This opinion is nonprecedential except as provided by Minn. R. Civ. App. P. 136.01, subd. 1(c).

STATE OF MINNESOTA
IN COURT OF APPEALS
A25-1538

Michelle VanDyke, et al.,
Appellants,

vs.

State Farm Fire and Casualty Company,
Respondent.

Filed June 1, 2026
Affirmed
Bentley, Judge

Dakota County District Court
File No. 19HA-CV-24-4250

Edward E. Beckmann, Beckmann Law Firm, LLC, Bloomington, Minnesota (for appellants)

Scott G. Williams, Lindsey A. Streicher, Haws-KM, P.A., St. Paul, Minnesota (for respondent)

Considered and decided by Bentley, Presiding Judge; Ede, Judge; and Beane, Judge.

NONPRECEDENTIAL OPINION

BENTLEY, Judge

In this insurance-coverage dispute, the policyholders argue that they are entitled to the replacement cost value (RCV) for damage to their home from a windstorm, rather than the actual cash value (ACV). The insurance company maintains that the policy does not require payment of the RCV because the policyholders did not complete repairs within two years of the date of loss. We agree with the insurance company's interpretation of the policy and applicable state law. We therefore affirm the district court's grant of summary judgment in its favor.

FACTS

The following facts derive from the summary-judgment record, which reveals no genuine dispute of material fact as to the issues on appeal.

Appellants Michelle and William VanDyke had an insurance policy with respondent State Farm Fire and Casualty Company. Relevant here, the policy includes: (1) an appraisal clause, (2) a clause requiring completion of repairs within two years to recover the RCV (the RCV clause), and (3) a clause establishing a two-year deadline from the date of loss to commence a lawsuit against State Farm.

The appraisal clause provides that, if the parties "fail to agree on the amount of loss, either party can demand that the amount of the loss be set by appraisal." It continues, "The written report of agreement will set the amount of the loss of each item in dispute and will be binding upon [the parties]."

The RCV clause states, as relevant:

> We will pay the cost to repair or replace with similar construction . . . , the damaged part of the property [RCV] . . . subject to the following:
>
> (1) until actual repair or replacement is completed, [State Farm] will pay only the [ACV] of the damaged part of the property . . . ;
>
> (2) when the repair or replacement is actually completed, [State Farm] will pay the covered additional amount [an insured] actually and necessarily spend[s] to repair or replace the damaged part of the property. . . ;

> (3) to receive any additional payments on a replacement cost basis, [the insured] must complete the actual repair or replacement of the damaged part of the property within two years after the date of loss[.]

The two-year deadline for commencing a lawsuit against State Farm states that "[n]o action will be brought against [State Farm] unless . . . the action is started within two years after the occurrence causing loss or damage."

The VanDykes experienced a loss on September 17, 2021, when their home sustained wind damage. On September 11, 2023, the VanDykes emailed State Farm demanding an appraisal. On September 14, 2023, they served State Farm with a summons and complaint. The record does not indicate whether the VanDykes ever completed repairs to their home, but the parties agree that the VanDykes did not complete repairs within two years of the date of the loss.

The parties underwent appraisal. The appraisal panel made its award in April 2024 and identified both the RCV and ACV for each category of damaged property. Two categories resulted in different values between the RCV and ACV: "windows" had an RCV of $10,000 and an ACV of $5,000, and "siding matching" had an RCV of $47,600 and an ACV of $0. Days later, State Farm paid the ACV for each category set forth in the appraisal award.

The litigation continued, and after State Farm paid the ACV and not the RCV, the parties cross-moved for summary judgment on the issue of whether the VanDykes are entitled to the RCV. Following a hearing in May 2025, the district court denied the VanDykes' motion for summary judgment and granted summary judgment to State Farm.

The VanDykes appeal.

DECISION

In an appeal from a grant of summary judgment, appellate courts review "whether there are any genuine issues of material fact and whether the district court erred in its application of the law." *STAR Ctrs., Inc. v. Faegre & Benson, L.L.P.*, 644 N.W.2d 72, 76 (Minn. 2002). "The interpretation of an insurance policy and the application of the policy to the undisputed facts of a case are questions of law that [an appellate court] reviews de novo." *Com. Bank v. W. Bend Mut. Ins.*, 870 N.W.2d 770, 773 (Minn. 2015).

The VanDykes challenge the district court's summary-judgment determination on three grounds. First, they maintain that the right to an appraisal renders the two-year repair deadline in the RCV clause unenforceable. Second, they argue that, even if they failed to comply with the two-year repair deadline, State Farm must prove prejudice to avoid liability. And third, they assert that they are entitled to payment for matching siding regardless of the two-year repair deadline. We address each argument in turn.

I

The VanDykes argue that the right to an appraisal, established in the policy and required under Minnesota Statutes sections 65A.01 and 65A.26 (2024), obligates State Farm to pay the RCV awarded in the appraisal, notwithstanding the two-year repair deadline. State Farm responds that the two-year repair deadline is enforceable and, because State Farm paid the ACV set forth in the appraisal award, it has complied with all contractual and statutory requirements. State Farm has the better argument.

"In general, an insurer's liability is determined by the insurance contract as long as that insurance policy does not omit coverage required by law and does not violate applicable statutes." *Kelly v. State Farm Mut. Auto. Ins. Co.*, 666 N.W.2d 328, 331 (Minn. 2003). A court's "objective when interpreting an insurance policy is to ascertain and give effect to the intentions of the parties as reflected in the terms of the policy." *King's Cove Marina, LLC v. Lambert Com. Constr. LLC*, 958 N.W.2d 310, 316 (Minn. 2021) (quotation omitted). "We construe an insurance policy, if possible, so as to give effect to all provisions." *Id*. (quotation omitted). "We give unambiguous policy language its plain and ordinary meaning." *Id.* Likewise, we give an unambiguous statute its plain and ordinary meaning. *Carlson v. Allstate Ins. Co.*, 734 N.W.2d 695, 700-01 (Minn. App. 2007), *aff'd*, 749 N.W.2d 41 (Minn. 2008).

Here, neither party argues that the policy language is ambiguous. Based on our review of the policy, we conclude that the policy language is unambiguous and therefore we apply its plain meaning. *See King's Cove Marina, LLC*, 958 N.W.2d at 316. The VanDykes assert that their right to appraisal renders the two-year repair clause unenforceable. But neither the policy nor the Minnesota Statutes support that argument.

The policy provides that, if the parties "fail to agree on the amount of loss, either party can demand that the amount of the loss be set by appraisal." But proceeding with an appraisal does not mean that the VanDykes are entitled to the RCV set forth in that award, as opposed to the ACV. It is well established that "appraisers have authority to decide the amount of loss but may not construe the policy or decide whether the insurer should pay." *Quade v. Secura Ins.*, 814 N.W.2d 703, 706 (Minn. 2012) (quotation omitted); *see also*

Cedar Bluff Townhome Condo. Ass'n, Inc. v. Am. Fam. Mut. Ins. Co., 857 N.W.2d 290, 293 (Minn. 2014) ("[A]n appraisal panel 'may not construe the insurance policy or decide whether the insurer should pay.'" (quoting *Quade*, 814 N.W.2d at 706)). Here, the question is whether the policy requires payment of the RCV or ACV under these circumstances, which is a legal question for the court. *See Com. Bank*, 870 N.W.2d at 773. Because the VanDykes did not complete the repairs within two years, the policy's plain language establishes that payment of only the ACV is required.

Turning to the statutes, we consider the VanDykes' invocation of Minnesota Statutes sections 65A.01, subdivision 3, and 65A.26. Those provisions contain form policy language that functions as a statutory minimum to which the insurance policy here must conform.[1] Minn. Stat. §§ 65A.01, subd. 3, .26; *see also Quade*, 814 N.W.2d at 707 (discussing Minn. Stat. § 65A.01, subd. 3 (2010)). The standard policies provide that insureds have the right to an appraisal and that the appraisal award determines the amount of loss. *See* Minn. Stat. § 65A.01, subd. 3; Minn. Stat. § 65A.26. The VanDykes argue that these provisions entitle them to payment of the RCV in full, regardless of the timing of repairs.

The appraisal provisions in the statute do not mandate that an insurer pay the RCV award, as compared to the ACV award. The policy here complies with the statute because it includes an appraisal clause and, in accordance with the statute, the appraisal here

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[1] The parties do not dispute that the insurance policy here must conform to these statutory requirements because the policy covers the perils of fire and hail. *See* Minn. Stat. § 65A.01, subd. 3 (standard fire insurance policy requirements); Minn. Stat. § 65A.26 (standard hail insurance policy requirements).

determined the amount of actual value and loss—assessed in terms of both the RCV and the ACV. The statute requires nothing more. In effect, the VanDykes are asking us to add language to the statute that requires an insurer to pay the RCV whenever an appraisal is completed—but courts "may not add language to a statute; rather, we must apply the plain language of the statute as written." *Energy Pol'y Advocs. v. Ellison*, 980 N.W.2d 146, 156 (Minn. 2022) (quotation omitted).

The VanDykes argue that our decision in *Ariel, Inc. v. State Farm Fire & Casualty Co.*, 15 N.W.3d 673 (Minn. App. 2024), supports their position that the statute requires payment of the RCV in the appraisal award regardless of whether or when repairs were completed. Their argument stretches the holding in *Ariel* too far. In *Ariel*, the district court denied an insured's motion to compel an appraisal because the insured demanded the appraisal after the two-year deadline to commence a lawsuit against the insurer expired. 15 N.W.3d at 676-77. The standard policy in Minnesota Statutes section 65A.01, subdivision 3, includes a provision that, "No suit or action on this policy for the recovery of any claim shall be sustainable in any court of law or equity . . . unless commenced within two years after inception of the loss." This court reversed the district court's denial of an appraisal in *Ariel* on the basis that "the statute's two-year time limit . . . does not apply to a demand for an appraisal so long as the insured . . . timely commence[d] an action against the insurer." 15 N.W.3d at 684-85. This holding does not help the VanDykes because they, unlike the insured in *Ariel*, had an appraisal. The question here is whether the VanDykes are entitled to the RCV or ACV. This issue never arose in *Ariel* because an appraisal had not occurred and because the repairs were completed within the policy's deadline. *Id*. at 676-77.

The VanDykes contend that, if the policy's two-year repair deadline is enforceable, then the right to an appraisal is "hollow" because an insurer could impose deadlines "that preclude payment of some, or all, of the appraisal award." But the policy here did not preclude payment of an appraisal award, as evidenced by the fact that the VanDykes received full payment of the ACV determined in the award.

In sum, we are not persuaded that either the policy or the statute required State Farm to pay the RCV in these circumstances.

II

In the alternative, the VanDykes argue that, even if they did not comply with the two-year repair deadline, State Farm must show "actual prejudice" before it may "establish the breach of a policy obligation for a covered loss." State Farm responds that it need not establish prejudice in this situation because the RCV provision created a condition precedent. Again, we agree with State Farm.

The VanDykes are correct that the Minnesota Supreme Court has held in some situations, such as when an insured fails to provide a proof of loss in a timely manner, that an insurer must prove prejudice to avoid liability. *See Farrell v. Neb. Indem. Co.*, 235 N.W. 612, 614 (Minn. 1931) ("To hold that [the insurer] under the circumstances should be absolved from liability because of the failure to give earlier notice would be unreasonable, unwarranted, and a grave injustice. The record does not disclose that [the insurer] was in any way prejudiced by the delay."); *see also Reliance Ins. Co. v. St. Paul Ins. Cos.*, 239

N.W.2d 922, 924-25 (Minn. 1976) ("[*Farrell*] has long been the law in this state, requiring a showing of actual prejudice by the insurer to defeat liability.").

That rule does not apply, however, when the breached policy provision establishes a condition precedent. *Minn. Laws. Mut. Ins. Co. v. Bradshaw & Bryant L. Off. PLLC*, 19 N.W.3d 206, 220 (Minn. App. 2025), *rev. denied* (Minn. June 17, 2025). "A condition precedent is a contract term that calls for the performance of some act or the happening of some event after the contract is entered into, and upon the performance or happening of which the promisor's obligation is made to depend." *Id.* (quotation omitted). Although "[n]o particular code words are needed to form an express condition," this court has held that the phrase "subject to" creates a condition precedent. *Minnwest Bank Cent. v. Flagship Props. LLC*, 689 N.W.2d 295, 299-300 (Minn. App. 2004) (quotation omitted) (discussing the phrase "subject to" in *451 Corp. v. Pension Sys. for Policemen & Firemen of City of Detroit*, 310 N.W.2d 922, 924-25 (Minn. 1981)).

Here, the policy states that State Farm "will pay the cost to repair or replace [i.e., the RCV] . . . *subject to* the following" (emphasis added) and then states that "to receive any additional payments on a replacement cost basis, [the insured] must complete the actual repair or replacement . . . within two years." The phrase "subject to the following" signals that the provisions that follow establish conditions precedent to receipt of the RCV. The phrase "to receive any additional payments . . . [the insured] must complete the actual repair or replacement . . . within two years" delineates what the insured must do to obtain payment of the RCV.

The VanDykes argue that, even if the policy language establishes a condition precedent, “the condition precedent to payment of replacement cost is the issuance of an appraisal award—not the completion of repairs.” They assert that, “[b]ecause neither the statute nor the policy imposes a deadline to determine the amount payable through appraisal, there can be no deadline to enjoy that determination.” This argument is belied by the plain language of the policy, which addresses RCV and appraisals in separate paragraphs. The appraisal clause requires appraisers to “state separately the [ACV], [RCV], and if applicable, the market value of each item in dispute.” It does not state which of those must be paid under the policy in any given circumstance.

The policy unambiguously requires an insured to complete repairs within two years as a condition precedent to payment of the RCV regardless of when an appraisal occurs. Because the policy contains this condition precedent, State Farm is not required to prove prejudice to avoid liability.

III

The VanDykes also argue that they are entitled to payment for matching siding, regardless of any policy language pertaining to ACV and RCV, because matching siding is covered unless it falls within a policy exclusion. In support of this argument, the VanDykes cite *Cedar Bluff Townhome Condominium Association, Inc. v. American Family Mutual Insurance Co.*, 857 N.W.2d 290. But *Cedar Bluff* is distinguishable and does not convince us to deviate from the plain language of the policy here.

In *Cedar Bluff*, the insurer had elected to pay the RCV of the damaged property—immediately differentiating the facts of *Cedar Bluff* from this case. 857 N.W.2d at 291-92.

The issue there was not whether the insured was entitled to payment for matching siding under the policy regardless of whether the RCV or ACV was paid. Rather, the question was whether the RCV included the cost of matching siding because the RCV was "to be determined based on the cost to replace 'the lost or damaged property with other property . . . *of comparable material and quality*.'" *Id.* at 293. The supreme court held that, for purposes of determining the RCV, matching siding was required to ensure the covered property was repaired with siding of "comparable material and quality." *Id.* at 295. *Cedar Bluff* is therefore inapposite to the question before us, which is whether the policy unambiguously requires an insured to complete repairs within two years as a condition precedent to receiving payment of RCV. As explained above, we conclude that the answer to that question is yes.

In conclusion, the district court did not err in denying the VanDykes' motion for summary judgment and granting State Farm's motion for summary judgment.[2]

Affirmed.

[2] Because we conclude that the policy does not cover the RCV of repairs to the VanDykes' home, the claim has been paid in full based on the ACV and we do not reach their argument that they are entitled to interest on any unpaid amounts.