

Texas Supreme Court Reaffirms Procedure for Litigating Bad Faith Claims in UM/UIM Cases

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Cozen O'Connor

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In *In Re State Farm Automobile Insurance Co. and Lindsey Nicole Dessart*, 712 S.W.3d 53 (Tex. 2025), the Texas Supreme Court clarified the proper procedure for litigating bad faith claims related to uninsured/underinsured motorist (UM/UIM) coverage.

Mara Lindsey alleged that Carlos Pantoja negligently rear-ended her, resulting in injuries and over \$300,000 in medical expenses. After settling with Pantoja for his \$50,000 policy limit, she sought UIM benefits from State Farm. State Farm made a minimal settlement offer, prompting Lindsey to file suit.

Lindsey's suit sought declarations regarding Pantoja's liability, her covered damages, applicability of the UIM policy, and entitlement to benefits. She also asserted bad faith claims against State Farm and its adjuster.

Under Texas law, UIM benefits are not owed until the insured proves entitlement by establishing the liability of the tortfeasor and the extent of damages with a judgment. As a result, litigation is typically bifurcated: first, a trial on the car accident and entitlement to benefits; and second, a trial on bad faith and extra-contractual claims.

Here, the parties agreed to bifurcate, but disagreed on discovery. Lindsey argued both phases should proceed before the same jury, meaning discovery on bad faith issues would continue unabated. State Farm contended discovery in the bad faith case should be abated until Lindsey proved entitlement to UIM benefits.

The trial court bifurcated the claims but denied State Farm's request to abate discovery. The dispute escalated when the court refused to quash the deposition of State Farm's corporate representative. The Supreme Court reversed, holding that bad faith claims must be both bifurcated and abated. The Supreme Court found that allowing discovery before the insured establishes coverage creates unnecessary cost and burden if the claim fails.

Lindsey sought to depose State Farm's corporate representative on (1) whether Pantoja was underinsured, (2) State Farm's damage valuations, and (3) the company's claims, defenses, and contentions. Although deposing a party on their claims and contentions may seem reasonable, the Court emphasized proportionality.

State Farm supported its objection with specifics: it produced the non-privileged claim file, stipulated to the existence of the UIM policy and Pantoja's underinsured status, and submitted an affidavit outlining the time and expense required for deposition preparation. The Court found the deposition's marginal value did not justify its cost given the existing disclosures.

This opinion reinforces the procedural sequence for UIM litigation and sets firm boundaries for discovery in bifurcated bad faith cases.

