

# OREGON LAW UPDATE

## Arbitration Required When Insurers Disputed Reimbursement of PIP Benefits

**From the Desk of Jeff Eberhard:** This case discusses ORS 742.534, the “interinsurer reimbursement” statute, and whether it should be applied to require an insurer seeking reimbursement from another insurer for personal injury protection benefits to arbitrate their dispute.

**Claims Pointer:** An insurer seeking reimbursement from another insurer for personal injury protection benefits paid on behalf of its insured may be required to arbitrate the dispute under ORS 742.534(2); rather than, bring the matter before the court.

California Casualty Indemnity Exchange v. Federated Mutual Insurance Company, in the Court of Appeals of the State of Oregon, A147246, --- P3d ---- (July 25, 2012).

California Casualty Indemnity Exchange (Plaintiff) paid personal injury protection (PIP) benefits to its insured after the insured was injured in a car accident caused by another driver who was insured by Federated Mutual Insurance Company (Defendant). Plaintiff paid its PIP policy limits and property damage benefits on behalf of its insured. Both Plaintiff and Defendant are members of the PIP intercompany reimbursement agreement. As signatories, they agree to forgo litigation and arbitrate disputes arising from recovery rights of PIP claims or benefit payments.

Plaintiff requested reimbursement of the PIP benefits it paid from Defendant. Plaintiff never filed for intercompany arbitration. Defendant refused to reimburse Plaintiff. Plaintiff filed a lawsuit seeking reimbursement of the PIP benefits under ORS 742.534, the “interinsurer reimbursement” statute permitting an insurer who paid PIP benefits to another’s insured to seek reimbursement from that tortfeasor’s insurer. Both parties filed

motions for summary judgment. The trial court granted Defendant’s motion and dismissed the case because it determined Plaintiff was required to arbitrate the dispute.

Plaintiff appealed to the Oregon Court of Appeals and Defendant cross-appealed. The parties agreed that the cross-appeal would only be addressed if the trial court’s decision was reversed. Plaintiff argued ORS 742.534(3) only required arbitration when there was a dispute regarding liability or the amount owed. Plaintiff claimed no such dispute existed in this matter because liability and the amount owed were established. The Court disagreed with Plaintiff’s narrow interpretation of the statute. Since the dispute involved the amount of reimbursement, the Court determined ORS 742.534(3) required the matter be decided by interinsurer arbitration. Thus, the trial court appropriately granted Defendant’s motion and dismissed the case so that it can be decided by an arbitrator.

case in point ...



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