

Crop Insurance Dispute Wrapped in Red Tape: One Farmer's Uphill Battle to Overturn Arbitration



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A farmer who lost a crop insurance dispute at arbitration took his insurance company to federal district court, filing a motion to vacate the arbitration award. When the lower court split the baby, the farmer and the insurer cross-appealed. In a recently announced opinion, the Eighth Circuit sided with the insurance company and declined coverage.

Lessons Learned

Arbitration finding given great deference. The Eighth Circuit emphasized that it “accord[s] an extraordinary level of deference” to an arbitrator’s decision. Here, that deference showed up throughout the analysis, ultimately instructing that the arbitrator’s decision should be upheld even though that meant reversing the district court in part. The takeaway here is that getting things right at arbitration is crucial.

Determining threshold arbitrability questions. The Eighth Circuit held that this power lay with the arbitrator. This was because the policy’s arbitration clause incorporated the American Arbitration Association (“AAA”) rules. The Eighth Circuit’s rule is that “[b]y incorporating the AAA Rules, the parties agreed to allow the arbitrator to determine threshold questions of arbitrability.”

The importance of procedure and timing in disputes. Plaintiff argued that the arbitrator impermissibly interpreted a term of the policy, but only brought this up after arbitration. The Eighth Circuit viewed this as a non-starter where neither party suggested that a term of the policy was subject to interpretation at the time of arbitration. The Eighth Circuit also pointed out that federal regulations provide that when an arbitration decision hinges on a non-interpreted policy needing interpretation, a “party may request FCIC review the matter to determine if a final agency determination or FCIC interpretation should have been sought.” This was another avenue of relief that was available to the farmer at one point.

Crop insurance contracts wrapped in red tape. Crop insurance purchased by farmers can fall under many different umbrellas of government oversight and regulation. For example, the insurance company in this case issued federal crop insurance policies through a Standard Reinsurance Agreement with the Federal Crop Insurance Corporation (“FCIC”). The FCIC is supervised by the Risk Management Agency (“RMA”) of the United States Department of Agriculture. To qualify for federal reinsurance, the insurer here had to comply with the Federal Crop Insurance Act (“FCIA”) and FCIC regulations. All of these government entities can have their own sets of administrative rules, policies, and regulations. All of those rules and regulations are subject to interpretation by federal courts across the country. As the Eighth Circuit worked through its legal analysis, it pulled law from statutes, regulations, and federal court decisions. This legal landscape proved to be something of a minefield in this case, providing many traps to be navigated by savvy litigants.

Case reference: *Balvin v. Rain & Hail, LLC*, No. 18-3018 (8th Cir. Dec. 2, 2019).