

RECENT DEVELOPMENTS

INSURANCE

THE EXISTENCE OF A BONA FIDE COVERAGE DISPUTE PRECLUDES BAD FAITH CLAIMS UNDER TEXAS LAW

Cmty. of Hope Methodist Church v. Church Mut. Ins. Co., 2025 U.S. Dist. LEXIS 105827 (N.D. Tex. 2025).

<https://law.justia.com/cases/federal/district-courts/texas/txndce/4:2024cv00656/392039/33/>

FACTS: The Community of Hope Methodist Church (“Plaintiff”) and its insurer, the Church Mutual Insurance Company (“Defendant”) were in an insurance coverage dispute over damage sustained to the Plaintiff’s building (“Property”) because of a hailstorm (the “Loss Event”).

Under Texas law, insurers have a duty to deal fairly and in good faith with insurers.

The Plaintiff submitted a claim for coverage of damages under a commercial property policy (the “Policy”) issued by Defendant. Defendant hired an independent adjuster to inspect the Property and a forensic engineer to assess the roof for hail damage. Defendant’s independent adjuster determined that Plaintiff was only entitled to receive an elastomeric coating repair and that

other damage was a result of a prior hailstorm. Plaintiff disagreed and claimed that it was entitled to a full roof replacement.

Plaintiff sued, alleging breach of the common-law duty of good faith and fair dealing, among other claims. Defendant moved for summary judgment on the Plaintiff’s bad faith claim.

HOLDING: Granted.

REASONING: Defendant argued that the summary judgment evidence demonstrated the existence of a bona fide coverage dispute regarding whether the hailstorm caused sufficient damage to require a full roof replacement. By contrast, Plaintiff maintained that Defendant failed to conduct a reasonable investigation or fairly adjust the claim, contending these failures gave rise to bad faith. However, Plaintiff did not introduce any additional qualified opinion or other competent evidence to challenge Defendant’s expert findings on causation or the extent of damage.

Under Texas law, insurers have a duty to deal fairly and in good faith with insurers. However, evidence of a bona fide coverage dispute is not enough to establish bad faith if the insurer had a reasonable basis to deny or delay payment of a claim. The court concluded that, given Defendant’s reliance on undisputed engineering reports and the lack of contrary evidence from Plaintiff, a genuine dispute existed about the scope of covered damage. As a result, the court held that Plaintiff failed to raise a genuine issue of material fact on its common-law bad faith claim.