

MICHIGAN NO-FAULT REFORM OVERVIEW

What is happening?

Back in May 2019, Governor Whitmer signed historic no-fault legislation, the first update to the original no-fault law that was signed into law in 1973. The law intends to provide more affordable auto insurance to Michigan drivers. The reform allows drivers the ability to choose their level of protection relating to medical coverage for catastrophic claims. It also mandates a reduction in PIP (personal injury protection) rates, an increase in state minimum bodily injury limits, and prohibits rating based on gender, marital status, education, occupation, credit score, or zip code. For more on the specific changes, see below.

All changes are expected to take place following July 2, 2020.

Notable Changes:

Various tiered levels of PIP coverages will be available, including:

- Unlimited (the current level under existing law--all insured drivers currently have this tier)
- \$500,000
- \$250,000
- \$50,000 – Medicaid required
- Opt out/Exclusion – Medicare A&B/Qualified Health Plan required

Mandated Reduction to PIP Rates:

- Carriers are reducing the rate specific to PIP ranging from 10-45% depending on the level selected by you, the insured.

Rating Prohibitions:

- Rates cannot be affected by gender, marital status, home ownership status, education level, occupation, credit score, or zip code. Insurance carriers still do have the ability to rate based on territory.

Bodily Injury State Minimums:

- Bodily Injury Limits will increase from a minimum of \$20K/\$40K (per occurrence/per accident) to \$50K/\$100K.
- The default minimum is \$250K/\$500K. A signed selection form is required for lower limits of liability.

What does this mean to me?

Nothing will affect your rates or coverage immediately, so there's nothing you need to do for the moment.

All auto insurance renewals will comply with the no fault reform and insureds will have the option to select your level of coverage at your renewal following July 1, 2020.

Kapnick Recommendation:

Kapnick Insurance Group advises all clients to select the unlimited PIP option, elect higher limits of liability, and purchase a personal umbrella to best protect themselves and their assets. Our recommended coverages include:

- Minimum of \$500,000 per accident/\$500,000 per occurrence Bodily Injury Limits
- Minimum of \$500,000 per accident/\$500,000 per occurrence Uninsured Motorist Coverage
- Minimum of \$500,000 per accident/\$500,000 per occurrence Underinsured Motorist Coverage
- Minimum of \$500,000 Property Damage Coverage
- Unlimited PIP Selection
- Minimum of \$1,000,000 umbrella policy