

NO-FAULT AUTO INSURANCE REFORM

EFFECTIVE JULY 2, 2020

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Overview

Michigan No-Fault Auto and its Personal Injury Protection (PIP) program have done a great job at paying medical costs from auto accidents. Nine years ago, Consumer Reports hailed Michigan's No-Fault Insurance Law as "the most successful no-fault law... it puts more dollars in the hands of injured people and fewer in the pockets of attorneys." Unfortunately, PIP has also become one of the more expensive coverages in our auto insurance policies. Our governor made some changes to our state's laws in the summer of 2019 to lower what we pay for PIP and provide consumers with choices to purchase a more "affordable" auto insurance policy by relying more on their health insurance instead of PIP.

HERE'S WHAT YOU NEED TO KNOW:

- Does Personal Injury Protection (PIP) cover the same things as a typical health insurance plan?**
 PIP pays for so much more than "medical costs." PIP is part disability policy, part medical policy and part long term care policy all rolled together. PIP doesn't have co-pays, annual deductibles, out of network charges, etc. PIP even pays for modifications needed for your home and auto to allow you to function with the limitations a bad accident can leave you with. If you had PIP coverage on the day you were injured in an auto accident, your PIP coverage continues until you are no longer incurring medical-related expenses from the accident – even if your auto policy cancels the next day!
- How do I opt out of Personal Injury Protection (PIP) coverage?**
 If you plan to opt out of PIP, to best protect yourself you'll need documentation from your health insurance provider showing: the company name and policy number, a statement that the plan covers medical costs from auto accident injuries, the per-person deductible (that needs to be \$6,000 or lower) and all individuals covered on the policy. Then you'll need to find out how your co-pays work, all annual deductibles, out of network charges and other limitations. Consider creating a "rainy day fund" to pay for the out-of-pocket expenses you'll be taking on that unlimited PIP would have covered for you.
- Insurance Costs Reductions... "on average"... how much will you really save?**
 The no-fault reform "PIP Premium Reduction" table below shows reductions in cost for PIP coverage – not your overall policy costs. These reductions are averaged out across the state for each insurance company. You aren't guaranteed the exact PIP premium reductions in the below table. Also, other parts of your auto policy might go up in price.

OPTION	PIP COVERAGE LIMIT	PIP PREMIUM REDUCTION	NOTES
1	*Unlimited PIP Benefit	10%	Default coverage if completed renewal paperwork not turned in
2	\$500,000 PIP Limit	20%	Ideally you have a health plan in addition to this PIP coverage
3	\$250,000 PIP Limit	35%	Ideally you really have a health plan in addition to this PIP coverage
4	\$250,000 PIP Opt-Out	35% or higher	Excluded household members need to be covered by a qualified health plan
5	\$50,000 PIP Limit	45%	Policy holder on Medicaid, other conditions apply
6	Medicare PIP Opt-Out	100%	Medicare cards/documentation needed

***\$100 MCCA fee only applies to the "UNLIMITED PIP LIMIT" option**

The reduction in what you pay for PIP will be calculated using two line items from your auto policy declarations page: Personal Injury Protection and MCCA Fees.

● **Are fewer people covered by my auto policy now?**

It used to be that your PIP coverage “followed the car and driver” – not any more. For someone to receive PIP benefits from your auto policy (on which you appear as a “named insured”), they need to be your spouse or your “resident relative” on the day of the accident. Resident relatives don’t appear on the auto policy or on your insurance application. You need to make sure your resident relatives would pass the insurance company’s “test” for resident relative status. Stop making assumptions and call your agent about this!

● **Why are state minimums for auto liability going up?**

When we all had mandatory unlimited PIP coverage, our own policies paid our medical expenses from auto accidents. People who choose to give up unlimited PIP will be relying on health insurance plans that will leave them with uncovered medical expenses – forcing them to hire an attorney and sue at-fault parties (assuming there are any to sue). The legal system can’t get people’s bills paid unless the people being sued can defend themselves in court and pay awarded damages. Our auto policy’s liability coverage provides legal defense and pays awarded damages up to the limit of liability we purchased. The odds of being sued from an auto accident are going up, and the state wants us to be prepared!

● **What is this “auto policy renewal packet” I just got in the mail?**

The State of Michigan has created requirements for your insurance company to follow in creating a multi-page document you’ll need to complete where you make your new PIP selection and re-visit your liability limit. If you don’t complete the form and return it in time, the insurance company will by default give you unlimited PIP coverage and liability limits of \$250,000 per person, \$500,000 per accident and \$10,000 in property damage (unless your liability limits are already higher than this).

● **It’s time to become a better educated insurance buyer**

There are too many choices that could have a huge impact in determining if you’ll

- Get the medical care you need after an auto accident and if you’ll go broke getting it
- Need to sell your house or cash-out your 401K because you lost a lawsuit from an auto accident that was higher than your liability limit

You are best served when your primary focus is on “what do you want to see happen after an auto accident”, and then focusing on how much it costs. Using slang terminology like “PL/PD” and “Full Coverage” when buying your auto insurance could create some ugly surprises for you after an accident.

NOTES:

CALL YOUR LOCAL RUMMEL AGENCY OFFICE FOR A GOOD CONVERSATION ABOUT HOW TO BEST SPEND YOUR INSURANCE BUDGET ON INSURING YOUR TODAY AND SECURING YOUR TOMORROW.



insuring your *today* securing your *tomorrow*™