The Ohio Supreme Court Limits Double Recovery of Medical Specials Under a Single Policy

On November 17, 2009, the Ohio Supreme Court ruled that auto insurers could preclude UM/UIM coverage for medical expenses, when those same medical expenses have been paid, or are payable, under the same auto policy’s Medical Payments coverage provisions. This decision effectively prevents insureds from “double dipping” and receiving dual recovery of the same medical specials under both the UM/UIM and Med Pay coverages.

In State Farm Mut. Auto. Ins. Co. v. Grace, Slip Opinion No. 2009-Ohio-5934, plaintiffs Laura Grace, Elizabeth Garcia, Ladon Ruffin, Dorian Jones, Angela Webb, and Patricia Schwab (collectively, “the claimants”), were all involved in separate motor vehicle accidents with uninsured motorists. At the time of their respective accidents, each claimant had purchased an automobile insurance policy issued by either State Farm Mutual Automobile Insurance Company or State Farm Fire & Casualty Company (collectively, “State Farm”) that included both uninsured- and underinsured-motorist (“UM/UIM”) coverage and medical payments (“Med Pay”) coverage in the same policy. Each claimant submitted a request for payment of medical expenses under both the UM/UIM and Med Pay coverages pursuant to the terms of their respective policies.

State Farm declined to pay medical expenses under the UM/UIM coverage, asserting that such expenses were already paid or payable under the Med Pay coverage of the same policy. The claimants filed class action lawsuits in the United States District Court for the Northern District of Ohio.

The lawsuits primarily challenged the enforceability of nonduplication clauses in the State Farm automobile insurance policies. The nonduplications clauses purportedly precluded payment pursuant to the UM/UIM coverage for medical expenses that are paid or payable under the Med Pay coverage purchased in the same policy. The claimants argued that this was an improper limitation of UM/UIM coverage and that because separate premiums were paid for both the UM/UIM and Med Pay coverages, they were entitled to benefits under both coverages.

Because Ohio’s appellate courts were split on this issue, the federal court certified the following question of state law for the Ohio Supreme Court’s resolution: “Does Ohio Revised Code Section 3937.18 [Ohio’s UM/UIM statute], as amended in 2001 by S.B. 97 (effective October 31, 2001), permit insurers to include an express limitation of coverage in an automobile insurance policy that precludes payments made under Uninsured/Underinsured Motorist coverage for medical expenses that are paid or payable under the Medical Payments coverage purchased in the same policy?” Stated differently, the question is whether an insurance carrier may decline to pay medical expenses pursuant to UM/UIM coverage when those same medical expenses have previously been paid or will be paid pursuant to the Med Pay coverage in the same policy.

In Ohio, UM/UIM coverage is governed by Ohio Revised Code 3937.18. Upon reviewing the legislative intent of O.R.C. 3937.18, the Ohio Supreme Court noted that the statute, as recently amended, allowed insurers to include limitations to UM/UIM coverage in their policies and the legislature meant to provide insurers considerable flexibility in devising specific restrictions on any offered UM/UIM coverage. As such, State Farm had the right to include such language preventing double recovery of medical specials in its auto policy even though that limitation was not specifically identified in the UM/UIM statute.

With this decision, insurers providing personal liability insurance in Ohio are now able to limit an insured’s recover to only those payments which will make the insured whole instead of providing double recovery for the same injuries.

If you have questions about the Grace 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.