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Washington Supreme Court Defines "Collapse" to Include "Substantial Impairment of Structural Integrity"

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In *Queen Anne Park Homeowners Ass'n v. State Farm Fire & Cas. Co.*, the Washington Supreme Court held that the term "collapse," when left undefined in a first-party property insurance policy, includes "substantial impairment of structural integrity" ("SISI"). The case involved the Queen Anne Park Homeowners Association (the "Association"), which insured its two-building condominium complex with State Farm from 1992 to 1998. State Farm's policies provided insurance for "collapse of a building or any part of a building," caused by "hidden decay." The policies stated that collapse "does not include settling, cracking, shrinking, bulging or expansion," but did not define the term "collapse."

The Association filed an insurance claim with State Farm in 2010, alleging the complex had several areas of hidden decay that had reached a state of SISI. State Farm inspected the two buildings but denied the claim, in part, because a collapse had not commenced during the period State Farm insured the condominiums.

The Association then sued State Farm. And, after a federal district court granted summary judgment in State Farm's favor, the Association appealed. On appeal, the Ninth Circuit submitted a certified question to the Washington Supreme Court, asking it to define the term "collapse" in the State Farm policies at issue.

Acknowledging the three collapse standards adopted by other courts—actual collapse, imminent collapse, and SISI—the court held that the term "collapse" was ambiguous and must be construed in favor of coverage. For this reason, the court interpreted the term to encompass SISI. According to the court, SISI means "impairment so severe as to materially impair a building's ability to remain upright." The SISI must, therefore, render a "building or part of a building unfit for its function or unsafe in a manner that is more than mere settling, cracking, shrinkage, bulging, or expansion." In a footnote, the court warned that SISI should not be interpreted to convert an insurance policy into a maintenance agreement for substantial damage that does not threaten collapse.