Ohio Court Limits Double Recovery of Both UM/UIM and Medpay Benefits

A decision announced by the Ohio 8th District Court of Appeals on March 26, 2009, ends the policy holder’s ability to collect double damages under his or her personal automobile insurance policy. In short, the decision holds that an insurer may validly limit the benefits paid to its insured to a single recovery for medical bills even if those medical bills are covered under more than one policy coverage part.

Shenyey v. Glasgow, 8th Dist. No. 91713, 2009-Ohio-1366, is a case of first impression concerning the payment of medical bills when a policy provides both medpay and UM/UIM coverages. This case impacts claims arising after October 31, 2001.

The plaintiff in Shenyey was injured in an automobile accident and afterwards filed suit against the uninsured at-fault driver and his personal automobile insurer, State Farm. Plaintiff initially submitted $14,000 in medical expenses for payment under the medical payment coverage provided by his policy. State Farm paid the submitted request in full. Shenyey then submitted the same $14,000 in medical expenses under the UM coverage of the policy. State Farm refused to pay the submitted amount based on a non-duplication clause contained within the policy. Shenyey then filed a complaint for declaratory judgment with the trial court requesting the court find that he was entitled to recover medical expenses under both the medpay and UM coverage portions of his policy.

The trial court found in favor of State Farm on summary judgment and concluded that Shenyey was not entitled to double recovery; thus, he could only recover under the medical payment coverage portion of the policy.

On review, the appellate court noted that no other court has addressed this issue in the aftermath of the October 2001 SB 97 amendments to Ohio’s UM/UIM Statute (R.C. 3937.18). Cases decided before SB 97 held that the double recovery was permissible, on the theory that (a) UM/UIM coverage was statutorily controlled and could not be limited by contract provisions not expressly permitted by the statute, and (b) the insured paid a separate premium for med pay coverage and was entitled to recover under this coverage part even if the policy expressly provided otherwise. However, SB 97 removed the mandatory offering provision of the former statute and also permits policies with UM coverage to limit or exclude coverage under circumstances that are specified in the policy including circumstances that are not specified in the statute.

The State Farm policy had a specific non-duplication provision saying that “We will not pay under uninsured motor vehicle coverage any medical expenses paid or payable under: (1) Medical payments coverage of this policy, or (2) The medical payments coverage, no fault coverage, personal injury protection, or other similar coverage of any other motor vehicle policy.” The Eighth Appellate District reviewed this clause, and, in light of the amended statute, held that pursuant to current law, the non-duplication clause is valid and enforceable.

The opinion in Shenyey also clarifies that the “two premium” argument is not persuasive unless the non-duplication restriction violates public policy. Prior to this decision, Ohio jurisprudence held that because insureds paid separate premiums for both UM/UIM and medpay coverages, the coverage parts were independent of each other and should be treated the same as if they were carried with different companies; thereby allowing a double recovery. The Shenyey court distinguished this prior case law by holding that because the offer of UM/UIM coverage is no longer mandatory in Ohio, public policy is not violated by only allowing the insured to recover once for his medical costs. The court further supplemented its decision by noting that “the purpose of insurance is to make the person whole, not provide a windfall.” Id. at ¶ 18.

With this common sense decision, insurers providing personal liability insurance in Ohio are now able to rely upon their policy language and limit an insured’s recovery to only those payments which will make the insured whole.

If you have questions about the Shenyey decision, or its application to a particular case or claim, feel free to contact any member of our Insurance Coverage/Bad Faith Practice Group attorneys.