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Four Joint Insurers - Does an Arbitration Clause Appearing in Only One Policy Control?

Risk for particular losses are often shared among several insurers. But what happens if following an insured's claim against four insurers, only one of the four insurance policies contains a mandatory arbitration clause? Will the entire claim be resolved through arbitration or in court? Or, perhaps, will the percentage claim against each insurer be resolved through the process set forth in its individual policy?

This issue was faced recently by a federal district court in *Signal Ridge Owners Association v. Landmark American Insurance,* (N.D Texas 2023).

Signal Ridge is a homeowners association for a condominium complex. Four insurers together insured the property pursuant to an insurance program. Liability was to be apportioned in the following percentages: Landmark (45%), Lexington (30%), National (15%) and Hudson (10%).

Each insurer furnished its own standard policy language and riders; these were then "affixed to one another, accompanied by one overarching shared limits/shared capacity dispute protocol, and delivered to Signal Ridge."

Only one of the four policies, that of Hudson the 10% insurer, contained an arbitration clause. It provided:

"If there is any dispute or disagreement as to the interpretation of the terms and conditions of this policy or the development, adjustment and payment of any claim, they shall be submitted to the decision of a joint arbitrator that the insured and company shall appoint jointly."

By reason of property damage disagreements, Signal Ridge sued all four insurers. Invoking the arbitration clause in the Hudson policy, the insurers all moved to compel arbitration and dismiss the suit.
The court recognized that it must determine whether, under Texas contract law, there was a valid agreement to arbitrate among all parties. **READ MORE..**

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