DFR | Division of Financial Regulation
Department of Consumer and Business Services
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Oregon Department of Consumer and Business Services Division of Financial Regulation, Bulletin No. DFR 2026-7

To: All Health, Life, and Property and Casualty Insurers

Date: August 24, 2026

RE: Arbitration Clauses, Choice of Law, and Choice of Venue Provisions in Insurance Policies

Purpose

The purpose of this bulletin is to remind all insurers of the Department of Consumer and Business Services (DCBS) Division of Financial Regulation's (DFR) policy with regards to pre-dispute mandatory arbitration clauses, choice of law provisions, and choice of venue provisions in insurance policies. These provisions unfairly limit or impose unreasonable preconditions on policy holders' ability to adjudicate their disputes in state courts under the protection of Oregon law. These provisions are prohibited in all lines of insurance. **This bulletin replaces Bulletin No. DFR 2020-1 issued January 14, 2020.**

Authority

- ORS 742.005(3)
- ORS 742.005(4)
- ORS 742.018
- ORS 746.240

Definitions

"Choice of Law Provision" means a contractual provision in which the parties specify the state whose law will govern disputes arising under the insurance contract.

"Choice of Venue Provision" means a contractual provision in which the parties establish the location where either party may require the dispute to be tried or arbitrated.

"Pre-Dispute Mandatory Arbitration Clause" means a provision in an insurance policy, rider, endorsement, or any other part of the contract requiring that future disputes involving the insurance policy or claims thereunder must be resolved through arbitration by allowing one party to the dispute to so require when the dispute arises.

Background

The Insurance Code was enacted to regulate the business of insurance and for the protection of the insurance-buying public.[1] Under ORS 742.005, the DCBS director shall disapprove any form if, in the director's judgment, its use would be prejudicial to the interests of the insurer's policyholders or if the director finds it contains provisions which are unjust, unfair, or inequitable. It is also unlawful to engage in this state in any trade practice that, although not expressly defined and prohibited in the Insurance Code, is found by the director to be an unfair or deceptive act or practice in the transaction of insurance that is injurious to the insurance-buying public.[2]

Pre-dispute Mandatory Arbitration Clauses

DFR recognizes that the use of arbitration and other alternative dispute resolution methods may be of value in certain instances. For example, arbitration may be faster and less costly than court proceedings. Parties may still avail themselves of these benefits by mutually electing to arbitrate after the dispute arises.

There are provisions of the Insurance Code that require or allow for arbitration only if there is mutual agreement at the time of the dispute. See ORS 742.504(10) (UM/UIM coverage) and ORS 742.520(6) (PIP coverage). Accordingly, unilateral pre-dispute arbitration clauses are prohibited in those contexts.

The Insurance Code has an appraisal provision in ORS 742.232, which is functionally an arbitration agreement. It is a mandatory provision that must be included in every fire insurance policy. However, while the appraisal provision may be initiated by either party, the results of the appraisal are not binding on any party that did not request an appraisal.[3] Therefore, the division requires that insurers add policy language to make clear that although one party can unilaterally require an appraisal, the results of the appraisal are not binding on any party that did not request an appraisal. Without additional clarification, the existing provision might be asserted as binding even to a non-requesting party, and therefore "is unintelligible, uncertain, ambiguous or abstruse, or likely to mislead a person to whom the policy is offered, delivered or issued." [4]

Any other policy form filing containing pre-dispute mandatory arbitration clauses, which allow for election by either party, will be disapproved as its use would be prejudicial to the interests of the insurer's policyholders and the provisions are unjust, unfair, or inequitable. [5]

Choice of Venue and Choice of Law Provisions

Longstanding state and federal policy dictate that insurance transacted in this state shall be governed and interpreted under Oregon law. ORS 742.018 prohibits choice of law

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[1] See ORS 731.008, ORS 731.012.
[2] See ORS 746.240.
3 See Molodyh v. Truck Ins. Exchange
[4] See ORS 742.005(1) and (2)
[5] See ORS 742.005(3) and (4)

provisions requiring insurance contracts to be interpreted based on the laws of any other state or country. Choice of law provisions that purport to import foreign law upend consumer expectations, cause confusion among the insurance buying public, and may result in consumer harm.

Similarly, choice of venue provisions that require the insured to travel out of state pose an unfair barrier to adjudicate their claims. [6] DFR finds that choice of venue provisions in an insurance contract to be unfair, injurious to the public, and an unfair trade practice under ORS 746.240.

Guidance to Insurers

Insurance policies may not contain pre-dispute mandatory arbitration clauses (other than those noted above), choice of law provisions, or choice of venue provisions. Any policy form filing containing these provisions will be disapproved.

8/26/2026

TK Keen, Administrator
Insurance Commissioner
Division of Financial Regulation
Department of Consumer and Business Services

Date

[6] In instances where the Insurance Code prescribes the method of arbitration, choice of venue provisions are specifically prohibited. See ORS 742.504(10) (requiring arbitration of a dispute of uninsured motorist coverage to take place in the county and state of residence of the insured, in the county and state where the insured’s cause of action against the uninsured motorist arose, or at a place mutually agreed upon by the insured and the insurer).