

United States Court of Appeals for the Fifth Circuit

No. 25-11369
Summary Calendar

United States Court of Appeals
Fifth Circuit

FILED

October 22, 2026

Thomas B. Plunkett, III
Clerk

MARK SCHNATZMEYER; CAROLE SANDLIN,

Plaintiffs—Appellants,

versus

STATE FARM LLOYDS,

Defendant—Appellee.

Appeal from the United States District Court
for the Northern District of Texas
USDC No. 3:23-CV-2820

Before STEWART, RICHMAN, and HIGGINSON, *Circuit Judges*.

PER CURIAM:*

Plaintiffs–Appellants Mark Schnatzmeyer and Carole Sandlin (collectively, the “Insureds”) filed this suit against Defendant–Appellee State Farm Lloyds (“State Farm”) in Texas state court. State Farm removed the suit to federal court based on diversity jurisdiction. The district court granted in part State Farm’s motion for partial summary judgment. The

* This opinion is not designated for publication. *See* 5TH CIR. R. 47.5.

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Insureds then voluntarily dismissed their remaining claims and the district court's partial summary judgment became a final order. On appeal, the Insureds argue that the district court erred in granting State Farm's motion for summary judgment because the statute of limitations did not bar their claims related to the 2021 property damage. Because we agree that their claims are time-barred, we AFFIRM.

I

In 2020, the Insureds purchased a policy from State Farm for a residential property that they own in Dallas, Texas. On February 17, 2021, the property sustained water damage when a neighbor's frozen pipes burst during a freeze. The next day, the Insureds reported the loss to State Farm, and they were assigned claim number 43-16N7-08N (the "2021 Claim"). On March 1, 2021, State Farm adjuster Erin Keith met with Schnatzmeyer to inspect the property. Keith performed an inspection and found water damage to the baseboards and laminate wood flooring, but no damage to the ceramic tile flooring. Schnatzmeyer agreed to submit additional documentation regarding the Insureds' personal property, but the Insureds submitted no additional documentation concerning the water damage. Because the Insureds advised they would relocate to their second residence during the repairs, no covered additional living expenses ("ALE") were incurred or owed on the 2021 Claim.

On March 12, 2021, State Farm issued its estimate and claim decision letter to the Insureds. State Farm paid the Insureds \$4,261.52 to settle their property damage claim and called Schnatzmeyer the same day to inform him that his claim was closed. State Farm also asked him to submit repair receipts as the work was completed so that he could claim replacement cost benefits. State Farm heard nothing further from the Insureds for months.

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On December 24, 2022, another winter freeze caused the Insureds' water pipes to burst, resulting in additional property damage. The Insureds reported the loss to State Farm the next day, and they were assigned claim number 43-43L8-94R (the "2022 Claim"). On December 28, 2022, State Farm provided the Insureds ALE until water could be restored to the property. On December 30, 2022, Schnatzmeyer contacted State Farm about the 2021 Claim, stating that the water mitigation company had found water damage to his ceramic tile floor in the kitchen. He reported that the Insureds had not completed the repairs that State Farm paid for as part of the 2021 Claim, including repairs to the laminate flooring. Schnatzmeyer asserted that the entire floor, including the ceramic tile, needed replacement. State Farm advised Schnatzmeyer to have his contractor provide an estimate for that area to be considered under the 2021 Claim.

On January 19, 2023, two State Farm adjusters inspected the property and noted that the Insureds wanted to remove the ceramic tile and install new flooring. The State Farm adjusters countered that their ceramic tile did not appear to be damaged and did not feel wet. They also told the Insureds to have a plumber restore the water promptly because State Farm had authorized only a few hotel nights and would not continue paying for a hotel while the property was not under repair.

The same day, State Farm sent the Insureds a reservation of rights letter, identifying certain provisions of the Insureds' policy, including the Insureds' "Duties After Loss." On January 21, 2023, State Farm sent the Insureds a letter regarding the 2022 Claim stating that the current estimate was below the Insureds deductible and it was still awaiting invoices from the plumber and water mitigation company. State Farm also requested the names of the plumbing and water mitigation companies used for the 2021 Claim. On January 25, 2023, Schnatzmeyer contacted State Farm about whether it would replace the ceramic tile. State Farm informed Schnatzmeyer that the

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2022 freeze would not have caused the claimed damage because water would take much longer to damage the tile and its foundation.

On January 27, 2023, Schnatzmeyer informed State Farm that the plumber had completed the repairs. Since the property had water and electricity, State Farm informed Schnatzmeyer that it would no longer provide ALE after January 30th. Schnatzmeyer objected, asserting that the ceramic tile needed replacement under the 2021 Claim and “should have [been] repaired/replaced back then.” State Farm then informed him that it would send a letter denying coverage for the ceramic tile under the 2022 Claim. It appears from the record that State Farm decided to wait to send the denial letter because Schnatzmeyer promised to send over two documents that night for State Farm to review before denying the claim.

On January 30, 2023, State Farm provided an estimate for the 2022 Claim and informed the Insureds that the loss was below their deductible. State Farm also noted that it had not received the promised documents. On February 7, 2023, State Farm sent the Insureds a partial denial letter for the 2022 Claim stating that it had found no damage to the ceramic tile. The next day, State Farm contacted the Insureds and informed them of the partial denial and again explained it had not received the promised documents from Schnatzmeyer. Schnatzmeyer responded that he had hired a public adjuster and would no longer speak with State Farm.

On February 16, 2023, State Farm received a \$58,150.83 repair estimate for the 2021 Claim from the Insureds public adjuster, Toni Henry. On May 15, 2023, State Farm sent Henry a letter summarizing their conversation about the 2021 Claim. State Farm explained that, after reviewing its claim file and Henry’s estimate, it found its original evaluation accurate and would make no additional payment. State Farm further explained that the Insureds had not completed repairs to the property within

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two years of the loss as required by the “Duties After Loss” provision. State Farm therefore stood on its previous March 12, 2021, decision.

On August 25, 2023, State Farm received a presuit demand letter from the Insureds’ counsel, along with Henry’s estimate. On September 23, 2023, State Farm adjuster Andres Garcia reinspected the property with Henry following the presuit demand letter. Garcia found no water damage to the ceramic tile but concluded that additional repairs were appropriate under the 2022 Claim, including removal of additional drywall, insulation, and painting. Still unsatisfied, on November 3, 2023, the Insureds sued State Farm.

II

We “review a district court’s grant of summary judgment *de novo*, viewing all facts and drawing all inferences in a light most favorable to the non-moving party.” *Thompson v. Microsoft Corp.*, 2 F.4th 460, 466 (5th Cir. 2021) (internal citation and quotations omitted). “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.” *Id.* at 466–67 (internal citation and quotations omitted). “We may affirm the district court’s grant of summary judgment on any ground supported by the record and presented to the district court.” *Id.* at 467 (internal citation and quotations omitted).

III

The Insureds raise four claims related to the 2021 Claim on appeal. They argue that the district court erred in granting State Farm’s motion for summary judgment because the statute of limitations did not bar (A) their claim-related causes of action, (B) their bad faith claim, (C) their

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misrepresentation, fraud, and conspiracy claims, and (D) their claim under the Texas Prompt Payment of Claims Act (“TPPCA”).¹

A

The Insureds first argue that the limitations period did not bar their 2021 Claim-related causes of action because they did not report the ceramic tile damage until December 2022 and State Farm did not deny coverage until May 2023. They also contend that State Farm’s initial decision and payment were preliminary because State Farm allowed them to submit additional information to supplement the 2021 Claim.

Under Texas law, parties to an insurance contract may agree to a limitations period of no less than two years. TEX. CIV. PRAC. & REM. CODE ANN. § 16.070. An insurance policy’s contractual limitations period also governs claims under the TPPCA. *Silo Rest. Inc. v. Allied Prop. & Cas. Ins. Co.*, 420 F. Supp. 3d 562, 573 (W.D. Tex. 2019). However, an action alleging statutory or common law violations must be brought within two years. TEX. INS. CODE ANN. § 541.162; *Castillo v. State Farm Lloyds*, 210 F. App’x 390, 395 (5th Cir. 2006).

An insured’s contractual or extracontractual causes of action begin to run once coverage is denied. *Smith v. Travelers Cas. Ins. Co. of Am.*, 932 F.3d 302, 311 (5th Cir. 2019). The Supreme Court of Texas has held that a denial need not contain “magic words” so long as the insurer’s position is clear. *Provident Life & Acc. Ins. Co. v. Knott*, 128 S.W.3d 211, 222 (Tex. 2003). Moreover, “re-investigation alone is not an action that is inconsistent with the denial decision.” *Smith*, 932 F.3d at 316 (internal citation and quotations

¹ The Insureds do not assert in their opening brief claims related to the 2022 Claim. Thus, we do not address those claims herein.

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omitted). The insurer must expressly or implicitly withdraw or change the initial decision. *Id.*

Here, the parties agreed to a limitations period of two years and one day to bring a cause of action. Contrary to the Insureds' argument on appeal, State Farm issued its final determination letter regarding the 2021 Claim on March 12, 2021, along with a payment to the Insureds in the amount of \$4,261.52 to settle the 2021 Claim. Accordingly, State Farm closed the 2021 Claim. Although State Farm later considered additional information, reconsideration does not restart the limitations clock unless the insurer withdraws or changes its earlier decision. *See Smith*, 932 F.3d at 316. It is evident that State Farm never changed its initial determination of the 2021 Claim. Consequently, the Insureds' limitations period began on March 12, 2021, meaning that they had until March 12, 2023, to allege common law and statutory violations, and until March 13, 2023, to allege breach of contract and TPPCA violations. Because the Insureds did not sue until November 3, 2023, the district court correctly held that the statute of limitations barred their 2021 Claim-related causes of action.

B

Second, the Insureds argue that State Farm failed to reasonably investigate their claims, so, the statute of limitations did not bar their bad faith claim related to the 2021 Claim. But, claims for breach of good faith and fair dealing must be brought within two years after accrual. *Provident Life & Acc. Ins.*, 128 S.W.3d at 221. Here, the Insureds' bad faith claim accrued with State Farm's March 12, 2021, determination and is thus time-barred for the reasons already explained.

The Insureds also assert that State Farm failed to issue a timely ALE payment. However, on November 14, 2025, the Insureds voluntarily dismissed their claim regarding ALE benefits for the 2022 Claim.

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Accordingly, that issue is not before us.² Therefore, the Insureds' argument regarding their bad faith claim related to the 2021 Claim fails.

C

Third, the Insureds argue that the statute of limitations did not bar their misrepresentation, fraud, and conspiracy claims related to the 2021 Claim. The Insureds further assert that State Farm told them that they could submit additional damages within two years and then, after learning of the ceramic tile damage, strung them along for months without inspecting the ceramic tile floor. But we note that the Insureds did not argue before the district court that State Farm had represented that they could supplement the 2021 Claim within two years. Accordingly, the Insureds forfeited that argument on appeal because they failed to raise it before the district court. *See Rollins v. Home Depot USA*, 8 F.4th 393, 398 (5th Cir. 2021). In any event, under Texas law, the statute of limitations for claims under common law, the Texas Insurance Code, and the Texas Deceptive Trade Practices Act are two years. *Castillo*, 210 F. App'x at 395. Because these claims accrued no later than State Farm's March 12, 2021, determination, they are time-barred.

The district court also correctly held that post-loss communications cannot support the Insureds' misrepresentation and fraud claims. *Schnatzmeyer v. State Farm Ins. Co.*, 2025 WL 1697505, at *9 (N.D. Tex. June 17, 2025) (citing *Gooden v. State Farm Lloyds*, 2021 WL 7906860, at *3 (N.D. Tex. May 11, 2021)). Thus, these arguments likewise fail.

² Additionally, while the Insureds' policy provided ALE coverage for the 2021 Claim, they declined this coverage, opting instead to reside in a second home they owned while the property was under repair. Thus, that issue is likewise not before us.

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D

Finally, the Insureds contend that the statute of limitations did not bar their TPPCA claim related to the 2021 Claim. We disagree. The TPPCA exception “does not apply in a case in which it is found as a result of arbitration or litigation that a claim received by an insurer is invalid and should not be paid by the insurer.” *Barbara Techs. Corp. v. State Farm Lloyds*, 589 S.W.3d 806, 824 (Tex. 2019) (internal citation and quotations omitted). Since the district court did not err in granting State Farm summary judgment regarding the 2021 Claim-related causes of action, those claims cannot support a basis for any TPPCA claim. Therefore, this argument also fails.

IV

For the foregoing reasons, the judgment of the district court is **AFFIRMED**.