

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

U.S. SPECIALTY INSURANCE COMPANY,)	
Plaintiff / Counter-Defendant,)	
)	No. 1:25-cv-913
-v-)	
)	Honorable Paul L. Maloney
PENINSULA TOWNSHIP,)	
Defendants / Counter-Plaintiff,)	
)	
WINERIES OF THE OLD MISSION PENINSULA)	
ASSOCIATION; <i>et al.</i>)	
Defendants.)	
_____)	

ORDER GRANTING MOTION TO COMPEL ARBITRATION AND TO STAY

Defendant and Counter-Plaintiff Peninsula Township filed a motion to compel arbitration and to stay this lawsuit. ECF No. 35. Plaintiff and Counter-Defendant U.S. Specialty Insurance Company does not oppose the motion. Plaintiff requests, however, that the court order all parties to participate in a jointly agreed-upon mediation conference before arbitration. ECF No. 40. The court will grant the motion. The court will not, however, order all parties to mediate prior to arbitration.

Defendant Township purchased a policy of insurance from U.S. Specialty Insurance Company (USSIC). The policy includes an arbitration provision. “If WE and YOU do not agree on whether coverage is provided under any of these Coverage Parts for a claim made against YOU, then either party may make a written demand for arbitration.” ECF No. 1-1

In 2020, the Wineries of the Old Mission Peninsula Association (WOMP) and multiple individual wineries filed a lawsuit against Peninsula Township. The lawsuit challenged various township ordinances. Peninsula Township provided USSIC a copy of the first amended complaint. USSIC agreed to defend the Township in the lawsuit under a reservation of rights. WOMP prevailed in the lawsuit. USSIC then filed this lawsuit.

USSIC seeks several declarations. First, USSIC seeks a declaration that it does not have to provide coverage. USSIC asserts that Peninsula Township is not entitled to coverage for the damages awarded in the judgment because the wrongful acts occurred outside of the policy period. Alternatively, USSIC asserts that the policy's Exclusion 10 applies and provides a basis for denying coverage. As a third alternative, USSIC contends that Peninsula Township's actions constitute a regulatory taking and the policy's sublimit of liability applies. Second, USSIC seeks a declaration that it does not have a duty to appeal the judgment. Third, USSIC seeks a declaration that it does not have to pay the cost of an appeal bond in excess of \$100,000.

Congress enacted the Federal Arbitration Act (FAA) in response to judicial hostility to arbitration agreements. *BLC Lexington SNF, LLC v. Townsend*, 171 F.4th 788, 793 (6th Cir. 2026). The FAA reflects a "liberal federal policy favoring arbitration." *Id.* (citation omitted). When a party files a lawsuit in a federal court, and the court determines that the parties agreed in writing to arbitrate any issue in the action, the court must "stay the trial of the action until such arbitration has been had in accordance with the terms of the agreement." 9 U.S.C. § 3; *Smith v. Spizzirri*, 601 U.S. 742, 475-76 (2024).

USSIC and Peninsula Township agree that the policy of insurance contains a binding agreement to arbitrate. And they agree that the court must compel arbitration. The other defendants in this lawsuit do not have a written agreement to arbitrate any dispute with USSIC. One of those defendants, Protect the Peninsula (PTP), does not oppose or order to compel arbitration. ECF No. 38. PTP agrees that the court should stay the action with USSIC and Peninsula Township arbitrate the coverage issue.

Plaintiff has not cited any authority specifically addressing its request to order mediation. The court's own research has not found any authority speaking to the issue. The FAA requires the court to stay the litigation process while the parties arbitrate their agreement. Plaintiff has not identified any authority that would permit the court to force all parties to participate in some other alternative prior to arbitration.

Accordingly, the court **GRANTS** Defendant's Peninsula Township's motion to compel arbitration. ECF No. 35. The court also **STAYS and ADMINISTRATIVELY CLOSES** this lawsuit pending the outcome of arbitration. Any party to this lawsuit may seek to reopen this action by filing an appropriate motion and referencing this order. **IT IS SO ORDERED.**

Date: May 5, 2026

/s/ Paul L. Maloney
Paul L. Maloney
United States District Judge