



CARNEGIE GENERAL INSURANCE AGENCY

How does Duplicate Coverage on an Insured Automobile impact the Insured?

Duplicate coverage questions typically arise when an insured who has unintentionally purchased more than one insurance policy to cover what appears to be the same risk wants to flat cancel one of the policies. The word “appears” is important because sometimes a duplicate policy extends additional coverage to an insured as a matter of law, regardless of the intent of the insured. It is this extension of additional coverage that often leads to confusion about carrier cancellation procedures for duplicate coverage policies. For example, duplicate coverage might occur when an insured has purchased a paid in full policy or signed up for EFT payments, then later asks their agent to secure a different policy, and neglects to direct either the agent or insurance company to cancel the original policy until the error is discovered. Both policies continue to be funded and remain in force until cancellation is requested.

Companies usually have different procedures for handling duplicate liability coverage versus duplicate physical damage coverage. With respect to physical damage, it is possible to have duplicate coverage that does not and cannot extend additional coverage or protection to an insured. That is because of the concept of indemnification (to make whole again.) It is not legal to seek or accept insurance reimbursement for an amount that exceeds the loss or the insurable risk (or actual value) of the vehicle, whichever is less. With duplicate coverage a person might receive payments from both companies that, when combined, exceed the loss. However, if there are two policies in force for the same vehicle, each insurance company could be held responsible for partial payment of the loss with the total payments not to exceed the value of the loss. Since both companies recognize that duplicate coverage is not legal, most companies will agree to refund a portion of the premium that they received for the coverage that they were not liable for during the duplicate coverage period.

Liability coverage is different. There is no limit to the potential liability loss that an insured may incur. Accordingly, while no one insurance company will be required to pay more on a claim than their policy limit; both companies may be required to pay their policy limits if the claim is large enough. This is sometimes referred to as coverage stacking, that is, the coverage limit of one policy is effectively combined with the coverage limit of the second policy to provide a new, higher limit of coverage. Each insurance company is at risk to pay their pro rata share on a loss and each company is entitled to receive premium for their exposure to a loss. Therefore, there is no duplicate coverage since both companies are liable to pay a portion of every loss and both may be required to pay their policy limits on a claim. Since both insurance companies have extended coverage and been exposed to a potential coverage limits loss, both have earned and are entitled to the entire premium for the coverage they offered during the duplicate coverage period. As with physical damage coverage, most companies will return all of the collected but unearned premium paid for coverage subsequent to the cancellation date of a duplicate policy.