STATE OF MINNESOTA
IN COURT OF APPEALS
A25-2173

Anthony and Ruby Ngo,
Appellants,

vs.

State Farm Fire and Casualty Company,
Respondent.

Filed August 17, 2026
Affirmed
Bentley, Judge

Hennepin County District Court
File No. 27-CV-24-6241

Timothy D. Johnson, Alexandra J. Anderson, Smith Jadin Johnson, PLLC, Bloomington, Minnesota (for appellants)

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

Considered and decided by Connolly, Presiding Judge; Worke, Judge; and Bentley, Judge.

NONPRECEDENTIAL OPINION

BENTLEY, Judge

After water damaged their property, appellants submitted a claim to their insurer. This appeal addresses whether appellants are entitled to payment of the replacement cost value (RCV) or the actual cash value (ACV) of the damage to the property for the covered losses, even though they did not comply with a policy requirement that they complete replacements and repairs within two years of the date of loss in order to obtain the RCV. The district court granted summary judgment to the insurer after determining that appellants are entitled to only the ACV. Discerning no error in that decision, we affirm.

FACTS

The following facts derive from the summary-judgment record and are construed in the light most favorable to the party against whom summary judgment was granted—here, appellants Anthony and Ruby Ngo.[1]

The Ngos own a rental property in Minneapolis. At the time relevant to this appeal, the property was insured by respondent State Farm Fire and Casualty Company.

The loss-settlement provision of the policy provides that State Farm will "pay the [ACV] of the damage to the building[] . . . until actual repair or replacement is completed." After repairs or replacements are completed, State Farm will "pay the covered additional amount . . . actually and necessarily spen[t] to repair or replace the damaged part of the building," but to receive those payments the insured "must complete the actual repair or replacement . . . within two years after the date of loss."

The Ngos' property suffered a loss on February 9, 2022, when a frozen pipe burst, causing extensive water damage. State Farm conducted an inspection of the property on

[1] *See Dukowitz v. Hannon Sec. Servs.*, 841 N.W.2d 147, 150 (Minn. 2014) (noting that on review of a grant of summary judgment, appellate courts "view the evidence in the light most favorable to the party against whom summary judgment was granted to determine whether there are any genuine issues of material fact and whether the district court correctly applied the law").

February 24, 2022, and estimated an ACV of $255,083.32 and an RCV of $326,537.40.[2] State Farm paid the Ngos $255,083.32 in mid-June 2022. The Ngos retained a public adjuster who provided an estimate in late May 2023 identifying the RCV as $700,892.07.

State Farm inspected the property again in October 2023 and prepared a supplemental estimate with an updated RCV of $351,014.17. In the written notices with the latest estimates, State Farm included a reminder that, "[t]o receive replacement cost benefits," insureds are required to "[c]omplete the actual repair or replacement of the damaged part of the property within two years of the date of loss."

On February 7, 2024, two days before the two-year deadline to complete repairs, the Ngos sent an appraisal demand to State Farm. State Farm responded the next day, agreeing to the appraisal.

The appraisal panel convened on December 4, 2024. It issued its award in January 2025, designating an ACV of $345,242.23 and an RCV of $513,896.63. By that time, State Farm had paid the Ngos a total of $351,615.59.[3] Because that amount exceeded the ACV awarded by the appraisal panel, State Farm notified the Ngos that it would not make additional payments following the appraisal.

The Ngos initiated this lawsuit, alleging that State Farm breached the insurance contract by "failing to fully and fairly adjust and pay the loss." They also sought a

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[2] The RCV includes the total ACV plus the additional costs for repair or replacement.

[3] State Farm asserts in its brief that this total payment includes "a supplemental estimate and additional payment" beyond its earlier ACV estimates. The record supports that State Farm paid that amount, but the record does not detail when additional payments were made. Regardless, the Ngos do not dispute that they were paid a total of $351,615.59.

declaratory judgment that they are entitled to the RCV and that the dispute regarding the amount of loss should be determined by appraisal.

The parties filed cross-motions for summary judgment. In addition to their breach of contract arguments, the Ngos invoked the reasonable-expectations doctrine and equitable arguments relating to the doctrine of unclean hands, impossibility, and equitable tolling.

The district court granted State Farm's motion for summary judgment and denied the Ngos' motion. It determined that the Ngos had not fulfilled a condition precedent to recovering the RCV—completing the repairs within two years of the date of loss. The district court rejected any argument that they were relieved of that obligation because of State Farm's conduct. Regarding the adjustment process, the district court concluded that State Farm did not breach the agreement because, even though State Farm had an obligation to adjust the loss, it fulfilled that duty. Addressing the Ngos' argument that State Farm slowed the process and interfered with their ability to comply with the deadline, the district court disagreed, noting that, as of at least mid-2023, the Ngos were aware that there was a wide gap between the two parties' estimates and nothing interfered with their ability to demand an appraisal at that time. The district court also rejected the Ngos' reasonable-expectations argument because their "expectations were unreasonable on their face."

The Ngos appeal.

DECISION

We begin with an explanation of our standard of review. In an appeal from a grant of summary judgment, appellate courts review the district court's decision de novo. *Bell v.*

St. Joseph Mut. Ins. Co., 990 N.W.2d 504, 507 (Minn. App. 2023), *rev. denied* (Minn. Aug. 8, 2023). "We view the evidence in the light most favorable to the party against whom summary judgment was granted to determine whether there are any genuine issues of material fact and whether the district court correctly applied the law." *Dukowitz v. Hannon Sec. Servs.*, 841 N.W.2d 147, 150 (Minn. 2014).

This case involves an interpretation of the Ngos' insurance policy, which is a legal question to be reviewed de novo. *Auto-Owners Ins. Co. v. Todd*, 547 N.W.2d 696, 698 (Minn. 1996) ("The interpretation of an insurance policy . . . is one of law which this court reviews de novo."). Courts interpret insurance policies using the general principles of contract law. *Thommes v. Milwaukee Ins. Co.*, 641 N.W.2d 877, 879 (Minn. 2002). When interpreting insurance contracts, we "must ascertain and give effect to the intentions of the parties as reflected in the terms of the insuring contract." *Jenoff, Inc. v. N.H. Ins. Co.*, 558 N.W.2d 260, 262 (Minn. 1997). An insurance policy "must be construed as a whole, and unambiguous language must be given its plain and ordinary meaning." *Henning Nelson Constr. Co. v. Fireman's Fund Am. Life Ins. Co.*, 383 N.W.2d 645, 652 (Minn. 1986).

Our de novo review also applies to the Ngos' equitable claims, because the issues here turn on matters of law and not on the weighing of equities. *See United Prairie Bank v. Molnau Trucking LLC*, 23 N.W.3d 535, 540-41 (Minn. 2025) ("When . . . a district court determines equitable claims as a matter of law at summary judgment—rather than by weighing the equities—[appellate courts] apply de novo review.").

Turning to the issues on appeal, it is undisputed that the Ngos did not complete repairs to the covered property within the two-year deadline as required to obtain the RCV under the policy. Nevertheless, the Ngos assert that they are entitled to payment of the RCV for three reasons. First, the Ngos contend that State Farm's conduct relieves them of the duty to complete repairs within two years. Second, the Ngos argue that their failure to complete the repairs should be excused because it was impossible for them to do so while also complying with requirements to preserve and present the damaged property during the appraisal process. Third, they posit that they are entitled to the RCV payment under the reasonable-expectations doctrine. We address each issue in turn.

I

The Ngos maintain that State Farm's conduct relieves them of their duty to complete repairs within two years to obtain the RCV of the damaged property. We first address their argument that State Farm breached the insurance policy early in the adjustment process and, second, we address the Ngos' related arguments that they are entitled to relief under the doctrines of unclean hands and equitable tolling.

A

The Ngos argue that they are entitled to the RCV because State Farm breached the insurance policy by failing to fulfill an implied duty to adjust the claim "properly." They do not define a "proper" adjustment, but they point to the significant gaps in the parties' initial RCV estimates to support their position that State Farm's adjustment was not properly conducted. Beyond asserting a disagreement with the amount of the estimate, the Ngos do not identify how or why State Farm failed to meet its obligation to adjust the loss under the policy.

The Ngos' position is not supported in the policy language. Under the policy, State Farm agreed to "adjust all losses with [the insured]." The policy does not define "adjust,"[4] but it does provide a mechanism to resolve disagreements regarding the amount of loss—appraisal. The appraisal provision states, "If you [insured] and we [insurer] fail to agree on the amount of loss, either one can demand that the amount of the loss be set by appraisal." It follows that, if the Ngos did not agree with the results of State Farm's adjustment, the appropriate course of action was to demand appraisal. The policy does not require State Farm to adjust the loss in a manner that meets the insured's expectations, which appears to be the Ngos' understanding of a "proper" adjustment.

The Ngos disagree that they had to demand an appraisal to resolve the dispute about the adjustment because the policy does not *require* the insured to request an appraisal. They maintain that they "have no duty under the policy to perform State Farm's loss adjustment for it," and that State Farm could have requested an appraisal "when it disagreed with the Ngos' estimate," but State Farm did not. We are not convinced that this establishes a breach on State Farm's part. Just as the policy does not require the Ngos to request an appraisal to resolve a dispute regarding the amount of loss, it does not require State Farm to request an appraisal. In accordance with the policy, State Farm adjusted the loss and paid its estimate of the ACV shortly after the date of loss. The Ngos have not identified what else State Farm should have done, other than set forth a higher estimate.

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[4] *Black's Law Dictionary* defines "adjustment" as "[t]he ascertainment of the cause and the extent of an insured's loss and the amount of indemnity that the insured is entitled to receive." *Black's Law Dictionary* 52 (12th ed. 2024).

Our understanding of the adjustment provision does not lead to "abhorrent" results, as the Ngos suggest. The Ngos maintain that it is unreasonable to read the policy as requiring them, if they want to obtain the RCV, to request an appraisal quickly or to begin repairs before knowing the amount they will receive under the policy. But those implications derive from the policy's plain language. The policy does not require that they seek an appraisal to obtain the RCV, but it does require them to complete replacements and repairs to the damaged property within two years of the date of loss if they want that additional benefit. As a practical matter, that means that the Ngos should have requested an appraisal early in the process if they wanted to resolve the dispute as to the amount of loss before completing repairs. Despite the unambiguous language requiring repairs to be completed within two years to obtain the RCV, the Ngos did not begin repairs at any point and they did not seek an appraisal until two days before the two-year repair deadline. Their inaction under the policy does not establish a breach by State Farm.

Because the Ngos have not alleged that State Farm's adjustment was deficient, other than their disagreement with the amount, we are not persuaded that State Farm breached the contract and relieved the Ngos of their obligation to comply with the two-year repair deadline to obtain the RCV.

B

Our conclusion that State Farm adjusted the loss in accordance with the insurance policy is also fatal to the Ngos' equitable claims of unclean hands and equitable tolling.

The doctrine of unclean hands is premised on wrongdoing by the other party. *See Peterson v. Holiday Recreational Indus., Inc.*, 726 N.W.2d 499, 505 (Minn. App. 2007)

("A party 'may be denied relief where his conduct has been unconscionable by reason of a bad motive, or where the result induced by his conduct will be unconscionable either in the benefit to himself or the injury to others.'" (quoting *Johnson v. Freberg*, 228 N.W. 159, 160 (Minn. 1929)), *rev. denied* (Minn. Feb. 28, 2007). The doctrine of equitable tolling provides that a defendant, based on its conduct, may be prevented "from asserting a time limitation contained in an insurance policy" if "it would be unjust, inequitable, or unconscionable to allow the defense to be interposed." *L & H Transp., Inc. v. Drew Agency, Inc.*, 403 N.W.2d 223, 227 (Minn. 1987) (quotation omitted).

The district court did not address the Ngos' unclean hands or equitable tolling arguments, but we discern no basis to reverse. Applying our de novo standard of review, *United Prairie Bank*, 23 N.W.3d at 540-41, we conclude that the Ngos are not entitled to relief on these grounds as a matter of law. The Ngos' arguments rest on the same theory as their breach-of-contract claim—that "State Farm had two years to accurately evaluate the loss" and "did not." As discussed above, the Ngos have not identified a contract violation or otherwise explained how State Farm's conduct amounted to unjust, inequitable, or unconscionable conduct.[5] Absent evidence of wrongdoing by State Farm in the two years leading up to the repair deadline, the Ngos cannot invoke the doctrines of unclean hands or equitable tolling.

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[5] The Ngos allege that "State Farm initially refused to participate in the appraisal process causing further delay," but the dispute over the appraisal process took place after the two-year deadline to complete repairs had passed. The Ngos have not explained how State Farm's conduct during the appraisal process is relevant to their failure to comply with the two-year repair deadline.

II

The Ngos alternatively assert that their obligation to complete repairs within the two-year deadline should be excused because it was impossible or impractical for them to complete them in a timely manner. Specifically, they argue that they were prevented from beginning repairs because the policy required them to "exhibit the damaged property as often as" State Farm required. They contend that State Farm would have declined to make payments under the policy because of spoliation of evidence if they had not preserved the property in its damaged state. They also assert that preservation of the damaged property was required for the purposes of appraisal.

Minnesota law recognizes temporary impossibility of performance as a defense to breach-of-contract claims "in unique situations when the asserting party would have been compelled to render performance substantially different from what it contracted for." *Fitness Int'l, LLC v. City Ctr. Ventures, LLC*, 9 N.W.3d 526, 533 (Minn. 2024) (quotation omitted). We are not persuaded that this is the type of unique situation that warrants relief on the basis of impossibility.

The Ngos' impossibility argument does not address the fact that they could have requested an appraisal earlier and perhaps avoided the perceived conflict between the clause requiring them to preserve the property for appraisal and the clause requiring repairs within two years of the date of loss to obtain the RCV. It is evident from the record that the Ngos disputed State Farm's loss estimate as early as February 2022, when State Farm completed its initial adjustment, and as late as May 2023, when the Ngos obtained an independent assessment from a public adjustor. And yet, the Ngos did not demand an appraisal until February 2024—just two days before the two-year repair window expired. Had the Ngos demanded appraisal earlier, it is possible they could have complied with the policy, even with their understanding of the preservation provision.[6]

The Ngos rely on a case from federal district court to support their argument, stating that in a "nearly identical scenario," an insurer who resisted appraisal and then refused to pay the RCV was not entitled to withhold that additional payment. *See Axis Surplus Ins. Co. v. Condor Corp.*, No. CV 20-789, 2023 WL 1767269 (D. Minn. Feb. 3, 2023). *Axis Surplus* is not binding on this court and it is also readily distinguishable. In that case, the insurer initially and repeatedly denied coverage until the court intervened and compelled appraisal. *Id.* at *1. After appraisal was completed, the insurer agreed to pay the ACV but refused to pay the additional RCV because the insured had not met the policy requirement to make the repair or replacement "as soon as reasonably possible after the loss or damage." *Id.* at *1-2. The court determined under the circumstances of that case that the insured had complied with the condition precedent to RCV coverage—to complete repairs "as soon as reasonably possible." *Id.* at *2. Here, the condition precedent was a hard deadline and did not depend on a determination of "reasonableness." And, as discussed above, there is no evidence in the record that State Farm caused the delay in the Ngos' appraisal request or completion of repairs. Therefore, we do not find *Axis Surplus* applicable or persuasive.

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[6] The Ngos also argue that they could not have complied with the two-year repair clause even if they had requested an appraisal earlier, but that position rests on speculation and is not supported by the record. *See Bob Useldinger & Sons, Inc. v. Hangsleben*, 505 N.W.2d 323, 328 (Minn. 1993) ("Mere speculation, without some concrete evidence, is not enough to avoid summary judgment.").

The district court did not err in determining that it was not impossible or impractical for the Ngos to complete repairs within two years as required to obtain the RCV.

III

Finally, the Ngos argue that we should apply the reasonable-expectations doctrine and conclude that they are entitled to the full RCV payment based on their expectation that they would not be penalized for waiting to perform repairs until after resolving the dispute regarding the amount of loss.

The reasonable-expectations doctrine establishes that "the objectively reasonable expectations of applicants and intended beneficiaries regarding the terms of insurance contracts will be honored even though painstaking study of the policy provisions would have negated those expectations." *Atwater Creamery Co. v. W. Nat'l Mut. Ins. Co.*, 366 N.W.2d 271, 277 (Minn. 1985) (quotation omitted). In *Atwater*, the supreme court refused to permit an insurer to enforce the strict language of an insurance policy requiring "evidence of forcible entry" for burglary coverage, based on the conclusion that "no one purchasing something called burglary insurance would expect coverage to exclude skilled burglaries that leave no visible marks of forcible entry or exit." *Id.* at 274, 276. The supreme court has taken a very cautious approach to the doctrine, applying it narrowly as a "tool for resolving ambiguity and for correcting extreme situations like that in *Atwater*." *Carlson v. Allstate Ins. Co.*, 749 N.W.2d 41, 49 (Minn. 2008). Whether an insured had an objectively reasonable expectation of coverage is a legal question that appellate courts review de novo. *Sicoli v. State Farm Mut. Auto. Ins. Co.*, 464 N.W.2d 300, 303 (Minn. App. 1990).

The policy language here is unambiguous—to be paid the RCV, the Ngos were required to complete repairs or replacement "within two years after the date of loss." Absent ambiguity, we are reticent to apply the reasonable-expectations doctrine. *See Carlson*, 749 N.W.2d at 49 (identifying the doctrine as a "tool for resolving ambiguity").

Given the plain language of the policy, the Ngos' expectations were not objectively reasonable, and the facts of this case do not result in an extreme situation like *Atwater*. The Ngos argue that no reasonable insured would commence costly repairs without guarantees of payment. But even assuming that is true, nothing under the policy prevented the Ngos from demanding an appraisal earlier within the two-year period following the date of loss. If they had done so, they may have received assurances of payment earlier, allowing them to complete the repairs within the two-year deadline. Instead, they waited more than a year after State Farm's initial estimate to secure an independent assessment, and nearly nine months after that to demand appraisal. Based on these undisputed facts and the language of the policy, the district court did not err in determining that the Ngos are not entitled to relief under the reasonable-expectations doctrine.

Affirmed.