



Michigan Auto Insurance Reform **FAQs**



Overview

What is Michigan's auto insurance reform?

Today, Michigan drivers are required by law to have a No-Fault automobile insurance policy that includes Personal Injury Protection (PIP) benefits. While several states in the U.S. also have No-Fault requirements, Michigan's No-Fault law is unique in that the PIP coverage provides for unlimited medical benefits for the lifetime of the injured person when those injuries result from an auto accident.

Many changes to the existing no-fault auto insurance law took effect on July 2nd, 2020, including giving Michigan drivers a choice in their level of PIP coverage. Under the new plan, drivers are able to choose from up to six options for Personal Injury Protection coverage.

Why is Michigan changing the law?

Since 1973, all Michigan automobile insurance policies have had to provide unlimited Personal Injury Protection benefits. If you qualified for PIP benefits because you were injured in an automobile accident, you could get lifetime medical benefits for treatment related to your care, recovery or rehabilitation. It sounded like a great idea at the time – but as health care costs and the frequency of lawsuits continued to rise, it meant that auto insurance costs rose significantly, too. Today, Michigan has the 4th most expensive auto insurance in the country.¹ Unsurprisingly, it is also ranked 4th in the U.S. with about 20% of drivers uninsured.²

When will auto insurance reform happen?

While some parts of the law are already active, the parts that impact your selection options for PIP coverage go into effect on July 2, 2020. You don't have to do anything until you renew your policy, but in order to make the transition easy for you and your family, you can make your new selections in advance of your



renewal date.

How will the new law impact my auto insurance policy?

The short answer is that it means you have a choice to make. When you renew your policy after July 2, 2020, you can keep your unlimited Personal Injury Protection Allowable Expenses (PIP AE) coverage limit, which is the same coverage you have today.

But if you choose a PIP AE option with less than unlimited coverage – or the \$250,000 PIP Exclusion⁶ – you may want to factor in your own personal risk tolerance and financial situation. For example, what happens if you're severely injured in an accident and your medical bills exceed your new coverage limit? Do you have enough health insurance to cover those bills? If you can't work, do you have disability coverage available? If you get sued for the accident, do you have savings or other assets that could be at risk?

These are all things you'll need to think about. The good news is our agents are here to help provide you information.

What can I do to prepare?

Once the new coverage options go into effect on July 2, 2020, you won't need to take any action until it's time to renew your policy. In the meantime, here are some steps you can take to prepare:

- Review your policy: The new law impacts your Personal Injury Protection Allowable Expenses (PIP AE) coverage, but that's just one of the coverages included in your auto insurance policy. Make sure you're familiar with all your coverages and your current limits. That'll help when it comes time to renew and choose your PIP AE limit.
- Consider your assets: When you make changes to your policy limits, there's more to think about than how much it costs. Lower coverage limits could expose you to medical bills or lawsuits. If you have savings accounts, a 401k, a home or other valuable assets, they could be at risk.
- Talk to your family: If you have a spouse or children, you're not the only one impacted by these changes. Discuss your plans with your family so everyone understands your coverage moving forward.
- Reach out to your agent: If you still have questions, your agent will be more than happy to help.

¹ Source: © 2018 National Association of Insurance Commissioners (NAIC).

Note: Data as of 2016. Total written premium/liability car years. A car year is equal to 365 days of insured coverage for a single vehicle. The NAIC does not rank state average expenditures and does not endorse any conclusion drawn from these data.

² Source: Insurance Research Council.

⁶ Allowable Expenses \$50,000 - Medicaid Only: Allowable Expenses coverage option for insureds enrolled in Medicaid. A spouse and/or resident relative(s) in the same household must also be enrolled in Medicaid, be enrolled in Medicare Parts A and B, have other PIP Allowable Expenses coverage, or have QHC.