LOUISIANA COURT OF APPEAL, SECOND CIRCUIT

Gibsland Bank and Trust Company v. The Security Title Guarantee Corporation of Baltimore

No. 56,594-CA (La. Ct. App. Jan. 21, 2026) · No. No. 56,594-CA · Decided January 21, 2026

SUMMARY

The Louisiana Second Circuit reviews a dispute over title insurance coverage for a mortgage that lacked priority because of an earlier lien. The court affirms the finding that the insurer breached the policy and acted arbitrarily and capriciously, but reverses awards for property-tax penalties and interest and for attorney fees related to bankruptcy and sheriff-sale proceedings. The court also addresses mitigation, policy exclusions, statutory penalties, and the reasonableness of attorney fees.

CASE DETAILS

COURT	Louisiana Court of Appeal, Second Circuit
WRITING FOR THE COURT	Ellender, J.; Pitman, J.; Stone, J.
JURISDICTION	Louisiana Court of Appeal, Second Circuit
DECIDED	January 21, 2026
DOCKET	No. 56,594-CA
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Security appealed a judgment awarding Gibsland Bank damages, statutory penalties, attorney fees, and an expert witness fee for breach of a title insurance policy and bad-faith claim handling. Gibsland Bank answered the appeal seeking additional damages and a larger statutory penalty.
STANDARD OF REVIEW	Manifest error for factual findings concerning breach, coverage, mitigation, and arbitrary-and-capricious claim handling; abuse of discretion for attorney-fee awards and expert qualification; appellate review of legal issues de novo.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	The Security Title Guarantee Corporation of Baltimore v. Gibsland Bank and Trust Company

TOPICS

insurance coverage | insurance bad faith | breach of contract | contract interpretation | appellate procedure

PRACTICE AREAS

insurance law | contract law | real estate law | remedies | appellate practice

QUESTIONS PRESENTED

1. Whether Security breached the title insurance policy by failing to cure the lack of priority of Gibsland Bank's insured mortgage.
2. Whether Gibsland Bank's failure to mitigate its losses required reversal of the award for property-tax penalties and interest.
3. Whether attorney fees incurred in connection with the borrower's bankruptcy proceedings and sheriff sale were recoverable under the title insurance policy.
4. Whether Security's failure to pay or make a settlement offer within the statutory periods was arbitrary, capricious, or without probable cause.
5. Whether the district court abused its discretion by awarding $140,174.78 in penalty attorney fees.
6. Whether Gibsland Bank was entitled to damages for the alleged diminished value of the collateral.
7. Whether the district court abused its discretion by imposing the lower penalty under La. R.S. 22:1892 rather than the higher penalty under former La. R.S. 22:1973.

HOLDINGS

1. Security breached the policy by failing to pay the covered risk that Gibsland Bank's mortgage lacked priority over the Bankers' Insurance Company mortgage.
2. Gibsland Bank could not recover the $33,256.71 in property-tax penalties and interest because it failed to make reasonable efforts to mitigate its losses.
3. The $13,113.12 in attorney fees arising from the borrower's bankruptcy proceedings and the suit to quiet title was not recoverable because the policy excluded attorney fees and expenses arising from matters attaching or created after the policy date.
4. Security acted arbitrarily, capriciously, and without probable cause by failing to pay the undisputed amount necessary to cure the priority defect within the statutory period.
5. The district court did not abuse its discretion in qualifying the attorney-fee expert, but it abused its discretion by awarding $140,174.78; a reasonable penalty attorney fee was $40,000.
6. Gibsland Bank was not entitled to $258,500 for alleged diminished value of the collateral because the evidence did not establish that the later appraisal and sheriff-sale price reflected a loss attributable to the 2017-2018 claim period.
7. The district court did not abuse its discretion by imposing the lower penalty under La. R.S. 22:1892 rather than the higher penalty under former La. R.S. 22:1973.

KEY QUOTATIONS

> *“Lack of priority is specifically defined as a covered risk, under Covered Risk No. 10.”* (11)

> *“A reasonable bank in GBT’s position would not have done any of the acts described above.”* (13)

> *“Security obviously did not satisfy its minimal obligation under Condition 8 within the prescribed periods, and did so only after suit was filed.”* (17)

> *“The core objective of the penalty statute is to discourage bad-faith conduct of the insurer toward its insured, not to make the insured whole.”* (21)

FACTUAL BACKGROUND

Gibsland Bank loaned money to Timothy Thomas secured by a multiple-obligation mortgage and purchased a title insurance policy insuring that its mortgage had first-lien priority. Before Gibsland Bank's mortgage was recorded, Bankers' Insurance Company recorded a superior mortgage, but the title examination was not updated and the policy incorrectly insured Gibsland Bank's mortgage as first priority. Gibsland Bank learned of the priority problem in 2012, continued advancing money, and did not provide formal notice directly to Security until March 2017. Security investigated but did not pay off the superior mortgage until March 2018, after suit was filed.

PROCEDURAL HISTORY

Gibsland Bank sued Security after Security paid off the superior mortgage but did not do so until after the bank filed suit. The district court found that Security breached the title insurance policy and acted arbitrarily and capriciously, awarding property-tax penalties and interest, attorney fees connected to bankruptcy and sheriff-sale proceedings, a statutory penalty, and substantial attorney fees. The appellate court affirmed the finding of coverage, breach, and bad faith, reversed the awards for property-tax penalties and bankruptcy and sheriff-sale attorney fees, reduced the penalty attorney-fee award to $40,000, affirmed the statutory penalty and expert-fee award, and rendered judgment accordingly.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

The judgment is rendered to award Gibsland Bank $5,632.76 in statutory penalties, $9,887.65 for the expert witness fee, and $40,000 in attorney fees, plus specified judicial interest and costs. The appellate costs are assessed one-half to each party. The opinion states the result as reversed in part, affirmed in part, and rendered.

CASES CITED

- In re Settle, 19-1838 (La. 1/14/20), 268 So. 3d 1038
- Gibsland Bank & Tr. Co. v. Security Title Ins. Co. of Maryland, 19-01551 (La. 11/25/19), 283 So. 3d 498
- Peterson v. Schimek, 98-1712 (La. 3/2/99), 729 So. 2d 1024
- Martinez v. Am. Transp. Group Risk Retention Group Inc., 23-01716 (La. 10/25/24), 395 So. 3d 731

- Bucklin v. Stewart, 54,487 (La. App. 2 Cir. 9/28/22), 348 So. 3d 896
- LeBlanc v. Aysenne, 05-0297 (La. 1/19/06), 921 So. 2d 85
- Samuels v. State Farm Mut. Auto Ins. Co., 06-0034 (La. 10/17/06), 939 So. 2d 1235
- Smith v. Grantham, 23-0881 (La. App. 1 Cir. 9/4/24), 394 So. 3d 316
- 1900 P'ship v. Bubber Inc., 27,475 (La. App. 2 Cir. 11/1/95), 662 So. 2d 808, writ denied, 96-0037 (La. 2/28/96), 668 So. 2d 369
- MB Indus. LLC v. CNA Ins. Co., 11-0303 (La. 10/25/11), 74 So. 3d 1173
- Redstone v. Pipes, 53,416 (La. App. 2 Cir. 4/22/20), 294 So. 3d 1113
- Byles v. Bank of Coushatta, 50,120 (La. App. 2 Cir. 11/25/15), 184 So. 3d 789, writ denied, 16-0254 (La. 4/4/16), 190 So. 3d 1208
- State v. Wagner, 10-0050 (La. 5/28/10), 38 So. 3d 240
- Stutts v. Melton, 13-0557 (La. 10/15/13), 130 So. 3d 808
- Sher v. Lafayette Ins. Co., 07-2441 (La. 4/8/08), 988 So. 2d 186
- KCREW Invs. LLC v. Clark, 55,092 (La. App. 2 Cir. 5/10/23), 362 So. 3d 1288
- Hoffman v. 21st Century N. Amer. Ins. Co., 14-2279 (La. 10/2/15), 209 So. 3d 702
- Ardent Servs. LLC v. G & V Invs. LLC, 23-253 (La. App. 5 Cir. 2/28/24), 382 So. 3d 1080
- Jacobs v. GEICO Indem. Co., 52,372 (La. App. 2 Cir. 9/26/18), 256 So. 3d 449
- Calogero v. Safeway Ins. Co. of La., 99-1625 (La. 1/19/00), 753 So. 3d 170
- Reed v. State Farm Mut. Auto Ins. Co., 03-0107 (La. 10/21/03), 857 So. 2d 1012
- Handy on Behalf of Armstead v. State Farm Mut. Auto Ins. Co., 52,905 (La. App. 2 Cir. 9/25/19), 280 So. 3d 881
- Smith v. Citadel Ins. Co., 19-00052 (La. 10/22/19), 285 So. 3d 1062
- Smith v. Audubon Ins. Co., 95-2057 (La. 9/5/96), 679 So. 2d 372
- Baack v. McIntosh, 20-01054 (La. 6/30/21), 333 So. 3d 1206
- Manchack v. Willamette Indus. Inc., 621 So. 2d 649 (La. App. 2 Cir.), writ denied, 629 So. 2d 1170 (La. 1993)
- Blair v. Coney, 19-00795 (La. 4/3/20), 340 So. 3d 775
- Knight v. Tucker, 52,438 (La. App. 2 Cir. 1/16/19), 263 So. 3d 625
- Brightwell v. City of Shreveport, 54,824 (La. App. 2 Cir. 2/8/23), 356 So. 3d 586
- Taylor v. Prod. Servs. Inc. of Mississippi, 600 So. 2d 63 (La. 1992)
- Quinlan v. Sugar-Gold, 53,348 (La. App. 2 Cir. 3/11/20), 293 So. 3d 722, writ denied, 20-00744 (La. 10/6/20), 302 So. 3d 536
- Wegener v. Lafayette Ins. Co., 10-0810 (La. 3/15/11), 60 So. 3d 1220
- PVCA Inc. v. Pacific W. TD Fund LP, 21-0753 (La. App. 4 Cir. 7/13/22), 366 So. 3d 243, writ denied, 22-01220 (La. 11/8/22), 362 So. 3d 423
- Benjamin v. Zeichner, 12-1763 (La. 4/5/13), 113 So. 3d 197
- Miller v. Rayville Mfg., 53,573 (La. App. 2 Cir. 11/18/20), 307 So. 3d 1138
- State v. Williamson, 597 So. 2d 439 (La. 1992)

- Kullman Firm v. Integrated Elec. Techs. Inc., 24-0138 (La. App. 4 Cir. 9/27/24), 401 So. 3d 855, writ denied, 24-01313 (La. 1/14/25), 398 So. 3d 1171
- Bridges v. Chubb Indem. Ins. Co., 24-593 (La. App. 5 Cir. 7/2/25), 420 So. 3d 71