



# PIP REFORM:

## “No Fault” & Background

PIP is an acronym for “Personal Injury Protection”. PIP is one component of an individual’s auto insurance coverage which pays for their medical expenses and lost wages if he or she becomes injured in an auto accident. PIP is generally paid by a person’s own auto insurance company. The benefits are paid regardless of whether a person was at-fault in causing a car accident. From 1973 through June 2020, Michigan drivers had unlimited PIP coverage for all necessary medical care and treatment caused by a motor vehicle accident.

### ➔ WHAT HAPPENS JULY 2?

- Effective July 2, 2020, Michigan Drivers will have alternative options for Personal Injury Protection. All Michigan drivers will have the ability to select from three coverage amounts: \$250,000, \$500,000, or continue with unlimited PIP. Drivers who are on Medicaid will have the option to lower their PIP benefits to \$50,000.
- Drivers who have qualified health insurance will be able to waive PIP entirely. Qualified health insurance is defined as health and accident coverage that does not exclude or limit coverage for injuries related to an auto accident and has an annual deductible of \$6,000 or less per individual. Drivers on Medicare will also have the option to waive PIP benefits completely.
- Once limits are exhausted, the burden of paying for medical expenses is shifted to the person who is deemed responsible for the accident. If the driver who caused the accident does not have adequate levels of liability insurance to pay for the excess medical care and treatment, an accident victim may be forced to turn to his or her own personal assets, Medicaid, or even declare bankruptcy if unable to pay.
- Under the new law, auto insurers are not required to pay for more than 56 hours per week of no-fault in-home, family-provided attendant care.
- After the new law takes effect, operators (such as residents who aren’t relatives) no longer have coverage under the vehicle owner’s policy. For examples, resident companions who are not married will no longer have coverage through each other’s policies.
- Michigan Mini Tort Auto Law will increase to allow victims of an auto accident to recover up to \$3,000 for vehicle damage from the at-fault driver, up from \$1,000.

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### ➔ DIFFERENCE BETWEEN PIP AND BODILY INJURY LIABILITY

- PIP benefits are paid by the car accident victim’s own auto insurance and are paid without regard to fault.
- Bodily Injury Liability insurance is very different. This coverage pays for harms and losses caused by a negligent, at-fault driver. These losses can include pain and suffering damages, excess economic loss, and excess medical expenses that exceed the PIP cap amounts that an accident victim has selected. Bodily Injury Liability is paid by the at-fault driver who causes the car accident.
- After July 2, 2020, the burden on the at-fault party increases significantly.

### ➔ WHAT DO I NEED TO DO?

- Educate yourself, know your exposures, and talk with your insurance professional to discuss any adjustment you should make to your insurance policy to ensure you have appropriate coverage limits in place. Verify all individuals you intend to provide coverage for under your auto policy will remain covered once the new law goes into effect.
- Specifically ask a customer service agent at your health insurance company if your policy will provide care in the event of an auto accident on a primary basis and verify the individual deductible is under \$6,000.

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