



Know Your Insurance

Auto

Courtesy of The Shinberg Agency

Michigan's No-fault Auto Insurance Reforms - FAQs

On average, Michigan drivers pay some of the highest auto insurance costs in the United States. In an effort to make coverage more affordable for residents, create a better no-fault system and strengthen consumer protections, Michigan Gov. Gretchen Whitmer signed comprehensive reform legislation on May 30, 2019. This Know Your Insurance article, which was created based on [information](#) from the Michigan government, highlights frequently asked questions regarding changes to the reforms, which apply to policies issued or renewed after July 1, 2020.

When do the changes take effect?

The law currently requires you to carry unlimited medical coverage under your auto policy to pay for your expenses if you are injured in an auto accident. The new law allows you to choose a level of medical coverage when your policy renews after July 1, 2020. If you are already receiving payments from your auto policy due to injuries from an auto accident, you will continue to receive the current unlimited benefit regardless of the choice you make for the future. This is also true if you are injured in an accident between now and July 1, 2020.

Why was the law changed?

Michigan had the highest auto insurance benefits, but also had the highest costs. Mandatory unlimited personal injury protection (PIP) medical benefits proved too expensive for many Michigan families. Some drivers who could not afford costly unlimited coverage were driving uninsured. Drivers will now have a choice to reduce their premiums for the medical portion of PIP by relying on their own health insurance for their medical bills. Michigan's new law lowers premiums while still offering you a choice of coverage options including unlimited lifetime PIP medical benefits.

Why should I purchase auto insurance?

To drive legally in Michigan, state law requires the purchase of no-fault automobile insurance. If you or your family are injured in an auto accident, your auto insurance will pay all reasonably necessary expenses up to the limit of coverage you elect to purchase, as well as wage loss benefits and replacement service benefits. In a serious accident, injuries can amount to hundreds of thousands of dollars. The financial security being insured offers is one of the most important reasons to purchase insurance.

Driving without insurance is a crime. It is punishable as a misdemeanor, with a fine of up to \$500 and up to one year in jail. The court may also order your license suspended for 30 days or until you are able to provide proof of valid insurance.

How will the new law save me money?

The new law implemented the following cost reduction measures:

- **PIP choices**—You will now be able to choose a coverage level that is appropriate based on your needs and budget.

- **Rate reductions**—Each insurance company will be required to reduce PIP statewide average medical premiums. Your premium will depend on your individual circumstances and the coverage you select.
- **Fee schedules**—A fee schedule will be put in place as a required cost control measure between auto insurance companies and health care providers to make PIP medical coverage more affordable for you.

What consumer protections did the new law create?

The new law established the following consumer protections:

- **The elimination of nondriving factors**—The new law prohibits auto insurance companies from using sex, marital statuses, homeownership statuses, credit scores, educational levels, occupations and ZIP codes in setting your auto insurance rates.
- **A fraud investigation unit**—The newly established unit investigates criminal and fraudulent activity related to the insurance and financial markets.
- **Greater transparency related to the Michigan Catastrophic Claims Association (MCCA)**—The MCCA is now required to provide an annual report to the Michigan Legislature, post an annual consumer statement on their website and is subject to an audit by the Michigan Department of Insurance and Financial Services (DIFS) every three years.
- **An approval system**—Auto insurance rates and policies must now be filed with and approved by DIFS prior to being offered to consumers.
- **Fines and penalties**—The new law allows for increased fines for insurance companies, agencies and licensed agents for certain violations of the law.

What auto insurance coverage do I have to purchase?

Below are the three basic coverages in a Michigan auto insurance policy that must be purchased and carried on every vehicle:

- PIP
- Property Protection (PPI)
- Residual Bodily Injury and Property Damage Liability (BI/PD)

What is PIP?

For policies issued or renewed after July 1, 2020, if you are hurt in an auto accident, PIP will pay all reasonable and necessary medical expenses for your lifetime up to the maximum coverage amount selected in the affected policy. PIP will also pay wage loss and replacement services for up to three years after the date of the accident.

The PIP medical coverage options are:

- Unlimited coverage.
 - Up to \$500,000 per person per accident.
 - Up to \$250,000 per person per accident.
 - Up to \$250,000 per person per accident with exclusions. To select this option, one or both of the following must be met:
 - The named insured who is excluding PIP medical has qualified health coverage that is not Medicare; and
 - Any resident relative or spouse who is excluding PIP medical has qualified health coverage.
 - Up to \$50,000 per person per accident. To select this option, both of the following must be met:
 - The applicant or named insured is enrolled in Medicaid; and
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- Any spouse and all resident relatives have qualified health coverage, are enrolled in Medicaid or are covered under another auto policy with PIP medical coverage.
- No medical PIP coverage. To select this option, both of the following must be met:
 - The applicant or named insured has coverage under both Medicare Parts A and B; and
 - Any spouse and all resident relatives have qualified health coverage or are covered under another auto policy with PIP medical coverage.

If you don't make a PIP medical coverage selection, your policy will be issued with unlimited PIP medical coverage, and you will be charged the appropriate premium for this coverage.

What is PPI?

PPI pays up to \$1 million for damage your car does in Michigan to other people's property, such as buildings and fences. It will also pay for damage your car does to another person's properly parked vehicle. It does not pay for any other damage to cars.

What is BI/PD?

Michigan's no-fault insurance protects insured persons from being sued as the result of an automobile accident, except in certain situations. This includes when the injured party does not have enough coverage to pay for treatment or payment must be made to compensate someone that was killed or seriously injured. This portion of your automobile insurance policy will pay up to your coverage limit amounts if you are found legally responsible for damages in these situations.

The current BI/PD minimum coverage limits are:

- Up to \$20,000 for a person who is hurt or killed in an accident.
- Up to \$40,000 for each accident if several people are hurt or killed.
- Up to \$10,000 for property damage in another state.

Under the new law, the default BI/PD coverage limits are:

- Up to \$250,000 for a person who is hurt or killed in an accident.
- Up to \$500,000 for each accident if several people are hurt or killed.
- Up to \$10,000 for property damage in another state.

You may have the option of purchasing other BI/PD coverage limits under the new law. However, the lowest limit you may purchase is:

- Up to \$50,000 for a person who is hurt or killed in an accident.
- Up to \$100,000 for each accident if several people are hurt or killed.
- Up to \$10,000 for property damage in another state.

It is very important to carefully consider the coverage limits you choose to purchase, as the choice you make will have financial consequences.

You are responsible for injuries to another person and may be liable for damages for their pain and suffering, as well as the costs of their medical and other care that exceeds their coverage under their auto insurance policy. The bodily injury liability limit of your policy will pay for such damages, but only up to the amount of the limit you choose. You will be required to pay any amount over the limit you choose. This amount could be substantial, and may lead to severe financial consequences, including the following:

- Your assets may be seized, or a lien may be placed on your home;
- Your wages may be garnished; or
- Your driver's license may be suspended.

You should consider speaking with your insurance agent or consulting legal and financial advisors about the options available to you.

How will I choose my new PIP and BI coverage limits?

You will select your new PIP and BI coverage limits by filling out paper or electronic forms provided to you by your insurance agent or company. These forms must be signed, completed and returned to your insurance agent or company to make an effective coverage selection. Please note that all forms used by your insurance company must be approved by DIFS.

Have the extra (optional) auto insurance coverages I can buy changed?

Some drivers choose to purchase additional coverages or higher coverage limits. These additional coverages and limits are optional and should be purchased based on your own circumstances. The new law made changes to "mini-tort" and created an optional attendant care rider:

- **Limited property damage liability insurance (mini-tort)**—Under the new law, if you are 50% or more at fault in an accident, you can be sued for up to \$3,000 (previously \$1,000) in damages to cover the cost of the other driver's deductible. Many consumers purchase this additional liability coverage to protect themselves from this specific liability.
- **Attendant care rider**—Attendant care, which includes services to assist an injured person with tasks they would normally do for themselves (e.g., eating, bathing, dressing and grooming), is already included in PIP coverage. Insurers are required to offer an additional optional rider for attendant care coverage in excess of the amount provided by the chosen PIP option.

You should consider consulting with a licensed insurance agent or company to discuss all optional coverages available to you.

Do I still have to pay MCCA fees?

The MCCA is a private, nonprofit association that provides reinsurance for all auto insurers who operate in Michigan. The MCCA is responsible for reimbursing insurers for PIP claims that exceed \$580,000.

In November 2019, the MCCA announced that if you select the unlimited PIP option, the assessment charged per vehicle will be \$100 for the period beginning July 2, 2020, through June 30, 2021. If you select an option providing less than unlimited PIP coverage, there will be no MCCA assessment for the period beginning July 2, 2020, through June 30, 2021.

Who can help if I'm having a problem with auto insurance?

If you are having a problem with your auto insurance, DIFS can help. Please contact DIFS' Office of Consumer Services toll-free at 877-999-6442 to ask questions or to file a written complaint against a company, agent or agency. You may also file a complaint [online](#).

I have Medicare. Can I opt out of PIP medical coverage if I am single and live alone?

Yes.

I am enrolled in Medicare Advantage. Can I opt out of PIP medical coverage?

Yes. Medicare Advantage plans cover all Medicare services that are covered under Part A and Part B.

I renewed my policy before the July 1 effective date. Do I need to contact my insurance company, or will the changes happen automatically?

Your current policy, written before July 1, 2020, will continue until your next renewal, unless you do something to make a change. You may want to contact your insurance agent or insurance company and ask for a quote under the new law so you can make an informed decision on any changes you wish to make. Drivers are encouraged to shop around with other companies to ensure they have the best rate.

I was told that Medicare won't cover injuries from car accidents. Am I covered under the new law if I rely on my Medicare and opt out of PIP?

In the past, Medicare would not pay for auto accident injuries in Michigan. This is because everybody in Michigan had unlimited lifetime benefits and, since Medicare always pays last, it never kicked in. Under the new law, a person with Medicare Parts A and B, or Part C (Medicare Advantage) can opt out of PIP medical coverage and rely on Medicare coverage for auto accident injuries. DIFS has confirmed with the federal government that, as long as a person has opted out of PIP medical coverage, Medicare will pay for auto accident injuries.

It is important to note that having Medicare does not mean you have to opt out of PIP medical coverage. You can still purchase the level of PIP medical coverage you choose. If you choose to purchase PIP medical, your PIP medical will serve as primary payer for your medical costs after an auto accident up to the coverage limit you've selected. After that, your Medicare coverage will pay, subject to the limitations of the Medicare coverage.

What is qualified health coverage and how will I know if I have it?

Generally speaking, qualified health coverage ensures auto accident injuries will be covered. Qualified health coverage can be either Medicare Parts A & B, a Michigan auto policy with PIP medical coverage or a health insurance policy that doesn't limit or exclude auto accident injuries and has a deductible of less than \$6,000.

Your health insurer should provide you with a document that tells you if your policy is considered qualified health coverage. You may have to contact your employer's benefit office or insurance company to get this documentation before you make a certification to your auto insurance company that you have qualified health coverage.

I have ongoing health issues from a crash that occurred before the law went into effect. Will I still get care under the new law?

You purchased your policy and had your accident before the law change, which means your coverage for this accident continues under the terms of your policy at the time of the accident and your care will still be covered.

I'm a motorcyclist and I'm worried I won't get Personal Injury Protection (PIP) coverage under the new law if a car hits me. Is this true?

As was the case prior to the new changes to the law, if a motorcyclist is injured in an accident involving a motor vehicle, the motorcyclist is entitled to receive PIP medical benefits from the insurer of the owner of the motor vehicle. If the owner of the motor vehicle has no coverage on the motor vehicle, then the motorcyclist could seek PIP medical benefits from the driver of the motor vehicle, the motor vehicle insurer of the operator of the motorcycle or the motor vehicle insurer of the owner of the motorcycle—in that order of priority.

The motorcyclist would be limited to the PIP coverage amount in the applicable policy. If no coverage exists, the motorcyclist is entitled to up to \$250,000 of medical benefits if needed under the Michigan Assigned Claims Plan. If the motorcyclist has excess medical bills over the applicable PIP coverage limit, the motorcyclist could look to their own health insurance or sue an at-fault driver, depending on their situation.

Will the discounts mandated in the new law actually happen? How is the state ensuring insurers are complying with the law?

The new law requires that DIFS review and approve every rate filing before it is available for consumers to purchase. For the first time, DIFS has engaged outside actuaries to review the filings to make sure that insurers are meeting or exceeding the new rate reduction requirements and not using prohibited rating factors. All rate filings for the effective date of July 2, 2020, have been reviewed, and DIFS announced statewide average rate reductions exceed the requirements in the law for every coverage option.

It is important to remember that your specific rate will depend on your personal circumstances, such as your driving record and the level of coverage chosen, so it is important to shop around to get the best price.

Is there still a fee for those who were previously uninsured?

The law has changed in that regard. Previously, auto insurance companies could charge a penalty to people who had gone without auto insurance for a period of time. Under the new law, insurers cannot limit coverage, charge a reinstatement fee or increase the premium for an eligible driver solely due to a lapse in coverage if the driver applies for insurance during an 18-month period starting July 1, 2020.

Do I have to buy unlimited PIP if I don't have health insurance?

Under the new law, no one has to purchase unlimited PIP medical on their auto policy, though Michigan remains the only state where that is still an option. People who buy lower PIP medical coverage levels or who opt out entirely would rely on their health insurance coverage to pay for any auto accident injuries. It is important to know that, if you choose a lower level of PIP medical coverage and you don't have health insurance, you may be personally responsible for your medical costs that exceed your PIP medical coverage limit if you are injured in a crash.

Will I have to fill out the PIP form every time I renew my policy?

That depends on the coverage choice you make. Everyone will be offered the PIP form when they renew or start a new auto insurance policy after July 1, 2020. After that, you should only have to fill out a new form if you are making a change to your coverage or if you previously opted out or excluded someone in your household from PIP medical coverage. This is done to ensure you have not had a change in health insurance that could result in you no longer being eligible for those options. Some insurers may require you to complete the PIP form more often, and you should contact your insurer or agent to learn more.

What are the potential medical implications if you choose a lower level of PIP?

Choosing a lower level of PIP medical coverage should not affect what products, services and accommodations are covered if you are injured in a car crash. However, there would be a dollar limit on the medical bills your insurance company would pay. For example, if you choose \$250,000 in coverage, that is the maximum amount your auto insurance company will pay and you may be personally responsible for any bills that exceed that \$250,000 in coverage.
