arguments solely focused on expenses (which they did not incur) associated with the lease agreement. Accordingly, the Espinosas failed to establish that they “incurred” ALE under the Policy and that they suffered any harm as a result of State Farm’s refusal to provide ALE.

The Espinosas contend that State Farm waived strict compliance with the Policy’s conditions or should be estopped from arguing that they are not entitled to ALE coverage because

Parsons promised ALE payments in the letter he sent on January 9, 2023, and State Farm authorized a \$7,500 advanced payment on ALE. “The doctrine of estoppel prevents the insurer from denying coverage based on printed provisions in the policy that conflict with representations by the insurer or its agents on which the policy holder reasonably relied.” *Shoup v. Union Sec. Life Ins. Co.*, 142 Idaho 152, 154, 124 P.3d 1028, 1030 (2005). “The purpose of the doctrine of estoppel in insurance cases is to enforce the contract as originally agreed upon by the parties.” *United Heritage Prop. & Cas. Co. v. Zech*, 170 Idaho 764, 775, 516 P.3d 1035, 1046 (2022) (citation omitted). “Equitable estoppel cannot be used to create new rights never promised or agreed upon.” *Id.* (citations omitted).

Here, Parsons never promised monthly ALE payments in his letter. Instead, he stated (1) that the “[P]olicy provides coverage for the necessary increase in costs you incur to maintain your standard of living when a covered loss makes your home is uninhabitable,” (2) how ALE is calculated, and (3) that State Farm expected the Espinosas’ home to be “uninhabitable” until June 15, 2023. These statements do not constitute any promise of a monthly payment of \$7,500 for ALE. Furthermore, there is conflicting evidence in the record whether the \$7,500 payment sent to the Espinosas was an advance for ALE or personal property damages. However, assuming as we must when reviewing a grant of summary judgment that the payment was for ALE, an advanced payment does not, standing alone, suggest that State Farm promised recurring ALE monthly payments.

For these reasons, we conclude that the district court correctly granted summary judgment on the Espinosas’ claim that State Farm breached the Loss of Use provision by failing to make ALE payments. While we agree the district court erred in interpreting ALE to only apply to a habitable residence, we hold that it did not err in dismissing the claim because the Espinosas failed to establish a right to ALE benefits. We also conclude it did not err in rejecting their estoppel argument.

2. The district court correctly concluded that State Farm did not breach the Policy by failing to pay amounts due under the Dwelling coverage.

The district court dismissed the Espinosas’ claim that State Farm breached the Policy by failing to pay amounts due under the Dwelling coverage because the Espinosas failed to establish that State Farm’s \$115,966.47 ACV payment failed to satisfy its obligations under the Policy. The district court explained that the Espinosas’ ACV estimate from NWGC did not create a genuine issue of material fact because the estimate (1) was not “detailed such that State Farm (or [the

district court], or anyone) could adequately assess the scope of the proposed repairs[,]” and (2) did not represent the cost to repair or replace the collapsed dwelling “with similar construction” because it included a \$70,000.00 upgrade to the dwelling’s foundation and \$5,300.00 for a custom c-channel staircase that had not been installed at the time the dwelling collapsed.

On appeal, the Espinosas argue that the question of whether the foundation upgrade was elective or necessary is a disputed material fact because the original foundation had to be removed in order to excavate and repair underground septic lines and, according to their engineer, the foundation was “inadequate” to support the design loads at the project site. Next, they argue that the district court’s conclusion that the custom c-channel staircase was not present in the original structure is speculative because “neither [State Farm] nor the [d]istrict [c]ourt identified any evidence showing that a similar staircase was *not* present in the original structure.” The Espinosas also argue that various other invoices and receipts produced in discovery support their claim that State Farm’s ACV payment failed to satisfy the requirements of the Policy. For the reasons set forth below, we affirm.

The Dwelling provision provides that State Farm “will pay the cost to repair or replace with similar construction and for the same use . . . the damaged part of the property. . . .” Until actual repair or replacement is completed, however, State Farm is obligated to “pay only the actual cash value of the damaged part of the property” (Italics and bolding omitted.) When filing a claim, the Policy requires that the insured submit, among other things, “specifications of any damaged structure and detailed estimates for repair of the damage[.]”

The problem with the Espinosas’ first argument is that the estimate for the foundation clearly does not represent the cost to repair or replace the collapsed dwelling with similar construction. “The words ‘repair’ and ‘replace’ mean restoration to a condition substantially the same as that existing before the damage was sustained.” *Harmon v. State Farm Mut. Auto. Ins. Co.*, 162 Idaho 94, 100–01, 394 P.3d 796, 802–03 (2017) (quoting *Great Tex. Cnty. Mut. Ins. Co. v. Lewis*, 979 S.W.2d 72, 74 (Tex. App. 1998)). In the letter addressing the foundation work, Jeff Jensen stated that there was “no damage to the original foundations” and explained that the proposed foundation plan “represents an upgrade to International Building Code (IBC) requirements and will allow the placement of an interior concrete slab at the lowest level of the building.” Yet, State Farm was only obligated to compensate the Espinosas for the costs to restore the foundation, if damaged, to a condition substantially the same as that existing before the damage

was sustained. It was not, however, obligated to compensate the Espinosas for upgrades to the foundation, regardless of whether the original foundation was inadequate or out of compliance with the IBC.

The flaw in Espinosas' second argument is that, under the Policy, the Espinosas were required to provide the specifications for the damaged structure when making their claim and, therefore, it was *their* burden to establish that the staircase existed and was damaged during the collapse. However, the Espinosas never alleged that a custom c-channel staircase had been installed at the time the barndominium collapsed. Therefore, the district court correctly concluded that the NWGC estimate did not create a genuine issue of material fact because it included non-compensable upgrades.

The Espinosas contend that other invoices and receipts produced in discovery support their breach of contract claim. However, we agree with the district court that the remaining documents submitted by the Espinosas had "little or no evidentiary value" as to whether State Farm's ACV payment failed to satisfy its obligations under the Policy. As State Farm noted in its brief, "[m]any were mere estimates or preliminary invoices with no proof of payment; others reflected unrelated or irrelevant items (including horse pasture mulching, bottled tea, and candy purchases); and still others captured non-compensable upgrades" for the foundation. The documents cited by the Espinosas also include subsurface sewage disposal maps and estimates for personal property, such as appliances, a non-itemized receipt from Home Depot, an estimate for a "Woodside Pit," and a service invoice for a Kioto DK55C tractor, none of which is relevant to the barndominium's structural damage.

In summary, the Espinosas failed to provide more than a scintilla of evidence to support their claim that State Farm's \$115,966.47 ACV payment failed to satisfy the requirements of the Dwelling coverage. Therefore, the district court correctly concluded that State Farm did not breach the Dwelling coverage of the Policy.

3. The district court correctly concluded that State Farm did not breach the Policy by failing to pay amounts justly due under the Personal Property coverage.

The district court determined that the Espinosas failed to establish that State Farm breached the Personal Property provision because the Espinosas never submitted a detailed inventory supported by receipts, bills, and related documentation, as required by the Policy. On appeal, the Espinosas contend that, "[e]ven if some items were imperfectly documented, the record reveals

substantial evidence supporting of [the Espinosas'] claimed losses," which was "more than enough to create a genuine dispute of material fact." We disagree.

Under the Personal Property provision, State Farm is required to, until repair or replacement is completed, pay the actual cash value of damaged personal property. Any such payment is, however, subject to the following conditions:

2. Your Duties After Loss. After a loss to which this insurance may apply, you must cooperate with us in the investigation of the claim and also see that the following duties are performed:

. . . .

c. prepare an inventory of damaged or stolen person property:

(1) showing in detail the quantity, description, age, replacement cost, and amount of loss; and

(2) attaching all bills, receipts, and related documents that substantiate the figures in the inventory;

d. as often as we reasonably require:

(1) exhibit the damaged property;

(2) provide us with any requested records and documents and allow us to make copies;

. . . .

e. submit to us, within 60 days after the loss, your signed, sworn proof of loss that sets forth, to the best of your knowledge and belief:

. . . .

(6) an inventory of damaged or stolen personal property described in 2.c.[.]

(All but first bolding omitted.)

The Espinosas clearly failed to comply with several of these conditions. While Sun Point submitted an inventory of damaged property to State Farm on behalf of the Espinosas, Sun Point did not submit bills, receipts, or other documents to substantiate the figures in the inventory. Furthermore, despite multiple requests from State Farm for information regarding the location of various items at the time of loss, the specific damages, or proof of ownership, it is undisputed that the Espinosas and Sun Point failed to provide these records to State Farm. Therefore, the district court correctly concluded that State Farm did not breach the Personal Property provision of the Policy.

For these reasons, the district court did not err when it granted summary judgment on the Espinosas' breach of contract claims.

C. The district court did not err in dismissing the Espinosas’ negligent adjustment claim.

The district court granted summary judgment on the Espinosas’ negligent adjustment claim because they failed to establish that State Farm breached any duty of good faith in the investigation or payment of the Espinosas’ claims. On appeal, the Espinosas argue that the district court erred in dismissing their negligent adjustment claim because it erroneously required the Espinosas to establish that State Farm breached the duty of good faith, and it overlooked evidence of State Farm’s unreasonable and unexplained delays in payment under the Policy.

In response, State Farm contends that the district court properly dismissed the Espinosas’ claim because Idaho law does not recognize a broad “negligent adjustment” tort that is distinct from the tort of bad faith. State Farm contends that the negligent adjustment claim is duplicative of the Espinosas’ bad faith claim, and that the Espinosas failed to produce admissible evidence of breach of duty or extra-contractual damages.

In *White v. Unigard Mutual Insurance Company*, we explained that “insurance companies have a duty to act in good faith with their insureds, and that this duty exists independent of the insurance contract and independent of statute.” 112 Idaho 94, 96, 730 P.2d 1014, 1016 (1986) (emphasis omitted) (quoting *Lipinski v. Title Ins. Co.*, 655 P.2d 970, 977 (Mont. 1982)). We further recognized there may be liability in tort “where an insurer ‘intentionally and unreasonably denies or delays payment’ on a claim, and in the process harms the claimant in such a way not fully compensable at contract,” and in that case, “the claimant can bring an action in tort to recover for the harm done.” *Id.* at 98, 730 P.2d at 1018 (citation modified). Thereafter, this Court extended the *White* “holding to ‘cover negligent, as well as intentional denials or delays of payment of insurance claims.’” *Selkirk Seed Co. v. State Ins. Fund*, 135 Idaho 649, 653, 22 P.3d 1028, 1032 (2000) (quoting *Reynolds v. Am. Hardware Mut. Ins. Co.*, 115 Idaho 362, 365, 766 P.2d 1243, 1246 (1988)).

State Farm contends that, “[w]hile Idaho has recognized a distinct tort of bad faith, it has not expanded that doctrine to create an open-ended negligent adjustment cause of action.” However, we need not resolve whether there is a distinct cause of action for negligent adjustment because, even if there is, the Espinosas failed to establish a genuine issue of material fact on their claim. “It is well established that summary judgment is appropriate when the nonmoving party fails to make a showing sufficient to establish the existence of an element essential to that party’s case on which that party will bear the burden of proof at trial.” *McOmber v. Thompson*, 175 Idaho

970, 985, 572 P.3d 736, 751 (2025) (alteration and internal quotation marks omitted) (quoting *Hatheway v. Bd. of Regents of Univ. of Idaho*, 155 Idaho 255, 262, 310 P.3d 315, 322 (2013)). In their complaint, the Espinosas alleged that State Farm “was under a duty to use reasonable care in the investigation and payment of [their] claim” and that State Farm “breached this duty by unreasonably investigating and unreasonably delaying payment of [their] claim.” However, even if the Espinosas had produced evidence that State Farm breached a duty recognized by law, they did not present any admissible evidence that they were harmed in a way “not fully compensable at contract” *White*, 112 Idaho at 98, 730 P.2d at 1018. Therefore, we conclude that the district court properly granted summary judgment on this claim.

D. The district court did not grant summary judgment on the grounds not raised by State Farm.

The Espinosas argue that the district court granted summary judgment on grounds not raised in State Farm’s motions for partial summary judgment. “While a court may grant summary judgment in favor of either a moving or non-moving party upon a motion for summary judgment, its authority is limited to the issues placed before it pursuant to the movant’s motion.” *Sirius LC v. Erickson*, 144 Idaho 38, 43, 156 P.3d 539, 544 (2007) (citation omitted).

The Espinosas argue that State Farm did not move for summary judgment on the Espinosas “ALE-based bad faith claim.” We disagree.

A successful bad faith claim requires the insured to show: “1) the insurer intentionally and unreasonably denied or withheld payment; 2) the claim was not fairly debatable; 3) the denial or failure to pay was not the result of a good faith mistake; and 4) the resulting harm is not fully compensable by contract damages.”

ABK, LLC v. Mid-Century Ins. Co., 166 Idaho 92, 103, 454 P.3d 1175, 1186 (2019) (quoting *Harmon v. State Farm Mut. Auto. Ins. Co.*, 162 Idaho 94, 102, 394 P.3d 796, 804 (2017)).

In their complaint, the Espinosas alleged that (1) State Farm “did not timely investigate and pay [the Espinosas’] claim and has refused to pay sums properly due according to the contract of insurance between the parties” despite their compliance with the Policy’s conditions, (2) the Espinosas “suffered general and special damages, including, but not limited to, loss of use of the structure[,]” and (3) that such “conduct complained of . . . is an extreme deviation from the standards of reasonable claim management practices and [State Farm] is liable in tort for its breach of the duty of good faith and fair dealing in the handling of [the Espinosas’] claims.” State Farm filed for summary judgment on this claim, arguing that the Espinosas could not “establish any of the four elements required to prove bad faith.” While State Farm did not specifically mention the

denial of ALE in addressing the bad faith claim, its arguments regarding the Espinosas' inability to establish a prima facie bad faith claim and, more specifically, the Espinosas' inability to establish extra-contractual damages, attacked the elements of the Espinosas' bad faith cause of action.

Next, the Espinosas argue that State Farm's motions for summary judgment did not address their theories that State Farm breached the Policy by (1) undervaluing the sheds and outbuildings and (2) engaging in delay, obfuscation, and stalling tactics. State Farm responds that it challenged the sufficiency of the evidence supporting all of the Espinosas' breach of contract claims, which included their allegations that State Farm failed to pay full benefits on the Dwelling coverage and Personal Property coverage. Thus, according to State Farm, its challenge necessarily encompassed the Espinosas' claim that the outbuildings were undervalued.

We agree with State Farm. Below, State Farm argued that the Espinosas' ACV estimates far exceeded State Farm's ACV payment and that the Espinosas failed to substantiate their estimates, which demonstrated that the amount of the loss claimed by the Espinosas was fairly debatable. *See Weinstein v. Prudential Prop. & Cas. Ins. Co.*, 149 Idaho 299, 322, 233 P.3d 1221, 1244 (2010) ("To prove the tort of insurance bad faith, an insured must prove that the claim was not fairly debatable." (citation modified)). The district court agreed, noting that the ACV payment included costs for the dwelling and for the dwelling extension and that the Espinosas failed to show that a genuine dispute of material fact existed as to whether State Farm's repair estimate was too low. The district court emphasized that the one-page, \$272,300 repair estimate lacked detail and included substantial costs for upgrades that were not covered under the Policy. As a result, State Farm's arguments encompassed the Espinosas' claim, and the Espinosas failed to support their theory of undervaluation of any of the Dwelling coverage, including the outbuildings.

Next, State Farm's summary judgment motion expressly addressed the "delay" theory when challenging the Espinosas' bad faith claim, arguing "that an insurer does not act in bad faith if it challenges the validity of a 'fairly debatable' claim" and that the Espinosas' insurance claims were fairly debatable. The district court agreed that the Espinosas' claims were "clearly fairly debatable" and concluded that nothing in the record indicated that State Farm intended to delay payments as a tactic:

[The] [c]ourt finds as a matter of law that no genuine dispute of material fact exists as to whether State Farm was in this case evaluating the validity of fairly debatable claims. The [Espinosas'] claims are clearly fairly debatable. To be clear, this [c]ourt

does not find that State Farm delayed payment to the [Espinosas]. State Farm had legitimate grounds to question the [Espinosas'] inflated demands and to look into whether the [Espinosas] were attempting insurance fraud. Nonetheless, to the extent there was any delay on State Farm's part, it can be said, like in *Greene* [*v. Truck Ins. Exchange*, 114 Idaho 63, 68, 753 P.2d 274, 279 (Ct. App. 1988)], "[a]lthough the investigation [by State Farm] . . . might well have been conducted more expeditiously, the record is devoid of any indication that the company intended to achieve delay for delay's sake." *Id.*

(Last three alterations in original.) Therefore, we conclude that State Farm placed these theories before the district court. Accordingly, the district court properly granted summary judgment based on the issues presented by State Farm.

V. CONCLUSION

For these reasons, we affirm the judgment of the district court. State Farm is awarded costs on appeal as a matter of course pursuant to Idaho Appellate Rule 40(a).

Chief Justice BEVAN and Justices BRODY, MOELLER and ZAHN CONCUR.