



Collins & Associates
CORPORATION

Auto insurance in the state of Michigan will be drastically different in 2020 because of the new auto insurance reform law that goes into effect July 2, 2020.

Your Collins and Associates team is up to date on the new legislation. As your professional advisors, we understand the law and are prepared to assist you in making the right insurance choices to protect you and your family.

Let's get started by addressing some significant areas of change, what those changes mean, and how they impact you and your family:

- 1) Personal Injury Protection (PIP) Choice
- 2) PIP - Order of Priority
- 3) Bodily Injury Liability
- 4) Impact on Auto Insurance Rates

- 1) Personal Injury Protection (PIP) Choice.** Beginning in July 2, 2020, Michigan drivers will be able to select their preferred level of PIP. Based on your eligibility and needs of your family, you'll be able to select from the coverage options available.

So, what is Personal Injury Protection (PIP)? If you get in a vehicle accident, PIP coverage pays for your care, recovery, rehabilitation, wage loss, and replacement services. This coverage also includes some funeral expense benefits and survivor's benefits which are paid to your dependents if injuries from an accident result in your death. This coverage applies whether it was you or someone else who caused the accident. Unlimited PIP under your auto policy, is a lifetime coverage of the benefits described above – and more!

Our Agency Recommendation is that you retain your Unlimited PIP coverage on your auto policy because it is the most comprehensive coverage for you and your family.

Please consider the following information when comparing Group Health Plan Coverage to PIP Coverage.

- A) Group Health Plan Coverage AND PIP Coverage on your auto policy pay for these services:
- Hospitalization
 - Surgery
 - Prescriptions (subject to health plan approval)
 - X-rays and lab tests
 - Rehabilitation costs
 - Office visits
 - Medical equipment

B) PIP Coverage on your auto policy pays the following expenses) vs. Services a Group Health Plan Coverage typically **does not pay.**

- Inpatient skilled nursing stays beyond the usual time limits under an Employer Group Health Plan Coverage
- Physical, speech and occupational therapy beyond the usual visits limits under an Employer Group Health Plan Coverage
- Attendant care and nursing services to help with the activities of daily living (performed in home or in a facility)
- Home modifications such as ramps, wider doors, or elevators
- Auto modifications to enable an individual to access and use an automobile
- Medical Mileage costs
- Hearing aids (if accident causes hearing impairment)
- Guide dog or service animal
- Acupuncture

Summary of PIP options under Michigan's new auto insurance law:

Options available to everyone:

- Unlimited: This is the level you have right now, and our Agency Recommendation.
- \$500,000 limit
- \$250,000 limit

Options available to eligible individuals with Qualified Health Coverage (see below for definition), Medicaid or Medicare:

- \$250,000 limit with PIP exclusion^{2**} (Excludes All PIP Benefits)
- \$50,000 limit – Medicaid only
- Allowable Expense Opt-out – Medicare Only (only available if all household members are on Medicare, and have parts A and B)

Definition of Qualified Health Care coverage (QHC)

- QHC includes Medicare (if the individuals in the household are enrolled in both parts A and B)
- Employer Group Health Coverage can ONLY be considered QHC if it has an annual deductible of \$6K or less per individual and the plan doesn't exclude or limit coverage for Motor vehicle accidents

Under Michigan Law, Fully Insured Group Health Plan, regardless of which state the fully insured policy is issued, are required to pay primary to no-fault policies.

Self-Funded plans are not required to coordinate with PIP benefits. Please make sure you speak with a licensed health insurance professional to understand your plan.

When reviewing your PIP options above, please keep the following items in mind:

- Unlimited PIP benefits are for a lifetime.
- If you select a specified PIP Limit, once your limit is exhausted, you have no coverage.

- Employer Group Health coverage only pays expenses while you are enrolled. Enrollment typically ends after employment and elected COBRA expires.
- If you were in an accident and the other party was at fault, you could sue the other party. Please consider the following. Do you want to have that burden, or have your spouse or child have that burden? Even if you sue, there are no guarantees of the outcome, and those attorney costs, etc. would be your responsibility.
- If you coordinate your Group Health Care Coverage with your auto policy, and select a limit on your PIP of \$500,000 or \$250,000, and then you lose your health coverage due to a change in employer, termination, etc. you are then required to make a change to your auto policy WITHIN 30 days, or YOU HAVE NO PIP COVERAGE under your auto policy. The current PIP coverage is more forgiving, you have a small deductible, and then the PIP pays.

2) PIP – Order of Priority.

What does that mean? If you have an auto accident, there is a set priority for which policy has to respond. We look to see what policy or policies have PIP coverage that applies for those who have sustained injuries. PIP benefits do not “stack”, so we do not look to the next policy in the priority order.

How is this different? The new law changed the order for which policy takes priority and is responsible to pay for claims. Here are the differences:

Old Order of Priority:

1. Your Policy
2. Your Spouse’s Policy
3. Resident Relative's Policy
4. Owner of the Vehicle's Policy
5. Operator of the Vehicle's Policy
6. Michigan Assigned Claims Plan (MACP)

New Order of Priority:

1. Your Policy
2. Your Spouse's Policy
3. Resident Relative's Policy
4. Michigan Assigned Claims Plan (MACP) - \$250,000 limit (effective 7-2-20)

The new law removed both the Owner of the Vehicle and the Operator of the Vehicle from consideration. So even if the Owner or Operator of the vehicle involved in an accident has an insurance policy, it does not apply and will never be responsible for paying for your PIP Medical claim. Additionally, the Michigan Catastrophic Claims Association (MCCA) will only pay up to \$250,000 if the claim falls to them in the priority, where previously the amount of medical coverage was unlimited.

Please consider the following questions carefully, and remember our team is ready to walk through any situation with you and be sure that you and your family have appropriate coverage.

- Do you have anyone currently listed as a driver on your policy that is no longer a resident of the household?

- Do you have anyone listed as a driver on your policy that resides in your household and is not a relative?

Here is one scenario that could create significant consequences:

Scenario: Dad and Mom have an auto policy, and they carry Unlimited PIP medical coverage. They have two children, and both of their kids are listed as drivers too. Their daughter Katrina still lives at home, but their son Christopher moved out of the house and living in his own condo. Since Christopher has moved out of the home, he does not meet the definition of Resident Relative, therefore he has no PIP Medical coverage under Mom and Dad's policy even though he is still a driver. Christopher's medical coverage would be paid under #4 in the Order of Priority through MACP for a maximum limit of \$250,000. Christopher should purchase his own policy.

We aren't quite done with PIP Priority! We need to discuss motorcycles because they have their own unique Order of Priority.

Motorcycle Order of Priority:

1. Owner of Car's Policy
2. Operator of Car's Policy
3. The Motorcyclist's Personal Auto Policy
4. Michigan Assigned Claims Plan (MACP) - \$250,000 limit

The Order of Priority for motorcycles involved in auto accidents did not change with the new law. This has some consequences too, so be sure to talk with one of our team members when you are ready to start using your motorcycle.

3) Bodily Injury Liability

Bodily injury liability insurance covers claims made against you for injuries if you are at fault in a vehicle accident. It covers you if you are sued because a person covered by your auto policy is legally responsible for damages related to bodily injury of others in an auto accident. Bodily injury coverage is expressed in two numbers: a per-person limit (maximum payment for each person injured in an accident) and a per-accident limit (maximum payment amount available for all people injured in the accident, even if it doesn't reach the per-person limit for each of them).

What is different? The new law has increased the amount required for Bodily injury liability limits that must be carried on an auto policy. **Previously**, the lowest limit you could purchase was \$20,000/\$40,000. **Beginning on July 2, 2020**, the new law requires limits of \$250,000/\$500,000 or higher unless you sign a form stating that you understand the risks of having lower limits. By signing this form, you may select Bodily Injury limits as low as \$50,000/\$100,000.

Our Agency Recommendation standards have not changed. We recommend that you carry a minimum of 250,000/500,000 for bodily injury liability. If you are in an accident and sued, and your limits are not adequate for the bodily injury you caused, you could be held personally responsible and pay substantial out-of-pocket costs. In most cases limits of 500,000/500,000 are more appropriate.

Another Agency Recommendation would be to purchase an umbrella with \$1,000,000 in limits or above for additional coverage and peace of mind. If a person injured in an auto accident has no PIP coverage,

or a fixed limit of coverage, an insured who is legally liable for an accident has increased exposure for any damages awarded that would previously have been covered by PIP. Once the underlying personal auto limits are exhausted, an Umbrella policy would step in as additional liability protection to cover this increased exposure.

Prior to July 2020, if you were in an accident where you injured someone and you were found to be negligent, there was never a need for the injured person to sue you to get medical coverage, because they had Unlimited PIP on their own policy. Now that people can select lower PIP limits, they might run out of PIP coverage on their policy. If they still need money for care due to the accident, they will be able to sue you for those dollars. Your policy will pay for those lawsuits out of your bodily injury liability limits. It's a real possibility, and a great reason to evaluate and increase your bodily injury limits, and your umbrella limits to protect your assets.

4) Impact on Auto Insurance Rates

Non-driving factors can no longer be used to set insurance rates for personal auto policies. Our carriers can no longer use factors such as postal zone, credit scores, home ownership, education level and occupation. The new auto reform, now utilizes a "census tract" number rather than a zip code, meaning there are less territories. Western and northern Michigan have historically enjoyed lower rates. It is likely these areas will not see the decreases in their premium that the larger cities may experience. The new law requires cost reductions for the next eight years for the PIP portion of your premium. This is commonly referred to as "rate rollbacks".

The true "rate decrease" that each insured will see is a reduction in the Michigan Catastrophic Claims Association fee (MCCA) which drops from \$220.00 to \$100.00 per vehicle. This coverage affords you the unlimited PIP coverage that pays for your care, recovery, rehabilitation, wage loss, and replacement services under the auto policy.

We understand this is a lot of information to digest. If you are looking for additional information, I would encourage you to call a member of your Collins' team to talk through these changes.

Our insurance advisors are happy to take time to understand your unique needs and to identify and offer alternatives to protect you and create custom plans that fit your life.

Life happens fast, and the truth is there's nothing as valuable as peace of mind. Our team of insurance professionals can protect you from the unexpected through quality insurance that works for your needs, as well as your budget.

Thank you for your business, and for the faith and trust you place in us.

Sincerely,

Michelle Collins and your Collins and Associates Personal Lines Team