



IMPORTANT CHANGES TO YOUR AUTO INSURANCE

What's Changing

Automobile insurance in Michigan is changing. Last year No-Fault Reform was signed into law as part of an effort to make insurance more affordable. Most of the new law will take effect in **July of 2020**. At your first renewal after July new medical coverage options will be available and it is not too early to start thinking about what is right for you and your family. Between now and then you will receive information and instructions about the options directly from your insurance company. As your agent we are here to answer questions and help make the process easy for you. We want to begin by providing preliminary information about no-fault and its reform.

For almost 50 years all auto insurance in Michigan has provided unlimited lifetime medical expense coverage without any co-payments to drivers, passengers, pedestrians, and motorcyclists injured in an auto or truck accident. This is on a no-fault basis meaning injured people collect the benefit from their own insurance and avoid the time and expense of taking legal action to collect medical costs from an at-fault party. This medical expense coverage is part of Personal Injury Protection (PIP) on your insurance policy. Not only is the cost of doctors and hospitals covered, but also prescriptions, rehabilitation, physical therapy, long term care in nursing homes, attendant care in your own home, equipment, accessibility modifications to vehicles and home, and more. Michigan is the only state to provide anything close to an unlimited medical benefit for as long as your injury or treatment lasts.

In addition to the medical benefit PIP provides up to three years wage loss coverage, replacement services for things you cannot do while injured, limited funeral, and survivor benefits. These benefits are not affected by the new reform law.

New PIP Options

The unlimited PIP medical benefit is still available under the new law, but you will have the option to choose a lower medical limit, and in some cases no medical coverage at all. These options will reduce your insurance cost. However, you will want to carefully consider how you will pay for these medical expenses if you sustain a serious long term injury especially since health insurance, Medicare, and Medicaid do not cover all types of expenses covered by PIP. Keep in mind PIP pays medical expenses for the duration of your injuries while health insurance stops paying if your policy ends or is canceled. You should review what your health insurance covers so you will be ready to make a wise decision about PIP medical coverage at your next renewal. If you have private health insurance start by determining whether it excludes injury from auto accidents.

The details will be in the information you receive directly from your insurance company, but briefly the PIP medical benefit options are as follows:

- 1) Unlimited.** If you make no selection you will continue to have the unlimited lifetime benefit.
 - 2) \$500,000**
 - 3) \$250,000**
 - 4) \$250,000 with exclusion** of specific household members who have qualified health insurance.
 - 5) \$50,000** available if the named insured is enrolled in Medicaid and spouse and all resident relatives have qualified medical insurance, Medicaid, or their own auto insurance with PIP medical.
 - 6) No PIP medical coverage** available only if the named insured is covered by Medicare Parts A & B and spouse and all resident relatives have qualified health insurance, Medicare, or their own auto insurance with PIP medical.
- If you chose option 2,3,4 or 5 the limit will apply to each covered person who is injured.

Who is Covered?

There is also a significant change in who is covered for all PIP benefits on your policy. Regardless of who is listed as a driver on the policy, the only persons covered under the new law are a named insured on the policy, their spouse, and relatives of either domiciled in the household. Any other person driving or riding in your vehicle will need to seek PIP benefits from **their own auto insurance** or the insurance of a relative they reside with. If they have no auto insurance **and they are a Michigan resident** they can collect PIP benefits through the State Assigned Claim Plan which has a \$250,000 medical limit. Some examples where this change in the law applies include: A parent providing a car to a child, but the child no longer resides in the parent's house. A child providing a car or a ride to a parent that does not reside with them. A vehicle or ride provided to a friend or out-of-state guests and relatives. An unmarried couple that shares a vehicle. If situations like these apply to you please contact us to discuss what options you have. Your vehicle in the possession of a child or someone else who does not reside in your house is best insured by that person who has possession. We have the ability to do that even if you retain ownership. Children that are part of a split custody arrangement collect PIP benefits from the insurance of the parent who has custody at the time of the accident. If that applies to your children you should confirm what if any PIP coverage the other parent has.

New Liability Requirements

Lawsuits will be more common and settlements larger under the new law, because injured persons that don't have enough PIP medical coverage will now be able to sue at-fault drivers for medical expenses. That could be someone in another car, a passenger in your car, a pedestrian, or a motorcycle rider. Medical providers who don't get paid for treating injured persons will also have standing to sue the at-fault driver directly. So you may want to consider higher liability limits on your auto insurance to protect you from lawsuits. In fact the new Law has increased the minimum required liability coverage and established a new standard coverage limit of \$250,000 per injured person, \$500,000 total for all injured persons, and \$10,000 for property damage. We recommend you have a limit at least as high as this new standard, but you have to make the decision about how much liability coverage you need. Part of the information you receive from your insurance company will be the various liability limits available to you and the cost of each level. If you currently have a limit lower than the new standard, and you don't return the form, then your coverage will be increased at renewal to this new standard limit. In addition to the limit offered on your auto insurance **we strongly encourage you to consider an excess umbrella policy** which is available in million dollar increments. Please contact us if you are interested in an umbrella policy.

Mini- Tort

There is one change in the law affecting damage to vehicles. The owner of a vehicle damaged in a collision will still get coverage for that damage from their own insurance regardless of who was at-fault in the accident. However, if the owner has no collision coverage or has a deductible they can collect up to \$3,000 from another at-fault driver. This part of the law which is commonly known as mini-tort was previously limited to \$1,000.

We are Here to Help

We realize these changes may seem complicated and even confusing. Please contact us with any questions you have as you consider your options and how the new law affects you. The good news is, due to anticipated savings from a medical fee schedule included in the new law, almost everyone should see a reduction in your auto insurance bill even if you choose to keep the unlimited PIP medical coverage.

5700 W. Mount Hope Hwy. Lansing, MI 48917

517.321.4600

www.DavidChapmanAgency.com