UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

Minnieland Private Day Sch., Inc. v. Applied Underwriters Captive Risk Assurance Co.

Minnieland Private Day Sch., Inc. v. Applied Underwriters Captive Risk Assurance Co., 913 F.3d 409 (4th Cir. 2019) · No. 17-2385 · Decided January 14, 2019

SUMMARY

The Fourth Circuit held that a Reinsurance Participation Agreement (RPA) executed in connection with a workers' compensation insurance program is an insurance contract under Virginia law, thus rendering its arbitration clause void under Virginia Code § 38.2–312. Applying Virginia's integrated contract doctrine, the court considered the RPA, binder, and insurance policies as a single transaction because they were contemporaneously executed, cross-referenced each other, and shared the common purpose of providing workers' compensation coverage. The ruling affirms that arbitration provisions in insurance contracts are unenforceable in Virginia, requiring the dispute to proceed in court.

CASE DETAILS

COURT	United States Court of Appeals for the Fourth Circuit
WRITING FOR THE COURT	Roger L. Gregory; Diana Gribbon Motz; James A. Wynn Jr.
JURISDICTION	Federal
DECIDED	January 14, 2019
DOCKET	17-2385
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the district court's denial of a motion to compel arbitration
STANDARD OF REVIEW	De novo
PRECEDENTIAL VALUE	Published
PARTIES	Applied Underwriters Captive Risk Assurance Company, Inc. v. Minnieland Private Day School, Inc.

TOPICS

insurance · insurance coverage · arbitration · contract interpretation · statutory interpretation · workers compensation · appellate procedure · standard of review

PRACTICE AREAS

Insurance Arbitration Contracts

QUESTIONS PRESENTED

1. Whether the district court violated the mandate by considering the entire EquityComp program rather than the RPA alone.
2. Whether the RPA is an insurance contract for purposes of Virginia Code § 38.2-312.

HOLDINGS

1. The district court did not violate the mandate because the mandate required determination of whether the RPA is an insurance contract, which necessitated determining whether the RPA is a standalone contract or part of an integrated contract, thus requiring consideration of related documents.
2. The RPA, when construed together with the Binder and the insurance policies as an integrated contract, is an insurance contract under Virginia law.

KEY QUOTATIONS

> *"Under this arrangement, Minnieland and AUCRA entered into a contract as a result of which Minnieland received workmen's compensation coverage through an insurance policy in exchange for premiums that were paid for that coverage. AUCRA's position rests entirely on parsing this transaction to the point of being completely disassociated with the realities of the overall transaction. So the Court concludes that it's an insurance contract for the purposes of 38.2–312 as the Fourth Circuit has already determined."* (J.A. 1073-74)

> *"The documents, considered together, show that the purpose of the Binder, RPA, and CNI policies was one: to provide Minnieland with workers' compensation insurance coverage while allowing Minnieland the opportunity to keep its insurance costs low by sharing in the underwriting risk."* (at 22)

> *"we conclude that the RPA is an insurance contract for purposes of Virginia Code § 38.2–312"* (at 24)

FACTUAL BACKGROUND

Minnieland purchased workers' compensation insurance through the EquityComp program, which included a Binder, a Reinsurance Participation Agreement (RPA), and insurance policies issued by Continental Indemnity Company (CNI). The RPA contained an arbitration clause. After the premium increased dramatically, Minnieland filed suit, and AUCRA moved to compel arbitration. Minnieland argued the RPA is an insurance contract under Virginia Code § 38.2-312, rendering the arbitration clause void. The district court denied arbitration, and after an appeal and remand, held that the RPA is an insurance contract.

PROCEDURAL HISTORY

The district court initially denied the motion to compel arbitration based on judicial estoppel. The Fourth Circuit reversed and remanded for determination of whether the RPA is an insurance contract under Virginia law. On remand, the district court held it is an insurance contract, and AUCRA appeals.

DISPOSITION

affirmed

CASES CITED

- Lowery v. Stovall, 92 F.3d 219 (4th Cir. 1996)
- Minnieland Private Day Sch., Inc. v. Applied Underwriters Captive Risk Assurance Co., Inc., 867 F.3d 449 (4th Cir. 2017)
- Noohi v. Toll Bros., Inc., 708 F.3d 599 (4th Cir. 2013)
- Hill v. Peoplesoft USA, Inc., 412 F.3d 540 (4th Cir. 2005)
- Cosey v. Prudential Ins. Co. of Am., 735 F.3d 161 (4th Cir. 2013)
- Am. Fuel Corp. v. Utah Energy Dev. Co., 122 F.3d 130 (2d Cir. 1997)
- Hitachi Credit Am. Corp. v. Signet Bank, 166 F.3d 614 (4th Cir. 1999)
- Countryside Orthopaedics, P.C. v. Peyton, 541 S.E.2d 279 (Va. 2001)
- Tex. Co. v. Northup, 153 S.E. 659 (Va. 1930)
- Daugherty v. Diment, 385 S.E.2d 572 (Va. 1989)
- Am. Realty Tr. v. Chase Manhattan Bank, N.A., 281 S.E.2d 825 (Va. 1981)
- Musselman v. Glass Works, LLC, 533 S.E.2d 919 (Va. 2000)
- Parr v. Alderwoods Grp., Inc., 604 S.E.2d 431 (Va. 2004)
- Seabulk Offshore, Ltd. v. Am. Home Assurance Co., 377 F.3d 408 (4th Cir. 2004)
- Nat'l Convention Servs., LLC v. Applied Underwriters Captive Risk Assurance Co., Inc., 239 F. Supp. 3d 761 (S.D.N.Y. 2017)
- Nielsen Contracting, Inc. v. Applied Underwriters, Inc., 22 Cal. App. 5th 1096 (Cal. Ct. App. 2018)
- Citizens of Humanity, LLC v. Applied Underwriters Captive Risk Assurance Co., Inc., 909 N.W.2d 614 (Neb. 2018)
- Redifer v. Chester, 720 S.E.2d 66 (Va. 2012)
- Grp. Hospitalization Med. Serv., Inc. v. Smith, 372 S.E.2d 159 (Va. 1988)