

Legislative Analysis



NO- FAULT AUTO INSURANCE: ALLOW INSURED TO CHOOSE LEVEL OF PERSONAL INJURY BENEFITS

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4702

Sponsor: Rep. Joe Hune

Committee: Insurance

Complete to 8-2-07

A SUMMARY OF HOUSE BILL 4702 AS INTRODUCED 5-2-07

The bill would amend the Insurance Code so that no-fault automobile insurance policies would no longer automatically contain unlimited medical and rehabilitation benefits. Instead, the mandatory minimum personal injury protection (PIP) coverage would be \$250,000. Drivers could choose one of several levels of coverage for PIP coverage, as follows:

- Coverage for allowable expenses consisting of all reasonable charges up to a maximum of \$250,000 for reasonably necessary products, services, and accommodations for an injured person's care, recovery, or rehabilitation.
- Coverage up to a maximum of \$500,000
- Coverage up to a maximum of \$750,000
- Coverage up to a maximum of \$1 million
- Unlimited coverage.

If the insured fails to select one of the limits, then the auto insurer would provide maximum coverage of \$250,000.

The coverage limits would be provided on a per-individual per-loss occurrence basis. Coverage would apply only to benefits payable to the insured named in the policy, the insured's spouse, any relative of either domiciled in the same household. Other persons would only be entitled to coverage with a maximum of \$250,000.

When benefits were provided to an individual injured in an automobile accident through the state's Assigned Claims Plan because no insurance was applicable or no applicable insurance could be identified, the benefits would be paid only to the \$250,000 limit. But if the only identifiable coverage was inadequate to provide benefits because of the financial inability of insurance companies to fulfill their obligations, the PIP benefits would be paid by the Assigned Claims Plan to the limit selected by the insured. (This would not apply in case of insolvencies, when benefits would be provided instead through the Property and Casualty Guaranty Association.) When the Assigned Claims Plan was involved due to a dispute among insurance companies over who was obligated

to provide coverage, benefits would be paid in the highest amount applicable among the policies in dispute.

PIP benefits would not be payable to a nonresident injured in an accident outside of Michigan to the extent that benefits covering the same loss were available from other sources, regardless of the nature and number of benefit sources available and regardless of the nature or form of the benefits. If PIP benefits were payable to a nonresident, the benefit limit would be \$250,000.

The bill also specifies that PIP benefits would be subject to the limits contained in Section 3163 for accidents occurring in Michigan when the injured person is a non-resident and that injured person's benefits are payable under a policy delivered outside of Michigan. That section deals with cases where the insurer of an out-of-state resident is required to provide benefits to that person for accidental bodily injury for an accident in which the out-of state resident was not an occupant of a vehicle registered in Michigan. It provides a \$500,000 limit, among other provisions.

The bill also would amend the section of the Insurance Code (Section 3104) that deals with the Michigan Catastrophic Claims Association. The MCCA is a statutorily mandated nonprofit association composed of the companies writing automobile insurance in the state. It functions as a reinsurer under Michigan's compulsory no-fault auto insurance system, which currently provides unlimited lifetime medical and rehabilitation benefits. A driver's auto insurer is responsible for a specified amount of a PIP claim (currently \$420,000) with the MCCA responsible for amounts above that. Member companies are charged a premium to cover the expected losses of the MCCA, based generally on the amount of a company's business in the state. Typically, an assessment to support the MCCA is placed on each auto insured under a no-fault policy (as well as each motorcycle). Under the bill, the amount charged to an insurer to support the MCCA would have to take into account the levels of coverage chosen by its customers. (Presumably, only customers who choose coverage above the MCCA threshold would pay an MCCA assessment.)

The bill would take effect 120 days after enactment.

MCL 500.2111 et al.

FISCAL IMPACT:

The bill would have no fiscal impact on the Department of Labor and Economic Growth. However, the bill could have an impact on the Michigan Catastrophic Claims Association, an unincorporated non-profit private association created by the Legislature, but not part of State of Michigan government.

Legislative Analyst: Chris Couch
Fiscal Analyst: Richard Child

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.