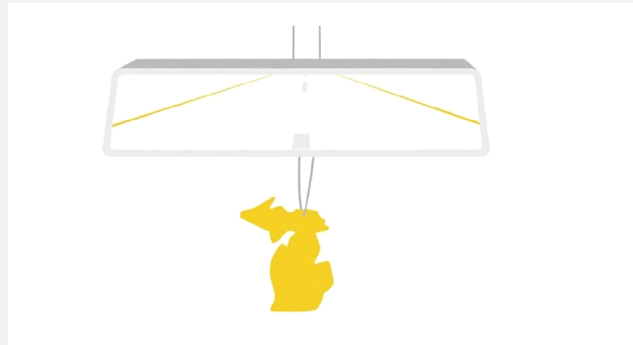


MICHIGAN NO FAULT AUTO REFORM



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Michigan No Fault Auto Reform

- For the past 45 years, Personal Injury Protection (PIP) has been unlimited in the state of Michigan.
- Michigan's auto insurance reform laws seek to reduce auto insurance rates for everyday drivers and strengthen consumer protections.
- Effective July 2nd, 2020 Michigan residents will be able to choose the amount of coverage from unlimited to even opting out of coverage.



History

MICHIGAN INSTITUTES NO-FAULT AUTO INSURANCE

- Michigan has an at-fault – auto insurance system under which the driver who caused an accident paid for damages
- Courts are flooded with auto-related lawsuits and insurance premiums skyrocket.
- In **1973**, Michigan's no-fault auto insurance is implemented to combat rising costs limiting lawsuits to cases of severe injury, disfigurement or death.
- Over time, insurance premiums increase even higher due to increased lawsuits and rising medical treatment costs.



History (con't.)

- **BY 2018**, Michigan auto insurance becomes cost-prohibitive for many.
- State has fourth-most expensive auto insurance in the U.S.*
- It is also ranked fourth in the U.S. for the number of uninsured drivers, with an estimated 20% of its drivers having no insurance.**

MAY 30, 2019, THE MICHIGAN LEGISLATURE VOTES TO REFORM THE NO-FAULT SYSTEM.

- Michigan legislature approves changes including mandated regulations to current Personal Injury Protection (PIP) premiums, fee schedules for medical services and the creation of an anti-fraud unit



* Source: 2018 National Association of Insurance Commissioners (NAIC)

Note: Data as of 2016. Total written premium/liability car years. A car year is equal to 365 days of insured coverage for a single vehicle. The NAIC does not rank state average expenditures and does not endorse any conclusion drawn from these data.

** Source: Insurance Research Council

Reform at-a-Glance

- **Personal injury protection (PIP) options.** Drivers are no longer required to purchase unlimited no-fault PIP and can instead choose their coverage level. Qualifying drivers may also choose to opt out of PIP coverage.
- Choose from 6 PIP Medical options. If you do not choose a limit, you will default to unlimited PIP.
- Estimated that \$500,000 of PIP medical coverage per person will cover 99% of claims.



Reform at-a-Glance (con't.)

- **Bodily injury (BI) minimum limits.** Covers claims made against you for injuries to others if you are at fault. BI minimum limits increase from \$20,000 per person/\$40,000 per accident to \$50,000/\$100,000, with a default minimum of \$250,000 per person/\$500,000 per accident.
- \$250,000/\$500,000 BI coverage is the default minimum limit; \$50,000/\$100,000 is the minimum BI allowed.
- **Rating prohibitions.** Insurance carriers may no longer factor in gender, marital status, home ownership, education, occupation, credit score and postal zone to premium rates.



What is Personal Injury Protection?

- PIP covers medical bills and lost wages when you or your passengers are injured in a car accident.
 - Allowable Medical Expenses
 - Reasonable charges incurred for necessary products, services and accommodations for an injured person's care, recovery or rehabilitation.
 - Medical Expenses include doctor visits, hospitalizations, surgeries, MRIs, physical therapy, rehabilitation, prescriptions medications and attendant care.
 - Vehicle Modifications include allowing the injured individual to operate the vehicle and making vehicle wheelchair accessible.
 - Home Modifications including bathroom accessibility, elevators, ramps
 - Medical Mileage reimbursement for transportation costs when seeking medical treatment and care.



What is Personal Injury Protection?

- Funeral and Burial Expenses
 - Benefit between \$1,750 and \$5,000.
- Survivor's Benefits (3-year Limit)
 - Up to \$5,718, adjusted annually for cost of living
- Work Loss (3-year Limit)
 - Paid at 85% of lost wages up to \$5,718 month (adjusted annually for cost of living).
- Replacement Services (3- year Limit)
 - \$20 per day for expenses incurred by having other necessary services



New PIP Choices

PIP Medical Benefit Coverage Limits

(Per person, per occurrence limits)

Unlimited PIP Benefit

\$500,000 PIP Benefit

\$250,000 PIP Benefit

\$50,000 PIP Benefit (enrolled in Medicaid)

Medicare Opt-out

Qualified Health Coverage Exclusion
(\$250,000 PIP option with exclusions)



Unlimited PIP Coverage

Option 1: Unlimited Coverage

This option provides the most coverage. It will pay for all allowable expenses for care, recovery, and rehabilitation if a person covered under this policy is injured in an auto accident.

Risks	The premiums for this option are higher than premiums for other options.
Benefits	<p>PIP medical will cover costs that may not be covered by health insurance, such as rehabilitation and attendant care.</p> <p>This choice will significantly limit the risk that anyone covered under this policy will have out-of-pocket costs for their care.</p>



Requires 10% rate reduction
for 8 years

Limited Coverage

Option 2: Limited Coverage of \$500,000 OR

Option 3: Limited Coverage of \$250,000

If you choose one of these limits, this amount is the most your auto insurance company will pay per person per accident for an injured person's expenses under **PIP medical** coverage.

Risks	Limited PIP medical coverages may not be enough to cover medical expenses. If the PIP medical limit is reached, an injured person may need to rely on other health coverage, which may not cover all medical, rehabilitation, or attendant care costs. If an injured person does not have other health coverage, they may be personally responsible for paying these expenses. NOTE: Your insurance company must offer excess attendant care coverage, which you may purchase for an additional premium. Check with your agent or company for additional information.
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Benefits	Lower coverage limits have less expensive premiums than plans with higher or unlimited PIP medical coverage. Up to the limit chosen, PIP medical will cover the cost of products and services that may not be covered by health insurance, such as rehabilitation and attendant care .
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Requires 20%/35% respectively rate reduction for 8 years

Excluded PIP with Qualifying Health Plan

Option 4: Limited Coverage of \$250,000, with some or all persons excluded from **PIP medical**

This option is only available if you choose the \$250,000 **PIP medical** limit.

- A **named insured** who wishes to exclude **PIP medical** must have **qualified health coverage** that is not Medicare.
- Any **resident relative** or spouse who wishes to exclude **PIP medical** must have **qualified health coverage**.

Anyone who is excluded will have no **PIP medical** coverage. Anyone who is not excluded will have \$250,000 in **PIP medical** coverage.

Risks	<p>ANYONE YOU EXCLUDE WILL NOT HAVE PIP MEDICAL COVERAGE.</p> <p>In addition:</p> <ul style="list-style-type: none">• Persons relying on qualified health coverage to pay for auto accident injuries should be aware that, unlike auto insurance, health insurance stops paying when the policy ends or is canceled.• If any excluded person loses qualified health coverage, you must notify your insurer within 30 days of loss of coverage.• Within 30 days of losing qualified health coverage, if an excluded person is injured in an auto accident, coverage will be provided by the Michigan Assigned Claims Plan up to \$250,000 if they have no other qualified health coverage or PIP medical coverage.• A person who has not obtained qualified health coverage or PIP medical coverage within 30 days of the loss of coverage will not be entitled to any PIP medical benefits. <p>NOTE: Your insurance company must offer excess attendant care, which you may purchase for an additional premium. This coverage is only available to those who are not excluded from PIP medical coverage. Check with your agent or company for additional information.</p>
Benefits	<p>You will pay a reduced premium because you will not be charged a premium for PIP medical coverage for anyone who is excluded.</p>



Limited Coverage with Medicaid

Option 5: Limited Coverage of \$50,000

If you choose this limit, \$50,000 is the most your auto insurance company will pay per person per accident for an injured person's expenses under **PIP medical** coverage.

You may select this option if:

- The **applicant** or **named insured** is enrolled in Medicaid; AND
- Any spouse and all **resident relatives** have one of the following:
 - a) **qualified health coverage**;
 - b) Medicaid enrollment; or
 - c) coverage under another auto policy with **PIP medical** coverage.

Risks

Limited **PIP medical** coverages may not be enough to cover the cost of your medical care. If your **PIP medical** limit is reached, you may need to rely on other health coverage, which may not cover all medical, rehabilitation, or **attendant care** costs. If you do not have other health coverage, you may be personally responsible for paying these expenses.

NOTE: Your insurance company must offer **excess attendant care** coverage, which you may purchase for an additional premium. Check with your agent or company for additional information.

Benefits

Lower coverage limits have less expensive premiums than plans with higher or unlimited **PIP medical** coverage.

Up to the limit chosen, **PIP medical** will cover the cost of products and services that may not be covered by health insurance, such as rehabilitation and **attendant care**.



Requires 45% rate reduction
for 8 years

No Coverage

Option 6: No **PIP medical** coverage for anyone covered by this policy

You may select this option if:

- The **applicant** or **named insured** has coverage under both Medicare Parts A and B, AND
- Any spouse and all **resident relatives** covered by the policy have **qualified health coverage** or are covered under another auto policy with **PIP medical** coverage.

Risks	<p>NO PIP MEDICAL COVERAGE WILL BE PROVIDED UNDER YOUR POLICY.</p> <p>You and any other persons covered by this policy will not have PIP medical coverage. You and those persons may have to rely on other health coverage to pay for medical expenses resulting from an auto accident, which may not cover all products and services that PIP medical provides.</p> <ul style="list-style-type: none">• Persons relying on qualified health coverage to pay for auto accident injuries should be aware that, unlike auto insurance, health insurance stops paying when the policy ends or is canceled.• If anyone covered by the policy loses qualified health coverage, you must notify your insurer within 30 days of loss of the coverage.• Within the 30 days of losing qualified health coverage, if anyone covered by the policy is injured in an auto accident, coverage will be provided by the Michigan Assigned Claims Plan if they have no other qualified health coverage or PIP medical coverage.• A person who has not obtained qualified health coverage or PIP medical coverage within 30 days of the loss of coverage will not be entitled to any PIP medical benefits.
Benefits	<p>You will pay a reduced premium because your policy will not be charged a premium for PIP medical coverage.</p>



Requires 100% rate reduction
for 8 years

Order of Priority

- The order of determining who will pay for a no-fault claim – called the “order of priority” – has changed:

- **Who is covered on your Auto Policy?**

- Named Insured
- Resident Spouse
- Resident Relative
- Relatives who do not reside in the household of the named insured unless they are away at school. These relatives (such as your children) would need to have their own insurance policy, even if they are driving a car you own.



Order of Priority

- **Who is NOT covered on your Auto Policy?**
 - Anyone not a legal relative residing in your household (i.e. roommates) who does not have their own insurance but drives a vehicle titled in your name
 - Children of Named Insured who have established their own residency, do not live in household, even if driving a car you own.



New Order of Priority for PIP Medical

Occupant of Private Auto	Occupant of Auto for Hire	Occupant of Employer's Auto	Occupant of Motorcycle	Non-Occupant & Pedestrian
Your Own Insurance	Insurance of owner's of auto occupied	Employer's Insurance	Insurance of owner/ registrant of auto involved	Your own insurance
Insurance of spouse or resident Relative	Your Own Insurance	Your Own Insurance	Insurance of operator of auto involved	Insurance of spouse or resident relative
Assigned Claims Plan	Insurance of spouse or resident relative	Insurance of spouse or resident relative	Motorcycle operator's insurance	Assigned Claims Plan
	Assigned Claims Plan	Assigned Claims Plan	Motorcycle's owner/ registrant's insurance	
			Claimant's own auto insurance	
			Your own insurance	
			Assigned Claims Plan	



What is Qualified Health Coverage?

- Medicare* Parts A and B; or
- Other health or accident coverage that does not exclude or limit coverage for injuries related to an auto accident and has an annual deductible of \$6,000 or less per individual

* Medicare Part C (Medicare Advantage) meets the requirement that a person must have Medicare Parts A & B



Medicare & No Fault Insurance

- **Bulletin 2020-5-INS states:**
 - Medicare will pay for Medicare-covered services to enrollees who opt out of PIP medical benefits, are injured in an automobile accident and have no other available coverage.
 - If a Medicare enrollee chooses either \$500,000 or \$250,000 worth of PIP coverage, Medicare will pay for Medicare covered services once the PIP medical limits are exhausted.
 - Medicare enrollee is still required to pay premiums, deductibles, co-pays and any services Medicare does not cover.



Michigan Catastrophic Claims Association Assessment

- The MCCA was created to provide unlimited lifetime coverage for medical expenses that result from auto accidents.
- Insurance companies are reimbursed for expenses related to medical costs over \$580,000
- The MCCA will reduce the assessment rate it charges for this benefit to \$100 for those who select the unlimited benefit (Option 1)
- The assessment rate is \$0 for those who select other options



Mini Tort Reform

- Someone whose car has been damaged by another vehicle can collect a portion of that vehicle damage back from the insurance company of the at-fault person who hit them.
- Fund recoveries are typically used to either pay for vehicle damage repair costs or to pay for drivers' collision coverage deductibles.
- The new maximum dollar amount for a mini tort recovery has increased from \$1,000 to \$3,000.



Motorcycle Insurance

*The new No-Fault law **has not changed** the sources of No-Fault benefits for motorcyclists (whether they are operators or riders) who are injured in a motorcycle accident with a motor vehicle:*

- Motorcyclists will continue to first seek No-Fault benefits from the “insurer” of the owner of the motor vehicle involved in the accident and, then, the “insurer” of the vehicle’s operator.
- No-Fault benefits will be limited to the No-Fault medical benefits coverage levels chosen by the motorists involved in the crash.
- It no longer matters what motorcycle insurance coverage the motorcyclist may personally already have available.



Motorcycle Insurance

- After that, injured motorcyclists will continue to turn to the “motor vehicle insurer of the operator of the motorcycle involved in the accident” and, then, the “motor vehicle insurer” of the motorcycle’s owner or registrant. (and (d))
- If no motorcycle insurance coverage is available through any of these sources, then an injured motorcyclist will have to file a claim for No-Fault benefits with the Michigan Assigned Claims Plan.
- Starting July 2, 2020, the mandatory minimum limits on motorcyclists’ liability coverage will increase from \$20,000/\$40,000 to \$50,000/\$100,000.



Motorcycle Insurance

- If there is no source of No-Fault benefits coverage available for a motorcyclist who is injured in a crash with a car or truck, then the claim for PIP benefits will now go through the Michigan Assigned Claims Plan and will be subject to a \$250,000 limit that is set by the new auto No-Fault law.
- Motorcyclists who have been injured in a crash with a car or truck and whose No-Fault benefits have been limited by provisions enacted in the new No-Fault law above will now be able to sue the at-fault driver of the car or truck to recover excess medical benefits.



Your Options

- Review the options available and talk with an accredited agent to make the best choice.
- Protect yourself to be Financially Bulletproof
 - Don't be "penny wise and pound foolish"
 - Choose unlimited PIP
 - Selected Higher BI Limits
 - \$250,000/\$500.000 or higher
 - Purchase an Umbrella Policy
 - Extra liability insurance over your covered home, auto, watercraft or recreational vehicles. It will protect your assets in the event that you are sued for damages to other people's property or injuries caused to others in an accident.



Free Quotes and Advice

- Not sure which type of coverage is best for you?
- Contact our experts who ONLY deal with auto/home insurance for explanations or quotes
- All Quotes are free of charge, no obligation.



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