

## Reversing District Court, Eighth Circuit Rules That Challenge To Validity Of Contract Must Be Arbitrated (Insurance Law Alert)

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The Eighth Circuit granted a motion to compel arbitration, ruling that a challenge to the validity of a contract containing an arbitration clause should be resolved by an arbitration panel rather than a court. *Benchmark Ins. Co. v. SUNZ Ins. Co.*, 2022 WL 1916542 (8th Cir. June 6, 2022).

SUNZ Insurance Solutions, an affiliate of SUNZ, entered into Program Agreements with two Florida companies. The Program Agreements, which set forth the binding terms and conditions of workers compensation policies between the parties, contained an arbitration clause applicable to “any controversy or claim arising out of or relating in any way to this [Program] Agreement or the breach or alleged breach thereof.” However, the first page of the Program Agreement stated that the insurance policy would prevail in the case of any conflict between the Program Agreement and insurance policy. In a subsequent lawsuit between SUNZ and several other entities, the two Florida companies filed crossclaims for breach of contract. The companies alleged that the Program Agreements were void because they were never filed with state regulatory agencies. SUNZ moved to dismiss the crossclaims or alternatively compel arbitration. A Minnesota district court denied both motions.

The Eighth Circuit reversed, finding that the district court erred in refusing to compel arbitration. The court explained:

The Policy cannot be read without the Program Agreement, which explicitly controls the administration of the Policy and only becomes binding and enforceable after its execution. While . . . the crossclaim alleges that SUNZ breached the Policy, it is the Program Agreement that drives the question of liability. And, under the Program Agreement both parties agreed to submit to arbitration any disagreement regarding its terms.

As the court noted, issues as to a contract’s validity must be addressed by the arbitrator rather than the court, unless the challenge is to the arbitration clause itself, which was not the case here.

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