

Federal Court in Pennsylvania Denies Motion to Enjoin Reinsurance Dispute and Allows Reinsurer's Offset Argument to Remain

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CENTURY INDEMNITY CO. V. CERTAIN UNDERWRITERS AT LLOYD'S (CIVIL ACTION NO. 09-00094 JANUARY 11, 2010)

The action involved a reinsurance dispute where the two parties filed a number of motions and a cross-motion seeking injunctive relief and contempt of court regarding failure to pay monies owed. By way of background, AXA issued a reinsurance contract to Century during the 1970's. In 2005, a claims documentation issue occurred requiring Century to arbitrate. The arbitration panel granted Century's motion to require AXA to post a million dollar letter of credit. Ten years later, a final award stated that AXA indemnify Century for sums related to asbestos claims. In addition, Century was required to supply AXA with billing information and a proof of loss. A Pennsylvania court confirmed the final arbitration award. AXA asserted that it was entitled to a partial offset and moved the Southern District of New York to compel arbitration on the offset issue.

The district court in Pennsylvania denied plaintiff's motions. First, the court held that plaintiff's cross-motion to enjoin a separate action pending in a New York court based on the "first-filed" rule is without merit. In particular, the court held that this action is not duplicative of the New York action. The court also found no evidence for plaintiff's second rationale for injunction that the New York action was brought in bad faith for the purpose of delaying this action. The court also denied plaintiff's motion for contempt for failing to pay a judgment. Specifically, the court held that since there has not been a final judgment the defendant is not in contempt of any court order or ruling. Therefore, the court denied that the motion to quantify the prior arbitration award because it first must decide whether the offset issue is arbitrable.

IMPACT (REINSURANCE): Practitioners must be careful in confirming “final awards” without a definitive dollar amount. In this case, given that the offset issue was never resolved, the defendant was entitled to a new hearing on that issue which delayed a final monetary award.

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National Law Review, Volume , Number 99

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