FIRST COURT OF APPEALS OF TEXAS

First American Title Insurance Company v. Patriot Bank

First American · No. 01-14-00170-CV · Decided June 15, 2015

SUMMARY

Patriot Bank’s motion for rehearing asks the First Court of Appeals of Texas to address issues concerning damages for a complete failure of title, valuation under the Texas Department of Insurance’s Manual of Title Insurance, and the date for measuring loss. It also challenges the sufficiency of a later appraisal as a basis for finding a bona fide dispute that would bar Patriot’s insurance bad-faith claims.

CASE DETAILS

COURT	First Court of Appeals of Texas
JURISDICTION	Texas
DECIDED	June 15, 2015
DOCKET	01-14-00170-CV
DISPOSITION	other
PROCEDURAL POSTURE	Patriot Bank filed a motion for rehearing challenging the court's May 12, 2015 opinion and requesting that the court address unresolved issues concerning title-insurance damages and insurance bad-faith claims.
STANDARD OF REVIEW	The motion discusses the legal sufficiency of summary judgment based on the asserted bona fide dispute and the proper legal measure and date of damages, but the court's standard of review is not stated in the provided document.
PRECEDENTIAL VALUE	unknown
PARTIES	First American Title Insurance Company v. Patriot Bank

TOPICS

appellate procedure · insurance coverage · insurance bad faith · damages · title disputes

PRACTICE AREAS

appellate procedure · title insurance · insurance bad faith · real estate damages · commercial litigation

QUESTIONS PRESENTED

1. Whether the measure of damages for a complete failure of title is the same as the measure of damages for breach of the covenants of seisin and good title.
2. Whether the Texas Department of Insurance Manual of Title Insurance required the insured property's value to be at least $1.5 million.
3. What date should be used to measure Patriot Bank's loss under the title policy.
4. Whether First American's reliance on a June 19, 2012 appraisal was legally sufficient to establish a bona fide dispute and bar Patriot Bank's insurance bad-faith claims.

KEY QUOTATIONS

> *"The proper measure of damages for breach of the covenants of seisin and warranty of good title is the consideration paid for the conveyance."* (5)

> *"The rule in Texas has long been that contract damages are measured at the time of the breach."* (10)

> *"The valuation of the property more than three years after the claim accrued is patently irrelevant as a matter of law."* (11)

FACTUAL BACKGROUND

Patriot Bank made a $1.5 million loan secured by collateral that included interests in two tracts of land and related property rights. Patriot alleged that Tantalus Bay had no title to convey to the 8.225-acre and 7.500-acre tracts, resulting in a complete failure of insured title. First American relied on an appraisal valuing the property as of June 19, 2012, while Patriot asserted that any loss should be measured as of the April 29, 2009 closing date.

PROCEDURAL HISTORY

The appeal arose from a summary judgment in the 61st Judicial District Court of Harris County, Texas, in favor of Patriot Bank and against First American on some claims, while First American obtained summary judgment on Patriot's insurance bad-faith claims. Patriot, identified as appellee and cross-appellant, sought rehearing and requested that the appellate court set aside its prior opinion, affirm the trial court's judgment in Patriot's favor, reverse summary judgment on the bad-faith claims, and remand those claims.

DISPOSITION

other

CASES CITED

- Childress v. Siler, 272 S.W.2d 417 (Tex. Civ. App.—Waco 1954, writ ref'd n.r.e.)
- Sun Exploration & Production Co. v. Benton, 728 S.W.2d 35 (Tex. 1987)
- Boatright, 790 S.W.2d at 727
- Johns, 381 S.W.2d at 936

- Evans v. Henderson, 460 B.R. 848 (Bankr. S.D. Miss. 2011)
- Securities Services, Inc. v. Transamerica Title Insurance Co., 583 P.2d 1217 (Wash. 1978)
- Chicago Title Insurance Co. v. McDaniel, 875 S.W.2d 310 (Tex. 1994)
- Citicorp Savings of Illinois v. Stewart Title Guaranty Co., 840 F.2d 526 (7th Cir. 1988)
- Miga v. Jensen, 96 S.W.3d 207 (Tex. 2002)
- Southern Title Guaranty Co., Inc. v. Prendergast, 494 S.W.2d 154 (Tex. 1973)
- Stewart Title Guaranty Co. v. Cheatham, 764 S.W.2d 315 (Tex. App.—Texarkana 1988, writ denied)