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## In Victory for WLF, Sixth Circuit Upholds Insurance Industry Subrogation Rights

*(Paul v. State Farm Mut. Auto. Ins. Co.)*

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—Richard Samp, Washington Legal Foundation Chief Counsel

WASHINGTON, DC—The U.S. Court of Appeals for the Sixth Circuit in Cincinnati issued a decision yesterday rejecting the plaintiffs’ bar’s efforts to undermine the well-established subrogation rights of insurance companies in *Paul v. State Farm Mut. Auto. Ins. Co.* WLF’s successful *amicus* brief, which urged affirmance of the district court’s dismissal of the plaintiffs’ claims, argued that recognition of broad subrogation rights lowers insurance premiums and decreases the chances that loss-causers will escape the consequences of their tortious actions.

The lawsuit was filed by an auto insurance policyholder who, following an auto accident caused by the other driver, recovered his medical bills from State Farm (his own insurer) and then won a tort judgment against the other driver. The insured argued that even though his insurance policy included a provision that subrogated State Farm (to the extent of its payments) to his right of recovery against “any party liable” for his injuries, he was entitled to keep medical compensation paid by the other driver’s liability carrier pursuant to the tort judgment.

The Appeals Court rejected the policyholder’s effort to get paid “for the same medical expenses twice.” It agreed with WLF that the insurance policy’s “any party liable” clause extended State Farm’s subrogation rights not simply to the tortfeasor but also to his liability insurance carrier. As WLF pointed out, construing this standard subrogation language as limited to the tortfeasor would upset long-settled expectations, increase litigation, and raise insurance premiums.

WLF issued the following statement by Chief Counsel Richard Samp in response to the victory: “The Sixth Circuit correctly rejected the plaintiffs’ bar’s attempt to undermine insurance industry subrogation rights. Consumers benefit greatly from subrogation provisions, which allow insurers—after paying covered claims to an injured policyholder—to assume the policyholder’s right to recover damages from those liable for the insured’s injuries. Striking these provisions would simply reallocate insurance funds from compensation payments to litigation expenses.”

*Washington Legal Foundation is a free market public interest law firm and policy center that regularly litigates to prevent unwarranted lawsuits from driving up costs for all consumers.*

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