



Insurers Can Reasonably Rely on Expert Reports Without Acting Unreasonably

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As a general rule, insurers are not guilty of bad faith by virtue of actions that are in accordance with opinions from experts. The fact that an expert retained by the insured disagrees with an expert retained by the insurer does not, in and of itself, render it bad faith for an insurer to reasonably rely upon that expert's opinion.

The past year saw courts affirming this principle. The U.S. District Court of the Southern District of Texas did so in *Shockman v. State Farm Lloyds*, No. 4:22-CV-02030, 2025 WL 2774122 (S.D. Tex. Sept. 26, 2025). The U.S. District Court for the Northern District of Georgia similarly held that the reasonable reliance upon an independent consultant's advice without more did not constitute bad faith. *Marble Masters of Middle GA, Inc. v. Selective Ins. Co. of Am.*, No. 2:24-CV-99-RWS, 2025 WL 3255043 (N.D. Ga. Aug. 14, 2025).

As detailed below, the highest court to reaffirm, and indeed strengthen, this principle in 2025 was the U.S. Court of Appeals for the Tenth Circuit in applying Colorado law.

El Dueno, LLC v. Mid-Century Ins. Co., 2025 WL 1540329 (10th Cir. May 30, 2025)

The Tenth Circuit affirmed summary judgment for Mid-Century Insurance Company, holding that its reliance on an expert engineer's report—despite conflicting with an earlier assessment from a claims adjuster—did not amount to an unreasonable denial of coverage. The court emphasized that without evidence of a breached industry standard, reliance on a qualified expert's opinion alone cannot support a bad faith claim under Colorado law.

Background and Lower Court Proceedings

The case began when the owner of a commercial building, El Dueno, submitted a hail damage claim to Mid-Century Insurance. The

policy covered direct physical loss resulting from hail. A Mid-Century adjuster investigated the roof, confirmed hail damage, and issued payment.

El Dueno's independent contractor conducted a separate inspection and submitted an estimate that vastly exceeded that of the initial adjuster. In response, Mid-Century hired an engineer to reinspect the property who concluded that hail had not caused damage to the roof. El Dueno challenged the engineer's findings, arguing that the report was flawed because ice and snow obscured parts of the roof. Despite the new findings, Mid-Century allowed El Dueno to keep the already-disbursed funds.

El Dueno filed suit in state court, and Mid-Century removed to federal district court. Subsequently, El Dueno amended its complaint to add a claim for unreasonable denial of insurance benefits under Colo. Rev. Stat. §10-3-1115. Mid-Century hired a second engineer who corroborated the first report. Mid-Century moved for summary judgment, arguing that El Dueno could not show that Mid-Century's denial was unreasonable. The district court granted Mid-Century's motion.

On appeal, El Dueno argued that (1) the ruling suggests that an insurance company's reliance on one engineering report "automatically excuses the insurer's allegedly unreasonable conduct," which threatens the protections of Colorado's insurance-related statutes, and (2) the conflicting reports of the claim adjuster and engineer showcase a genuine dispute of material fact that makes summary judgment "inappropriate."

Tenth Circuit's Analysis

The Tenth Circuit held that the claim failed because El Dueno did not identify any applicable industry standard that Mid-Century allegedly violated. Under Colorado law, a denial is unreasonable only if it contradicts an established standard of care. Even assuming the engineer's inspection conditions were less than ideal, the Tenth Circuit held that El Dueno failed to identify a specific industry standard that was violated.

The court further emphasized that *El Dueno* presented no industry standard showing it is unreasonable for insurers to rely on a “later-generated” report. Rather, following previous Colorado decisions, the Tenth Circuit noted that it is not unreasonable to rely on an engineer’s report when determining the “scope and value” of a claim, even when it conflicts with a claim adjuster’s initial assessment. Without an industry standard to compare Mid-Century’s conduct to, the court could not conclude that Mid-Century unreasonably denied *El Dueno* coverage. Accordingly, the court held that even if an expert’s conclusions are later proven wrong, an insurer may still rely on them unless the insured can show the reliance itself was unreasonable.

Key Takeaways for Insurers

Insurers may reasonably rely on expert opinions, including those that contradict adjusters’ earlier assessments, without automatically triggering liability under Colo. Rev. Stat. § 10–3–1115.

To reduce litigation exposure, insurers should consider engaging qualified experts early in the claims process—particularly in cases involving complex or high-value property damage. The *El Dueno* decision illustrates that a shift from an initial adjuster estimate to a later expert conclusion does not itself establish bad faith, provided the insurer has a reasonable basis for relying on expert evaluation. By retaining appropriate experts to assist in the claims handling process, insurers can strengthen the defensibility of their decision and potentially minimize the costs and risks associated with bad faith claims.

If you have any concerns or need further clarification on your company’s handling of claims, please contact the authors or any attorney with the firm’s [Insurance Coverage and Bad Faith](#) practice.

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