Fourth Circuit Holds That Arbitrator Exceeded Powers

Friday, April 19, 2019

Williamson Farm challenged the district court’s decision to vacate an arbitration award that Williamson won against Diversified Crop Insurance, a private insurance company that sold a federal crop insurance policy to Williamson. Federal crop insurance policies are sold pursuant to the Federal Crop Insurance Act (FCIA). The FCIA established the FCIC, a government corporation that administers the federal crop insurance program. The FCIC relies on approved insurance providers, such as Diversified Crop, to issue federal crop insurance policies to farmers. The FCIC reinsures the approved insurance providers’ losses and reimburses their administrative and operating costs. The approved insurance providers must comply with FCIA and other regulations.

In this instance, Williamson made two separate claims under its policy for crop loss and prevention of planting, both of which were denied by Diversified Crop. Williamson then sought arbitration pursuant to the policy. After the arbitrator issued its award, Williamson filed a motion to confirm the award in the U.S. District Court for the Eastern District of North Carolina. Diversified Crop simultaneously filed a motion to vacate the award. The district court granted Diversified Crop’s motion to vacate the award and denied Williamson’s motion to confirm the award. The Fourth Circuit affirmed the district court’s decision, holding that the arbitrator exceeded her powers by: (1) impermissibly interpreting the policy rather than obtaining an interpretation from the FCIC; and (2) awarding extracontractual damages. The court explained that both the policy and FCIC regulations provide that only the FCIC, and not the arbitrator, may interpret the policy, and therefore the arbitrator exceeded her powers by interpreting the policy herself without obtaining an FCIC interpretation for the disputed policy provisions. Further, the court explained that the FCIC has conclusively stated in multiple final agency determinations that extracontractual damages cannot be awarded in arbitration and can only be sought through judicial review and therefore, by awarding extra-contractual damages, she exceeded her powers.

Williamson Farm v. Diversified Crop Ins. Servs., No. 18-1463 (4th Cir. Feb. 27, 2019)

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