



# MICHIGAN 2020 NO-FAULT INSURANCE REFORM

OVERVIEW  
APRIL 2020

## OVERVIEW OF THE LAW – WHAT CHANGES?

Effective July 2, 2020

- Bodily Injury Limits – New State default limit of \$250,000 / \$500,000. You may opt for lower or higher limits.
- PIP Choice – you can keep unlimited benefits like we have today, or you can select a lower coverage limit to reduce your PIP premium
- Automatic Rollback of PIP Premiums – mandated 10% rollback on unlimited, and higher rollbacks on lower choice limits
- Rating Factors Reduced – rates cannot be based on gender, marital status, home ownership, occupation, and zip code. Insurance scores and new territory ratings are OK
- MCCA Fee Reduction – New fee will be \$100 per vehicle, down from \$220 per vehicle
- Mini-Tort Limit now \$3,000 up from \$1,000
- Medical Fee Schedule (July 2021)

## BODILY INJURY LIABILITY

### BEFORE

- Minimum liability limits: \$20,000 / \$40,000
- Mini-Tort: Maximum recovery amount was \$1,000 for damages to a motor vehicle caused by a negligent driver.



### EFFECTIVE JULY 2, 2020

- Minimum liability limits \$50,000 / \$100,000
- Default liability limits: \$250,000 / \$500,000
- Combined Single Limits: Less than \$510,000 will require a signed form
- Mini-Tort: Maximum recovery amount has been increased to \$3,000

*Policy holders will be required to complete a Bodily Injury Limit selection form to choose limits below the default limit of \$250,000 / \$500,000.*

Source: Michigan Association of Insurance Agents, April 2020

## PIP CHOICE

### PIP Includes:

- Allowable Medical Expenses
- Funeral / Burial Expenses
- Work Loss (3-year Limit)
- Replacement Services
- Survivor's Benefits (3-year Limit)

### PIP Choice and Mandatory PIP Premium Reduction Effective July 2, 2020

- Average reduction per vehicle from PIP premium rates that were in effect on May 1, 2019.
- **NOT** a reduction of the entire vehicle premium.
- *Policy holder must select the PIP level at each renewal. If no choice submitted, then PIP reverts to Unlimited.*

PIP Benefit Coverage Level	Mandatory PIP Premium Rollback (from May 1, 2019 PIP rate)
Unlimited	10% PIP Reduction
\$500,000	20% PIP Reduction
\$250,000	35% PIP Reduction
\$250,000 with some people who have qualified health coverage excluded <ul style="list-style-type: none"> <li>• If you have 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</li> <li>• You must provide a letter from your health insurer showing your coverage qualifies, and the letter must list the names of all persons who qualify</li> </ul>	35%+ PIP Reduction
\$50,000 – if enrolled in Medicaid	45% PIP Reduction
Medicare Opt-Out	100% PIP Reduction

Source: Michigan Association of Insurance Agents, April 2020

## COMMERCIAL AUTO PIP CHOICE

What are the impacts to commercial auto policies?

- Bodily Injury Limits
  - Default limit will be \$250,000 / \$500,000
  - Sole proprietors will have more options like those on personal auto policies
- PIP Limits
  - Can keep unlimited, or you may choose \$500,000 or \$250,000 limit
  - But beware! Passengers and family members using your commercial vehicle receive the limit you choose.
  - Selecting a lower limit may not provide enough care for someone injured in your vehicle.
- MCCA Fee Reduced from \$220 per year to \$100 per year
- Mini-Tort Increase to \$3,000

## TRADE-OFFS AND RISKS

Are there any risks based on the limits I choose?

- Bodily Injury Limits
  - Drivers who choose lower PIP limits may now sue at-fault drivers for medical or long-term care costs not covered by their own policy
  - Are your BI limits enough to protect your assets and future earning potential?
- PIP Limits
  - Do you have adequate health insurance to cover injuries if you or a family member is injured in an auto accident?
  - Do you have adequate long-term care coverage to help if injuries require more than short-term care?
- Order or Priority
  - PIP now only applies to Named Insureds and Resident Relatives
  - Do you provide a car to an adult child who lives elsewhere? – the child will not get benefits from your policy.
  - Are you an unmarried couple? Make sure both of you are Named Insureds on your policy.

*It is more important than ever to make sure your coverage is there to protect you in this new environment!*

## WHEN WILL I HAVE TO MAKE CHOICES?

- Prior to your next renewal on or after July 2, 2020.
- Your insurance company will send you a packet with options for BI limits and for PIP Choice limits
- Return these forms to your insurance company / agent to implement your choices for the renewal
- If your renewal does not come up for a while after July 2, 2020 you may still opt into the new coverages as of that date by contacting your agent.

## ORDER OF PRIORITY CHANGES

### BEFORE

An injured person collected PIP benefits in the following order:

1. Insurer of the Named Insured;
2. Insurer of a Spouse or Resident-Relative;
3. Insurer of the Owner of Registrant of the accident-involved vehicle; then
4. Insurer of the Driver of the accident-involved vehicle; otherwise,
5. Injured person applies for benefits through the Assigned Claims Plan (with unlimited benefits).



### NOW

An injured person collected PIP benefits in the following order:

1. Insurer of the Named Insured;
2. Insurer of a Spouse or Resident-Relative; then
3. Injured person applies for benefits through the Assigned Claims Plan.

*No-fault reform eliminated the owner, registrant, and driver of the accident-involved vehicle from the order of priority.*

Source: Michigan Association of Insurance Agents, April 2020



## ORDER OF PRIORITY CHANGES - MOTORCYCLES

Effective July 2, 2020:

- Order of Priority remains the same.
- What does this mean?
- Motorcyclist will be subject to the PIP limits selected by the motor vehicle involved, even if the motorcyclist personal carries unlimited PIP on their own auto policy.
  - If the policy involved opts out of PIP coverage, the injured person claims benefits under the next order of priority. If there is not a next policy in the order of priority, then the injured person claims benefits through the Assigned Claims Plan (capped at \$250,000)
  - Motorcyclists injured in an accident with a vehicle who have selected lower PIP limits will not be able to sue the at-fault driver to recover excess medical benefits
- Minimum Liability Limits are increased to \$50,000 / \$100,000



Source: Michigan Association of Insurance Agents, April 2020

## TORT CHANGES



### BEFORE

- A person injured in an automobile accident is able to seek damages for non-economic (pain and suffering) and economic damages (excess PIP benefits) from negligent drivers and owners.
- The injured person must have suffered serious impairment of bodily function (e.g. loss of a limb, scarring).

\*\* Excess PIP is wage loss and survivor's loss that takes place three years after the accident.

### NOW

- A person injured in an automobile accident is still able to seek damages for pain and suffering and excess PIP benefits.
- Includes all future allowable expenses and work loss:
  - In excess of any PIP limit chosen; or
  - Without limit for allowable expenses for opt outs

**With the potential for motorists to reduce their PIP Benefits, motor vehicle owners and/or operators may be liable for a significant dollar amount to an injured party.**

Source: Michigan Association of Insurance Agents, April 2020

## MCCA - MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION

The MCCA reimburses insurance companies for PIP benefits that exceed \$580,000 during the lifetime of a claimant from injuries sustained in an auto-related Accident.

- The current annual assessment is \$220 per vehicle.

2020-2021 MCCA Assessment (July 2, 2020 – June 30, 2021):

- \$100 for customers who choose Unlimited PIP coverage
  - 55% reduction from the current \$220 assessment
- \$0 for customers who choose lower limits

Source: Michigan Association of Insurance Agents, April 2020

## SCENARIOS AND KEY QUESTIONS

- If you are at-fault in an accident, do you have coverage limits to protect you if you are sued?
- For a non-married couple, will both of you be covered properly on your shared personal auto policy?
- A divorced couple has joint custody of their child. If the child lives part time with both parents, how should the child be insured?
- If you live in a city and do not have a policy, do you get coverage from the vehicle owner's policy if you drive their car?
- You provide your adult child a vehicle for their use, and they are not a member of your household. Will your policy cover them in case of an accident?
- A family member is visiting from out-of-state during the holidays. The family member is injured in an auto accident and incurs \$100,000 of medical expenses. Where is this covered in Michigan?
- A 75-year old has chosen to opt out of PIP coverage because he is covered by Medicare. What can the 75-year old claim from his or her own personal auto policy?

Source: Michigan Association of Insurance Agents, April 2020



THANK YOU

For more information, visit our web site <https://curtisinsuranceagency.com/michigan-auto-insurance-reform-2020/>

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