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WLF Urges Sixth Circuit to Uphold Subrogation Rights of Property and Casualty Insurers

(Paul v. State Farm Mutual Automobile Ins. Co.)

“The court should resist the plaintiffs’ bar’s efforts to undermine valuable subrogation rights. Otherwise, the inevitable result would be a reallocation of insurance funds away from compensation payments and toward litigation expenses.”—Rich Samp, WLF Chief Counsel

WASHINGTON, DC—The Washington Legal Foundation (WLF) this week urged the U.S. Court of Appeals for the Sixth Circuit in Cincinnati to reject efforts by the plaintiffs’ bar to undermine the well-established subrogation rights of insurance companies. In a brief urging the appeals court to affirm dismissal of a lawsuit seeking a narrowing of insurance carriers’ subrogation rights, WLF argued that recognition of broad subrogation rights contributes to lower rates and decreases the chances that loss-causers will escape the consequences of their actions.

The lawsuit was filed by an auto insurance policyholder who, following an auto accident caused by the other driver, recovered medical bills from State Farm (his own insurance carrier) 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, thereby providing him with a double recovery.

WLF argued that the insurance policy’s “any party liable” language extended State Farm’s subrogation rights not simply to the tortfeasor (as the policyholder argued) but also to the tortfeasor’s liability insurance carrier. It argued that adopting the policyholder’s narrow construction of this standard subrogation language would upset settled expectations, lead to increased litigation, and raise insurance premiums.

Upon filing its brief, WLF issued the following statement by Chief Counsel Rich Samp: “Standard insurance industry practices that authorize insurers, after paying covered claims to an injured policyholder, to be subrogated to the policyholder’s rights to recover damages from those liable for the injury, have served consumers well. The court should resist the plaintiffs’ bar’s efforts to undermine subrogation rights. Otherwise, the inevitable result would be a reallocation of insurance funds away from compensation payments and toward litigation expenses.”

WLF is a public interest law firm and policy center that regularly litigates to ensure that unwarranted lawsuits do not drive up costs for all consumers.

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