

NEW YORK COURT OF APPEALS

In re the Arbitration between Falzone & New York Mutual Fire Insurance

15 N.Y.3d 530, 939 N.E.2d 1197 (N.Y. 2010) · Decided October 21, 2010

SUMMARY

The New York Court of Appeals considered whether an arbitrator deciding a supplementary uninsured/underinsured motorist benefits claim was required to give preclusive effect to an earlier no-fault arbitration award involving the same parties, accident, injuries, and causation issue. The Court held that any error in the SUM arbitrator's application of collateral estoppel was generally unreviewable because the award was not patently irrational, contrary to strong public policy, or beyond a specifically enumerated limitation on the arbitrator's power. The Court affirmed the Appellate Division's confirmation of the SUM arbitration award.

CASE DETAILS

COURT	New York Court of Appeals
WRITING FOR THE COURT	Jones, J.
JURISDICTION	New York
DECIDED	October 21, 2010
DISPOSITION	affirmed
PROCEDURAL POSTURE	Petitioner appealed as of right to the New York Court of Appeals from an Appellate Division order reversing Supreme Court's vacatur of a supplementary uninsured/underinsured motorist arbitration award and confirming the award.
STANDARD OF REVIEW	An arbitration award may be vacated only when it violates a strong public policy, is irrational, or clearly exceeds a specifically enumerated limitation on the arbitrator's power. Courts generally may not disturb an arbitrator's legal or factual error, including an alleged failure to apply collateral estoppel, unless one of those grounds is present.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Falzone v. New York Mutual Fire Insurance

TOPICS

arbitration

uninsured motorist

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PRACTICE AREAS

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uninsured motorist benefits

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QUESTIONS PRESENTED

1. Whether the SUM arbitrator exceeded the scope of his authority by refusing to give preclusive effect to the prior no-fault arbitration award involving the same parties, accident, injuries, and causation issue.
2. Whether the inconsistency between the prior no-fault award and the subsequent SUM award, or the alleged failure to apply collateral estoppel, constituted a basis under CPLR 7511 for vacating the SUM award.

HOLDINGS

1. The court could not review or correct the SUM arbitrator's alleged legal error in refusing to apply collateral estoppel because the effect of a prior arbitration award in a subsequent arbitration is generally within the arbitrator's province and is subject to only limited judicial review.
2. The SUM arbitration award was not subject to vacatur because it was not patently irrational, did not violate strong public policy, and did not clearly exceed a specifically enumerated limitation on the arbitrator's power.

KEY QUOTATIONS

“It is well settled that a court may vacate an arbitration award only if it violates a strong public policy, is irrational, or clearly exceeds a specifically enumerated limitation on the arbitrator’s power” (15 N.Y.3d at 534)

“Because the SUM arbitration award was not patently irrational or so egregious as to violate public policy, the instant SUM arbitration award (and whether the SUM arbitrator erred or exceeded his authority) is beyond this Court’s review powers.” (15 N.Y.3d at 535)

FACTUAL BACKGROUND

Falzone was injured in a two-car collision and sought no-fault benefits from New York Mutual Fire Insurance based on a shoulder injury. A no-fault arbitrator determined that the injury was related to the accident and awarded \$4,354.56. After Falzone settled with the other driver for the driver's \$25,000 policy limit, she sought \$75,000 in supplementary uninsured/underinsured motorist benefits; a separate SUM arbitrator rejected collateral estoppel, found that the injury was not caused by the accident, and denied the claim.

PROCEDURAL HISTORY

After a no-fault arbitrator found that Falzone's shoulder injury was related to the accident and awarded no-fault benefits, a separate SUM arbitrator rejected collateral estoppel, relitigated causation, and denied SUM benefits. Supreme Court vacated the SUM award and ordered a new arbitration before a different arbitrator. The Appellate Division reversed and confirmed the award, and the Court of Appeals affirmed.

DISPOSITION

affirmed

CASES CITED

- Matter of New York City Tr. Auth. v Transport Workers' Union of Am., Local 100, AFL-CIO, 6 N.Y.3d 332, 336
- Matter of United Fedn. of Teachers, Local 2, AFT, AFL-CIO v Board of Educ. of City School Dist. of City of N.Y., 1 N.Y.3d 72, 79
- Board of Educ. of Patchogue-Medford Union Free School Dist. v Patchogue-Medford Congress of Teachers, 48 N.Y.2d 812, 813
- Matter of City School Dist. of City of Tonawanda v Tonawanda Educ. Assn., 63 N.Y.2d 846, 848
- Clemens v Apple, 65 N.Y.2d 746
- Matter of American Ins. Co. [Messinger—Aetna Cas. & Sur. Co.], 43 N.Y.2d 184, 191

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