

## **SIXTH CIRCUIT COURT OF APPEALS**

*Gallagher Sharp February 2019 Insurance Newsletter*

### **Coverage denied under policy which excludes interior damage caused by water entering building through undamaged HVAC ducts.**

Oak Hill Investment owned a multi-level commercial building in Toledo. State Farm issued an insurance policy that covered the building from December 2014 to December 2015. On June 27, 2015, a major storm hit Toledo. The storm caused debris to clog the drain on the roof of the building. Because the rain water could not escape through the drain, the water accumulated on the roof and flowed into the interior of the building through nearby HVAC ducts, which caused significant damage to the interior. State Farm's policy had an exclusion for damage to the interior of any building caused by rain unless the building first sustained damage to its roof through which the rain entered. State Farm determined that the policy did not cover the building's interior damage because the rain entered the building through the HVAC ducts, not the roof.

The court agreed and affirmed the district court's order granting summary judgment. The court held that the policy did not cover interior damage arising from water that entered the building through the undamaged HVAC ducts. *Oak Hill Investment IV, LLC v. State Farm Fire and Casualty Company*, 737 Fed. Appx. 722, 2018 WL 2754423 (6<sup>th</sup> Cir. 2018).