

THOUGHT LEADERSHIP

News

TEXARKANA COURT OF APPEALS HOLDS THAT TENANTS IN SUFFERANCE DO NOT HAVE AN INSURABLE INTEREST IN A PROPERTY LOSS

Newsbrief

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Recently, the Texarkana Court of Appeals affirmed a trial court's take nothing judgment against the insureds because they had no insurable interest in the dwelling at the time of a fire. In *Rhine v. Priority One Ins. Co.*, 06-13-00039-CV, 2013 WL 4428930 (Tex. App.—Texarkana Aug. 20, 2013, no. pet. h.) the insured owned a house in a semi-rural part of Harrison County, Texas and obtained fire and hazard insurance on the property from Priority One. The house was destroyed by a fire, and Priority One denied coverage, claiming that the policy had been terminated before the claim matured, and at the time of loss, the insureds lost their insurable interest in the property due to foreclosure.

The insureds' home was secured by a mechanic's lien with power of sale regarding the payment of a promissory note given for the construction and improvements to the insured's home. The insureds' were nine months delinquent in payment and the house was foreclosed on November 1, 2011. As a result, the insured had been reduced from owners to tenants in sufferance, and the Priority One Policy did not provide coverage for roomers or tenants. The house was destroyed by a fire on November 15, 2011—two weeks after the foreclosure.

The Court concluded that the policy prevented recovery because the insureds were tenants in sufferance at the time of the loss. Accordingly, the Court affirmed the trial court's judgment in favor of Priority One insurance.