



Navigating No-Fault Auto Reform

What can Michigan drivers expect for July 2, 2020?



In addition to PIP, these additional changes will take effect July 2, 2020:

- ✓ Non-driving factors can't be used to set insurance rates such as credit scores, education level, occupation, and postal zone.
- ✓ Minimum liability coverage limits will be increased from \$20,000/\$40,000 to \$50,000/\$100,000.
- ✓ Tort damages will also be recoverable for excess allowable expenses and work loss. The mini-tort damage cap will increase from \$1,000 to \$3,000.
- ✓ Policyholders choose PIP at each renewal. It will default at unlimited coverage.
- ✓ **Order of Priority**
 - 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're driving a car you own.
 - Non-relatives who reside in the household, (even if they are listed as drivers) would need to have their own insurance policy.

Personal Injury Protection (PIP)

Previously, it was mandatory for drivers to carry unlimited Personal Injury Protection (PIP) benefits. Beginning on July 2, drivers will now be able to choose from different coverage options such as:

- ✓ **Unlimited PIP Coverage**
 - ✓ **\$500,000 limit**
 - ✓ **\$250,000 limit**
 - ✓ **\$50,000 limit; the lowest limit but only for drivers who are Medicaid.**
- OR
- ✓ **Opt-out of PIP coverage entirely. All relatives who live with you must have Medicare or a qualified health insurance plan to be eligible.**

Insurance companies must reduce PIP premium rates and guarantee they will be reduced for eight years. This rate reduction only applies to PIP premiums. The reduced amount is dependent on the PIP coverage the driver selects. So, the higher the coverage, the lower your reduction will be.

- ✓ **Unlimited coverage would receive on average a 10% reduction**
- ✓ **\$500,000 in coverage would reduce on average by 20%**
- ✓ **\$250,000 in coverage would reduce on average by 35%**
- ✓ **\$50,000 in coverage would reduce on average by 45%**
- ✓ **Individuals with Medicare or qualified health insurance could opt out and receive a 100% rate reduction on certain portions of PIP, depending on their individual circumstances.**

No-Fault Auto Reform FAQ's

- ? **How do I know if I have gaps in my coverage?**
 - o I will always recommend you speak with a local, independent insurance agent. An informed agent can help identify any potential gaps in your coverage that may need to be corrected.
- ? **How will I select my Personal Injury Protection (PIP) and bodily injury limits?**
 - o Policyholders should be receiving PIP benefit selection forms prior to their policy renewal. This should include a letter of explanation to help you select the option that best fits your insurance needs and the deadline to submit your selection. As mentioned above, if you have questions or need assistance, contact your local agent.
- ? **Why have my auto premiums not decreased now that No-Fault reform has been passed?**
 - o Although the new law passed in the first part of 2019, most of the significant changes don't go into effect until July 2020. It is also important to note that some savings may not be as much as you initially thought. This is due to much of the reform focusing on PIP coverage selections.
- ? **What do I need to know if I am a motorcyclist?**
 - o For the most part, motorcyclists will pursue coverage in the same order of priority as under the previous law. If the owner/registrant of the motor vehicle has limits less than "unlimited" selected for their no-fault policy, the motorcyclist will receive those same limited benefits selected by the driver, regardless of the motorcyclist's own PIP coverage. If the motor vehicle involved has opted out of PIP, then the motorcyclist will go to the next order of priority, which is the vehicle driver's insurance, then to the motorcyclist's own insurance company.
- ? **What if I drive an employer-provided company vehicle?**
 - o If you drive a vehicle provided by your employer, typically, you'll first pursue coverage through your employer's insurance company that covers the vehicle. The next order of priority is your own personal auto policy, then that of your spouse or resident relative, then finally the Michigan Assigned Claims Plan (MACP).
- ? **How will economic damages be settled?**
 - o Economic damages will be settled on a pure comparative negligence basis. So, if you're determined to be 30% at fault, you will pay 30% of the damages.
- ? **If a policyholder has 2 vehicles titled to them, but a significant other as a driver only, will the fact that they are not related or married have an impact on medical coverage available for the person only listed as a driver?**
 - o Yes, the change in order of priority (on the previous page) limits PIP benefits to the insurer of the named insured and then to the insurer of the spouse or resident relative in the same household. If neither, then the claim would go to the MACP for a benefit limit of \$250,000. The scenario above does not list the significant other as either a named insured, a spouse or resident relative – so they would not be provided benefits from the policy. To be listed, they need to be co-titled on the vehicle.
- ? **What if I don't share the same enthusiasm about insurance as you do and I am still confused, where do I start?**
 - o I get it, most people don't want to think about insurance until you need it. The best place to start is with a local, independent agent. The best ones will be well versed on this and know how to help you navigate. It also helps that they have multiple companies to assist as an "expert buyer" for you.

Have more questions?
Just ask!



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