



Court of Appeals Holds that Title Insurance Policy No Longer Provided Coverage After Plaintiff Transferred Ownership to Third Party

Mark J. Colon

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In an unpublished decision decided June 26, 2008, plaintiff Proto-Cam ("P-C") purchased a parcel of real estate and, with it, an owner's title insurance policy from defendant Transamerica. P-C then quitclaimed the property to Tennine, who leased the use of the property back to P-C. Later, P-C became involved in litigation over the use of an adjacent, vacated street ("Walbridge") which P-C claimed it owned. P-C tendered the costs of this litigation to Transamerica. The trial court granted summary disposition to Defendant and Plaintiff appealed. The Court of Appeals affirmed. *Proto-Cam, Inc v Transamerica Title Ins Co.* (Docket Nos. 276443, 275505).

In affirming the trial court's grant of summary disposition in favor of Transamerica, the Court of Appeals focused on the following language from the title insurance policy:

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land...

P-C's first argument was that Tennine was an "insured" by definition under the policy because Tennine had succeeded to the interest of P-C "by operation of law," words which defined who qualified as an "insured" in the policy. In rejecting this argument, the Court held that the "by operation of law" language clearly and unambiguously referred to an "involuntary transfer - such as when an heir takes title to a property by inheritance," as opposed to a voluntary transfer such as an arms-length purchase for value.

P-C's second argument was that P-C had retained an interest in the property because it had not conveyed the north half of Walbridge to Tennine. The Court again rejected PC's argument, this time because the legal description contained in the title policy did not include the half of Walbridge that P-C claimed to still have an interest.

AUTHORS/ CONTRIBUTORS

Mark J. Colon

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Finally, the Court rejected P-C's reliance on an out-of-state decision for the proposition that the "lease back" constituted a retention of interest in the property. The Court held that while P-C may have retained interest in the "use" of the land, P-C did not retain an interest in the land itself.
