American Educational Institute

CLAIMS LAW UPDATE

A SUPPLEMENT TO CLAIMS LAW COURSES IN CASUALTY, PROPERTY, WORKERS' COMPENSATION, FRAUD INVESTIGATION, AND AUTOMOBILE

Fall, 2026

AEI CLAIMS LAW QUIZ

IS OWNERSHIP IN THE INSURED PROPERTY REQUIRED FOR AN INSURABLE INTEREST?

[*Ref. Property Insurance Principles, Para 2.08*]

FACTS: Bruce and Sallie Majeske (the Majeskes) lived in a farmhouse in Grant, Michigan. The Majeskes, however, did not own the farmhouse. The owners were Sallie Majeske's parents, Bruce and Loraine Smith (the Smiths), who placed the property in a revocable trust. Despite having no ownership interest in the property, the Majeskes had lived in the farmhouse for 30 years. The understanding between the Smiths and the Majeskes was that the Majeskes would pay the property taxes and obtain insurance on the farmhouse in exchange for living there. Sallie Majeske believed that after both her parents had passed, she would then inherit the property.

In 2019 the Majeskes remodeled the farmhouse's kitchen, mud room, and the back bathroom. At one time during their occupancy, they operated two agricultural businesses on the property, "Angle Acres Dairy" and "Angle Acres Farm."

The Majeskes obtained a homeowners insurance policy on the property from Allstate in 2020. The insurance application for that policy indicated that they owned the farmhouse. The signature line on the insurance application, however, was left blank and Allstate did not have a signed application for the policy from the Majeskes.

In mid-December 2021, a fire occurred on the property and damaged the farmhouse. The Majeskes promptly notified Allstate about the fire and submitted a claim. When Allstate discovered that the Majeskes did not own the property, it rescinded the policy based on fraud in the application process. Allstate claimed that had it known the Majeskes did not own the property, it would not have issued the policy because the insurance must be in the name of the owner-occupant of the dwelling. By letter dated August 23, 2022, Allstate returned the premium payments to the Majeskes and declared the policy void. The Majeskes then filed a lawsuit against Allstate, alleging among other actions, breach of contract. On that action, Allstate moved for summary judgment, but the court found that a genuine issue of material fact existed as to whether the Majeskes misrepresented their status as homeowners, so it denied Allstate's motion. Both parties then moved for partial summary judgment on the breach of contract action, but this time on the issue of insurable interest. Allstate argued that the breach of contract action should fail because without an ownership interest in the property the Majeskes lacked an insurable interest under the policy. And without an insurable interest, the policy is void. Conversely, the Majeskes argued that their breach of contract action should proceed because even though they did not own the farmhouse, given the circumstances surrounding their occupancy, they suffered a direct financial loss when the farmhouse was damaged in the fire.

QUESTION: Must the Majeskes have an ownership interest in the farmhouse at the time of the fire to establish an insurable interest under the Allstate policy?

ANSWER: No, according to the U.S. District Court for the Western District of Michigan in *Majeske v. Allstate Vehicle*, 2025 U. S. Dist. LEXIS 266840 (W.D. Mich. 2025). Based on the evidence, the court found that the Majeskes had an insurable interest under the policy despite the fact they didn't own the farmhouse, because they resided there for 30 years, paid the property taxes, improved the farmhouse and conducted business on the property.

The case was in federal district court based on diversity jurisdiction. Diversity was satisfied because the Majeskes were domiciled in Michigan, and Allstate maintained its principal place of business in Illinois. Michigan law governed the resolution of the dispute. Summary judgment is appropriate when the moving party shows that there is no genuine dispute as to any material fact. If that burden is met, the moving party is entitled to judgment as a matter of law.

The court began its analysis by stating the relevant law. An insured must have an insurable interest in the insured property to establish the existence of a valid insurance policy. The public policy behind this requirement is that insurance should only be available to protect the insured's pecuniary interest in the insured property and not as an instrument for gambling. For instance, if insurance could be purchased on a stranger's property, then the premium paid for that insurance would be nothing more than a wager to collect under the policy with the expectation and hope that the property is destroyed or damaged. If a wager of that type were permitted, it would create an incentive to intentionally cause damage to the insured property. Therefore, when the insured is found to lack an insurable interest in the property, the policy will be held void and unenforceable to prevent this type of illegal wager or gambling contract.

Under Michigan law, an insurable interest does not necessarily require ownership in the insured property. Instead, an insurable interest can arise whenever the insured is in a position to suffer direct pecuniary damage from the loss of, or damage to, the insured property. The Supreme Court of Michigan has held that an insurable interest in property may arise by the insured's possession of the property (e.g., ownership or a tenancy), or by profits derived from the insured property, or a security interest resting upon the insured property (e.g., a mortgage), or other certain benefits growing out of or dependent upon the insured property (e.g., a bailee), but the loss cannot be indirect or merely sentimental. Therefore, the question of whether an insurable interest exists is not limited to ownership or title in the property, but may include other benefits derived from the property, which if lost, would cause the insured to suffer direct pecuniary damage.

Allstate characterized the Majeskes' occupancy of the property as a tenancy and argued that a mere tenancy is insufficient to create an insurable interest in the property. The court rejected that argument and said the crucial question with respect to an insurable interest is not whether the *Majeskes* were tenants, but whether they would be directly and financially affected by the loss of the insured property. And with respect to that question the court said:

> The record supports the conclusion that the Majeskes have an insurable interest in the farmhouse. The Majeskes would gain some advantage by the continuing existence of the place where they have called home since the 90's. The Majeskes paid the property taxes and also operated businesses on the property. Sallie Majeske, moreover, testified that she and Bruce had no plans on moving anytime soon: "We will continue to live on that farm until the rest of my life, until I die." They also spent money improving the farmhouse, by remodeling the kitchen, the mudroom, and the back bathroom. When considering the whole record, the Majeskes have shown that they have an insurable interest in the farmhouse.

The court held that the plaintiffs, Bruce and Sallie Majeske, possessed an insurable interest in the farmhouse and granted their motion for summary judgment.

CONCLUSION: Ownership isn't necessarily required to establish an insurable interest in the insured property, but an insurable interest in the property is required to establish a valid and enforceable insurance policy. Obviously, if an insured has ownership of the property, he has an insurable interest, but other circumstances, such as a tenancy in property, or a bailment relationship, can create an insurable interest as well. To have an insurable interest the insured must be in a position to suffer a direct pecuniary loss as a result of damage to the property. So the crucial question isn't whether the insured owns the insured property, but whether the insured stands to suffer a financial loss if the property is damaged or destroyed. In the *Majeske* case, it's clear that the Majeskes suffered a loss from the damage to the farmhouse and so, had an insurable interest in it despite the fact that they weren't its legal owners.

Congratulations SCLA's

The following individuals earned their SCLA's in the months of August, September, and October 2026:

Lauren August
IAT Insurance Group
Eagle Rock, MO

Jeff Baker
TN Farmers Mutual Ins.
Dresden, TN

Simone Baker
Mitsui Sumitomo
Cincinnati, OH

Lisa Barnett
GEICO
Virginia Beach, VA

Tiffany L. Bisson
MEMIC
Lisbon, ME 04250

Stephen Bray
Auto-Owners
Lee's Summit, MO

John Burgstiner
Auto-Owners
Weaverville, NC

Nicola Calenda
Utica National Ins.
Whitesboro, NY

Michael D. Carey
Chubb
Denver, CO

Kylan Carter
GEICO
Plano, TX

Gregory S. Castelloe
Auto Club Group
Powell, TN

Rachel Chini
Auto-Owners
Grand Ledge, MI

Justin R. Dekrechewo
Liberty Mutual
Winter Springs, FL

Kristian Dygert
Selective Ins.
Marysville, WA

Caden Fox
TN Farmers Mutual Ins.
Cookeville, TN

Kacy Kayleen Fuchs
Sentry Ins.
Rudolph, WI

L. Daniel Garcia
State Fram Ins.
Brighton, CO

Dana L. Golden
Sentry Ins.
Stevens Point, WI

Jennifer L. Gottovi
CSAA Insurance Group
Lawton, OK

Nick Grossman
Grinnell Mutual
Altoona, IA

Jack Lynn Holley
GEICO
Dallas, TX

Edwin Jacks
US Liability Ins.
Thorndale, PA

Katie Jackson
Auto-Owners
Macon, GA

Farrah Johnson
Selective Ins.
Kannapolis, NC

Aakash A. Joshi
State Farm Ins.
Cumming, GA

Jesse Kelley
TN Farmers Mutual Ins.
Jackson, TN

Elza G. Kirkwood II
Trexis Ins.
Little Rock, AR

Brian Kulikowski
Zurich North America
Villa Park, IL

Shelby L. Lary
Auto-Owners
Knightdale, NC

Grant Lawrence
Kentucky Farm Bureau
Hopkinsville, KY

Austin Lord
American Modern
Huntsville, AL

Joel Lorenzo
Nationwide Group
Baldwinsville, NY

Chad Luckow
Garland, TX

Joseph W. Machacek
Federated Mutual Ins.
Edina, MN

Claudia Martinez
Crum & Forster Ins.
San Antonio, TX

Michele May
Farm Bureau Financial
Lincoln, NE

Jennifer L. McCormick
Utica National Ins.
Locust Grove, VA

James Philip Meekey
Erie Ins.
Monroe, NC

Cynthia Mills
Auto-Owners
Fort Pierce, FL

Nicole C. Noll
Liberty Mutual
Telford, PA

Kevin James O'Donnell
Lakeland, FL

Jason Osboe
Kentucky Farm Bureau
Bowling Green, KY

Leo H. Perlstein
Country Financial
Bloomington, IL

Brendan T. Pfister
Country Financial
Bloomington, IL

Kimberly A. Pickens
State Farm Ins.
Hugo, MN

Brandon Pineiro
American Modern
Pharr, TX

Requanal G. Reaves
Allstate Insurance
Pinson, AL

Tamecia D. Simpson
Sentry Ins.
Atlanta, GA

Audra L. Stamm
Farm Bureau Financial
Wamego, KS

Eric Swanson
American Modern
LaVernia, TX

Nicholas Teraberry
Berkley North Pacific
Nampa, ID

Alandis Thomas
State Farm Ins.
Highland, IN

Claudia F. Trejo
USAA
Riverview, FL

Nicholas G. Warren
Sedgwick
Houston, TX

Misty Way
Farm Family Casualty Ins.
Republic, MO

Ryesheka D. Whitfield
Mitsui Sumitomo
Cincinnati, OH

Daniel Wild
Kentucky Farm Bureau
Almo, KY

Aaron Wilson
Kentucky Farm Bureau
Mayfield, KY

Michelle L. Wright
Crum & Forster Ins.
Kansas City, KS

William Yeats
Automobile Club of Mich.
Royal Oak, MI