

Sixth Circuit Rules That Dispute Over Limitation Period In Reinsurance Contract Is Question For Arbitrator, Not Court (Insurance Law Alert)

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Affirming a Michigan district court decision, the Sixth Circuit ruled that the question of whether a three-year limitation in a reinsurance agreement precluded arbitration was a question for the arbitrator, not the court. *Alliance Health and Life Ins. Co. v. American National Ins. Co.*, 2022 WL 2903440 (6th Cir. July 22, 2022).

A reinsurance agreement between American National and Alliance Health included an arbitration provision that provided: “As a precedent to any right of action under this Agreement, if any dispute shall arise . . . with reference to the interpretation of the Agreement or [the parties’] rights with respect to any transaction involved, whether such disputes arise before or after termination of this Agreement, such dispute, upon the written request of either party, shall be submitted to three arbitrators.” The agreement further stated that “[n]o arbitration may be commenced more than 3 years after the Effective Date of this Agreement.” When American National rejected a reinsurance claim, Alliance Health sued in federal court. American National moved to dismiss on the ground that the dispute was subject to arbitration. In response, Alliance Health argued that because the claim was outside the agreement’s three-year limit for commencing arbitration, it could proceed in court. The district court rejected this contention, ruling that the question of whether the time limit applied was for an arbitrator to decide. The Sixth Circuit affirmed.

The Sixth Circuit explained that application of the agreement’s time limit “is a quintessential question of procedural arbitrability” under established case law. The court noted that parties may contract around such a presumption, but that the reinsurance agreement at issue contained no language indicating an intent to assign the time limit issue to a judge rather than an arbitration panel. Further, the court emphasized that the broad language in the arbitration clause supported its conclusion.

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