

THOUGHT LEADERSHIP

News

COURT SPECIFIES WHEN INSURANCE BREACH OF CONTRACT AND BREACH OF DUTY TO INDEMNIFY CLAIMS BEGIN TO ACCRUE

Newsbrief

18 JUL 2022

This week, a federal District Court judge in the Southern District of Texas delineated when various statutes of limitation for insurance claims begin to accrue. In *Patriot Logistics v. Travelers Property & Casualty Company of America*, (4:20-cv-03565, 2022 WL 2704844 (S.D. Tex., July 12, 2022)), Wheels Clipper hired cargo hauling company Patriot Logistics to move a shipment of alcohol from Illinois to Houston. Patriot Logistics successfully completed most of the transport and stored the alcohol shipment at a drop yard in Houston with a security guard and gate. Nevertheless, the shipment was stolen, the theft having been confirmed on video.

Patriot Logistics filed a claim with Travelers for the loss of cargo under its policy, and Travelers denied that claim in [January 2018](#). Patriot Logistics and Wheels Clipper tried but were unsuccessful in reaching a settlement agreement, so Wheels Clipper sued Patriot Logistics in [April 2020](#). Patriot requested defense and indemnification from Travelers, which Travelers denied. Patriot Logistics settled with Wheels Clipper for the full amount of its lawsuit claim.

Patriot Logistics sued Travelers in [September 2020](#). Travelers moved for summary judgment, stating that Patriot Logistics' breach of contract, breach of good faith and fair dealing, and Insurance Code violations claims' statutes of limitations ran two years^[1] after January 2018, when Traveler's initially denied Patriot Logistics' claim for the stolen cargo. Patriot Logistics disagreed, claiming that the statutes of limitations ran two years after April 2020, when Travelers refused to defend and indemnify Patriot Logistics in its lawsuit against Wheels Clipper. In an interesting decision, the Court granted in part and denied in part Travelers' motion.

The Court held that the earliest alleged contractual breach was Travelers' duty to defend Patriot Logistics, and that did not arise until there was a live lawsuit, in April 2020. The Court adopted the same reasoning for the breach of the duty of good faith and fair dealing and the same for Patriot Logistics' claim for violation of Chapter 542 of the Texas Insurance Code for defense costs resulting from a breach of the duty to defend. Travelers got the earlier statute of limitations date for violation of Chapter 541 of the Texas Insurance Code, for unfair methods of competition or unfair or deceptive acts or practices, holding that such claims accrue upon issuance of a denial letter.

COURT SPECIFIES WHEN INSURANCE BREACH OF CONTRACT AND BREACH OF DUTY TO INDEMNIFY CLAIMS BEGIN TO ACCRUE

Editor's Note: This decision emphasizes the complexity of navigating coverage issues involving the duty to defend and the importance of well written decision letters, continued monitoring and the use of declaratory judgment actions to address coverage issues when appropriate.

[1] Contracts default to a four-year limitations period, but can be agreed to two years, and such an agreement was conceded in this case.