Medical Liens Cannot Be Used To Increase Uninsured Motorist Coverage

An Ohio Court of Appeals recently held that policyholders were not permitted to use evidence of a medical provider’s lien to increase the amount of uninsured motorist coverage available to them after an accident.

In Gilliland v. Nationwide Property & Casualty Ins. Co. (2010), 188 Ohio App.3d 621, 2010-Ohio-2512, Tara Gilliland was involved in an automobile accident caused by the negligence of Roy Woods. At the time of the accident, Woods was insured for $100,000 in liability coverage and Gilliland was insured for $100,000 in underinsured motorist coverage (“UIM”).

UIM is designed to protect the policy holder when a tortfeasor has some, but not enough coverage to compensate for injuries sustained in an automobile accident. UIM is defined in the Ohio Revised Code as providing protection for bodily injury, sickness, or disease, including death, “suffered by any insured under the policy, where the limits of coverage available for payment to the insured under all bodily injury liability bonds and insurance policies covering persons liable to the insured are less than the limits for the underinsured motorist coverage.” R.C. 3937.18(C).

In determining the amount of UIM coverage available for an accident, courts start with the policy limit of the UIM coverage, and then “setoff” any amount “available for payment to the insured.” Simply stated, if the tortfeasor has $100,000 in liability coverage and the implicated UIM policy offers $150,000 in coverage, then the UIM carrier is able to set off the tortfeasor’s $100,000 coverage and provide the insured with the difference of $50,000 in available UIM coverage. Conversely, if the tortfeasor has $100,000 in liability limits and the UIM carrier provides $50,000 in limits, then there is no UIM coverage available to the insured.

As it applies to the dispute in Gilliland, Nationwide argued that since the tortfeasor’s liability limits and Gilliland’s UIM limits were both $100,000, it did not owe UIM coverage to Gilliland. In opposing this argument, Gilliland pointed to a $34,373.13 lien imposed by her medical provider and argued that this lien reduced the amount available for payment under the terms of the UIM statute. The trial court agreed and found that Gilliland was entitled to UIM coverage to the extent of this lien.

In reversing the decision of the trial court, and overturning its own prior opinions on this issue, the Fourth Appellate District held that the Ohio General Assembly only intended for UIM coverage to be available where the limits of coverage available are less than the limits of a plaintiff’s underinsured motorist coverage. Therefore, in cases where the tortfeasor’s liability insurance equals Plaintiff’s UIM coverage, evidence of a medical lien cannot be used to increase the amount of UIM coverage owed to the plaintiff.

The Gilliland decision is particularly useful to insurers who now do not have to increase the UIM coverage available to their insureds in cases where a medical lien is imposed by a medical provider. For more information about this decision, or to discuss any insurance coverage issue, simply call one of our Insurance Coverage / Bad Faith Practice Group Members.