Consumer & Commercial Law State Bar of Texas

Ohio Supreme Court Rules that Pre-Dispute Arbitration Agreement in Insurance Contract Applies to Tort Claims Alleging Insurance Bad Faith

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USA | December 22 2025

On November 6, 2025, Ohio Supreme Court found that arbitration provisions in insurance contracts are enforceable as to claims of bad faith by the insured.

Background and Lower Court Proceedings

A patient filed a medical malpractice action against an emergency-care services provider. The provider submitted the claim to its liability insurer, which retained counsel to defend the provider. The provider and insurer disagreed on settlement strategy during the course of litigation, which culminated with the provider agreeing to self-fund a settlement with the patient to avoid an unfavorable verdict at trial. The provider then brought a subsequent bad faith claim against its insurer, seeking to recover the amount of the settlement.

The provider's insurance policy contained a pre-dispute arbitration clause requiring arbitration of any "extra-contractual obligations", but a subsequent endorsement contained an arbitration clause requiring arbitration of any dispute "regarding contractual obligations." The insurer filed a motion to stay proceedings and compel arbitration of the bad faith claim pursuant to the broader arbitration provision. The trial court granted the granted the insurer's motion, but the Fifth District Court of Appeals reversed the decision.

The Fifth District Court of Appeals held that the bad-faith insurance claim handling was a tort not subject to arbitration under the policy. The insurer then appealed to the Supreme Court of Ohio. The Supreme Court of Ohio reversed the Fifth District Court of Appeals' decision and reinstated the trial court's decision to compel arbitration.

The OH Supreme Court's Reasoning

The Ohio Supreme Court noted several key points that ultimately led it to reverse the Fifth District Court of Appeals' decision. First, the Court determined that the arbitration clause in the insurance policy was a broad clause as it encompassed any dispute between the parties related to the policy–including any dispute regarding contractual obligations. The broad language created a strong presumption in favor of arbitrability.

Next, the Court emphasized Ohio's strong public policy favoring arbitration. The Court noted that all doubts regarding the scope of an arbitration clause should be resolved in favor of arbitration. The Court also reasoned that the breadth of the arbitration clause extended arbitration to claims beyond contract breaches. Attempts to label claims as torts (such as bad faith insurance claim handling) or as non-contractual do not defeat a broad arbitration provision, if the dispute cannot be maintained without reference to the contract or the insured/insurer relationship.

The Court also stated that nothing in the subsequent endorsement to the policy's arbitration clause expressly excluded bad faith insurance claim handling claims from arbitration. The presumption of arbitrability was not overcome, as there was no express exclusion or other forceful evidence to the contrary. The Court found the bad faith claim to be intimately connect to the insurance policy and the relationship it established, meaning the claim could not be pursued without referring to the policy. Finally, the Court noted that the appellate court erred in its use of prior precedent to find extra-contractual tort claims exempt from arbitration. It reasoned that although bad faith claims are torts arising by operation of law, this does not prevent arbitration if the parties agreed to such coverage in the contract's plain language.

Key Takeaways for Insurers

While on its face this decision may seem like it will cause a significant upheaval of bad faith claim litigation, the impact may not be quite so severe. It is important to note that many, if not most, insurance policies do not contain arbitration provisions.

Further, it remains to be seen how the plaintiff's bar will respond to this decision. It would not be surprising to see pushes for legislatures to legislate around this case by saying that mandatory of extra-contractual insurance claims is void as against public policy.

Additionally, it is unlikely that the insurance industry will want to take every claim to arbitration.

For insurers that do have broad arbitration provisions in their policies, it may be prudent to review and revise policies to best fit insurers' needs.

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