

Insurer Can Challenge Arbitration Award Only Under Limited Circumstances

Appraisal award upheld: Union Mutual Fire Insurance Company v. Anthony and Susan Pate, PC2013-1620 (Rhode Island Superior Court, August 2, 2016).

This case involves the resolution of a coverage and damages dispute under a homeowners policy pursuant to the appraisal process provided in the policy in accordance with R.I. Gen. Laws § 27-5-3. In 2003, a hot water storage tank ruptured in the basement of homeowners Anthony and Susan Pate damaging several boxes storing valuable baseball cards. The homeowners claimed a loss under their policy with Union Mutual Fire Insurance Fire Company and submitted an estimate of damage for \$1,281,552.25. Union Mutual conducted an appraisal in 2005; the opinion does not reveal the result of the insurer's appraisal, but there was apparently a dispute as to the homeowners' loss. In 2013, Union Mutual filed a complaint with the Rhode Island Superior Court seeking a declaratory judgment that the policy's appraisal requirement and the homeowners' recovery were barred by the statute of limitations. The homeowners responded to the complaint asserting counterclaims and seeking a declaratory judgment that the insurer's defenses to coverage for the loss were waived. In late 2015, the Superior Court ruled in favor of the homeowners finding that Union Mutual's defenses concerned the amount of loss, rather than a bar to the homeowners' recovery. The Court ordered the parties to pursue the appraisal process to determine the question of damages and provided specific instructions on how the appraisal process was to be conducted. In April 2016, the neutral umpire appointed by the parties' appraisers determined that the loss was \$400,000.00 and that pre-award statutory interest amounted to \$588,000.00. The homeowners then moved to confirm this award, while Union Mutual sought to vacate the award.

The Superior Court upheld the award in favor of the homeowners. In doing so, the Court noted that judicial review of an appraisal award is governed by the same rules applicable to review of an arbitration award. Arbitration awards may be vacated or modified only under very limited circumstances; such as evidence of partiality on the part of the arbitrator, arbitrator misconduct or where the award is irrational or in manifest disregard of the law, where there is an evident material miscalculation or mistake or when the award is imperfect in form but does not affect the merits of the controversy. Accordingly, the role of the judiciary in the arbitration process (here, the appraisal process) is "extremely limited" and arbitration awards (here, appraisal awards) enjoy a "strong presumption of validity." Proceedings continue in Superior Court between the parties relative to the entry of judgment in favor of the homeowners for the amount of the appraisal award.

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