

THOUGHT LEADERSHIP**Service**

Reinsurance

Professional

MICHAEL K. ROBLES

WASHINGTON:

202.378.2300

MICHAEL.ROBLES@

HUSCHBLACKWELL.COM

LEGAL UPDATES

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California District Court Compels Arbitration of Reinsurance Dispute

A California federal district court recently compelled arbitration of a reinsurance dispute, finding that it “had little difficulty concluding that this case falls within the parties’ arbitration agreement.” *Truck Insurance Exchange v. Certain Underwriters at Lloyd’s London et al.*, 24-CV-08157-SB-JC, C.D. Cal. (Nov. 15, 2024).

Specifically, in the 1960s, Truck Insurance Exchange issued comprehensive liability policies to Kaiser Cement & Gypsum Company and reinsured the liability under those policies with various reinsurers, including the defendants. In 1994, the parties executed a Memorandum of Understanding (MOU) addressing “how the reinsurance contract applied to asbestos-related bodily injury claims paid by [Truck].” The Reinsurance Agreement contained an arbitration clause, but the MOU did not.

In July 2023, Truck began again to bill Kaiser Cement asbestos losses to the defendants. In response, defendants demanded that the bills be withdrawn or that the matter be submitted to arbitration. Truck then filed suit seeking a declaration concerning the interpretation of a MOU. The defendants moved to compel arbitration, arguing that the parties’ dispute was subject to the arbitration clause contained in the parties’ reinsurance contract.

The district court agreed with defendants, finding that it “had little difficulty concluding that this case falls within the parties’ arbitration agreement.” According to the court, “where two contracts are merely interrelated contracts in an ongoing series of transactions, an arbitration provision in one contract could apply to subsequent contracts.” Here, “the MOU by its terms sets forth the parties’ understanding of the application of the reinsurance contract to the asbestos-related claims at issue.” However, “any billing...will be pursuant to the reinsurance contract” and there is “no right to payment under the MOU independent of the reinsurance contract.” Because an arbitrator “must resolve

the parties' dispute about [defendants'] payment obligations under the reinsurance contract," the court found the parties' dispute arbitrable and compelled arbitration.

Contact us

If you have questions regarding the court's decision, please contact Michael Robles or Rachel Potter.