

RECENT DEVELOPMENTS

INSURANCE

WITHOUT A VALID BREACH OF CONTRACT CLAIM, THE CUTCHALLS' EXTRA-CONTRACTUAL CLAIMS (BAD FAITH, TEXAS INSURANCE CODE VIOLATIONS, DTPA VIOLATIONS) ALSO FAIL

Cutchall v. Chubb Lloyd's Ins. Co., 2024 U.S. Dist. LEXIS 234546 (S.D. Tex. 2024)

<https://law.justia.com/cases/federal/district-courts/texas/txsdc/4:2023cv03745/1937357/58/>

FACTS: Plaintiffs, Kimberly Cutchall and Michael Cutchall (hereinafter, the "Cutchalls") had an insurance policy with Defendant Chubb Lloyd's Insurance Co., (hereinafter, "Chubb") for certain types of damages to their home. The Cutchalls submitted an insurance claim to Chubb for water damage. Chubb's investigation, supported by expert evaluations, determined the damage was due to various non-covered causes, such as pre-existing defects and maintenance issues. The Cutchalls' policy excluded coverage for damages arising from such conditions.

The Cutchalls sued for breach of contract and extra-contractual claims. The Cutchalls asserted claims for breach of the duty of good faith and fair dealing, violations of the Texas Insurance Code provisions related to unfair settlement practices, violations of the Texas Insurance Code provisions related to the prompt payment of claims, and violations of the Texas Deceptive Trade Practices Act. Chubb filed a motion for summary judgment.

HOLDING: Granted.

REASONING: Chubb argued that because the Cutchalls failed to show evidence that proved the losses should be covered and failed to raise a genuine dispute of material fact, summary judgment should be granted. The court agreed. Chubb's policy explicitly excluded the causes of the damages claimed by the Cutchalls, and their investigation substantiated this exclusion. The court explained the Cutchalls failed to establish their claim is covered by the policy as the evidence contradicted itself and the Cutchalls failed to segregate damages.

Under Texas law, extra-contractual claims depend on the existence of a valid breach of contract.

Under Texas law, extra-contractual claims depend on the existence of a valid breach of contract. Because the damages were not covered under the policy terms, Chubb's denial of the claim was not in bad faith and did not violate the Texas Insurance Code or the DTPA. The Cutchalls' failure to raise a fact issue regarding their breach of contract and bad faith claims rendered the foundation for these extra-contractual claims legally insufficient. The court concluded without a valid breach of contract claim, the Cutchalls' extra-contractual claims (bad faith, Texas insurance code violations, DTPA violations) also fail.

The court granted summary judgment on all the extra-contractual claims.

A BONA FIDE COVERAGE DISPUTE ABOUT REPAIR COSTS IS NOT SUFFICIENT TO SUPPORT BAD FAITH CLAIMS

THE SAME LEGAL STANDARDS APPLY TO BOTH COMMON LAW AND STATUTORY BAD FAITH CLAIMS IN TEXAS, SO DISMISSAL OF THE COMMON LAW CLAIM NECESSITATES DISMISSAL OF THE STATUTORY CLAIMS

Missions v. Church Mut. Ins. Co., 2025 U.S. Dist. LEXIS 41367 (N.D. Tex. 2025).

<https://law.justia.com/cases/federal/district-courts/texas/txndce/4:2024cv00057/385269/36>

FACTS: Cowboy Christian Mission's ("Plaintiff") property sustained damage from a tornado. Plaintiff submitted a claim for insurance coverage under the Policy it had with Church Mutual Insurance Company ("Defendant"). After conducting an inspection of the damage, Defendant sent two payments to Plaintiff. Later, Plaintiff sent a demand letter to Defendant for other expenses, including relocation costs and other non-salvageable items. Defendant refused to cover these costs.

Plaintiff filed suit, alleging violations of extra-contractual claims under the Texas Insurance Code, the DTPA, and common-law breach of duty of good faith and fair dealing. Defendant filed summary judgment on Plaintiff's extra-contractual claims.

HOLDING: Defendant's motion granted.

REASONING: Defendant argued that Plaintiff failed to show that it acted in bad faith, as the evidence supported only a bona fide coverage dispute, which bars extra-contractual claims that involve elements of bad faith. The court agreed. Under Texas law, a bona fide coverage dispute does not demonstrate bad faith, as a genuine dispute over the scope of insurance coverage is reasonable for denying coverage. Defendant argued that it did not fail to conduct a reasonable investigation, because it could not be shown that the expenses from the engineering reports and damage estimates for relocation expenses or coverage of non-salvageable items were 'covered costs.' Additionally, Defendant urged that Plaintiff failed to meet its burden of showing that its relocation expenses were necessary.

The court explained Plaintiff's report alone did not establish that Defendant under paid the claim and that Plaintiff failed to meet its burden of showing that it incurred any extra expenses. If the insurer had a reasonable basis to deny or delay payment of a claim, even if that basis was eventually determined by the fact finder to be erroneous, the insurer is not liable for the tort of bad faith.

The court further reasoned that Texas courts have ruled that extra-contractual tort claims require the same predicate for recovery as bad faith causes of action in Texas. Therefore, because the statutory and common law standards are the same, a finding that there was no common law violation as a matter of law also eliminated the statutory claims alleged by Plaintiff. Defendant's motion for summary judgement was granted.