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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director  
Legislative Policy Division Staff

DATE: June 8, 2015

RE: **D-Insurance Proposal**

The administration has outlined a discount no fault automobile insurance proposal that is intended to address the unaffordability of such coverage in Detroit, and a host of consequences that follow from it; including population loss, uninsured motorists, and a general drag on economic activity in the City as a result of premiums for such coverage being much higher than in other Michigan communities.

The administration is to be lauded for their aggressive attempt to address an intractable problem, as more fully discussed throughout this report. The administration predicts that Detroit motorists and motor vehicle owners would save between \$1000 and \$1800 annually on premiums for no fault automobile insurance under their D-Insurance proposal. It is important to recognize that selection of this new form of coverage would be optional. Therefore people must understand what this potential option would mean in terms of the kind and extent of coverage, and the broader effects on the City and the no fault insurance system. This preliminary LPD report on the issue seeks to explain these implications.<sup>1</sup>

<sup>1</sup> The administration's proposal was embodied in a substitute "S3" version of Senate Bill 288 that was passed by the Michigan Senate Insurance Committee on Wednesday, June 3, 2015. The committee reportedly expanded the potential reach of the statute to other cities besides Detroit if the city "presents credible evidence to the Department of Insurance and Financial Services that at least [35% or more] of the city's residents who regularly operate a motor vehicle do so without the personal protection insurance required by the Code." The substitute version, and Senate Fiscal Agency's summary that refers to that expanded scope, are attached.

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## Overview of No Fault Automobile Insurance

The Michigan Supreme Court, in *Shavers v Attorney General*, 402 Mich 554 (1978), summarized the background and purposes of the No Fault Insurance Act, MCL 500.3101 *et seq*, as follows:

“The Michigan No-Fault Insurance Act, which became law on October 1, 1973, was offered as an innovative social and legal response to the long payment delays, inequitable payment structure, and high legal costs inherent in the tort (or “fault”) liability system. The goal of the no-fault insurance system was to provide victims of motor vehicle accidents assured, adequate, and prompt reparation for certain economic losses. The Legislature believed this goal could be most effectively achieved through a system of *compulsory* insurance, whereby every Michigan motorist would be required to purchase no-fault insurance or be unable to operate a motor vehicle legally in this state. Under this system, victims of motor vehicle accidents would receive insurance benefits for their injuries as a substitute for their common-law remedy in tort.” (emphasis in original)<sup>2</sup>

In short, the no fault auto insurance reform of the 1970s was intended, and to an extent has succeeded, in achieving a “win-win” solution to the pressing social problem of the frequency and high financial and medical costs of automobile accidents. Insurers have reaped the benefits of

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This is LPD's initial report on the administration's D-Insurance proposal. As of this date, LPD has not had the opportunity to review the Pinnacle Actuarial Resources study provided to the administration in connection with this proposal. If necessary and appropriate, LPD will present another report upon receipt and review of the Pinnacle Actuarial Resources report.

A question LPD has about the Pinnacle Actuarial Resources report involves what auto insurance claims experience in New Jersey exists beyond the \$250,000 trauma center cap; are claims in excess of the cap being adequately covered by the claimants' other health insurance (employer and self insurance carrier, social security, Medicaid, Medicare, etc.)? In addition, do claimants have the right to sue the other driver at fault in an auto accident in New Jersey when the claim is beyond the cap? Have drivers in New Jersey experienced significant increases in health care insurance premiums based on using other carriers to cover claims above the cap?

LPD suggests that there should be a more holistic study on the disparity of auto insurance rates between the City of Detroit and surrounding communities. As Council has long known, the fact that a driver's auto insurance premiums can be cut in half by moving their residence across 8 Mile Rd. makes little sense. The study should draw on actuarial analyses and information. Council should note that LPD has inquired about receiving such information in the past, to no avail.

<sup>2</sup> For complex reasons that are of some historical interest and relate in general to the current concerns underlying the subject “D-Insurance” proposal, the *Shavers* Court held that “...*the No-Fault Act, which [at that time, had] substantially affected every Michigan motorist, every insurance company underwriting motor vehicle insurance in Michigan, and our entire system of civil justice for nearly five years, is constitutional in its general thrust but unconstitutionally deficient in its mechanisms for assuring that compulsory no-fault insurance is available to Michigan motorists at fair and equitable rates.*” The same underlying fairness, equity and affordability concerns have increasingly plagued consumer-drivers in the City of Detroit for another 37 years since that decision.



compulsory coverage – similar economic incentives to those more recently yielded at the federal level for health insurers under the Affordable Care Act (“Obamacare”). Since all drivers in Michigan are required to maintain coverage, there has long been a thriving market for insurers who are eager to write policies of no fault auto insurance.

Insurance consumers benefit most notably from the lifetime medical coverage for injuries suffered as a result of the use of a motor vehicle, as well as other benefits such as a period of work loss<sup>3</sup> and attendant care.<sup>4</sup> Both insurers and their insureds at least theoretically benefit from relatively high levels of certainty and efficient, low cost dispute resolution as to property loss and medical benefits in particular, as a result of the no fault basis of liability that obviates the need for expensive and time-consuming litigation to determine degrees of fault in many or even most cases.

Notwithstanding the above advantages, the high costs for no fault insurance premiums, especially in the City of Detroit, have long been a serious problem, as is well known to City Council Members and indeed to every Detroit resident who owns a car. Among the many adverse consequences is a well-known high level of uninsured driving in the City, which all by itself constitutes a potential severe threat to public health and safety from uninsured losses caused by auto accidents. The administration’s D-Insurance proposal is intended to address this longstanding serious issue by introducing a new, discount form of no-fault insurance policy that provides significantly less benefits – specifically medical benefits, in order to reduce the costs of the premiums to insured consumers.

### **The D-Insurance Proposal**

The mayor’s power point D-Insurance Proposal, subtitled “Affordable Car Insurance For All Detroit Citizens”, as well as the Senate Fiscal Agency report and the “S3” substitute version of SB 288, are attached. Council Members will be generally aware of the following outline of the administration’s insurance proposal:

- Insurance premiums would be cut between 25-33%, generating approximately \$1,000-\$1,800 in savings for the average consumer
- Minimum medical benefits would be reduced to \$275,000 for all occupants of a vehicle in an accident (\$250,000 initial hospitalization/ER care and \$25,000 Personal Injury Protection (PIP) after a hospital stay)
- Full coverage including life time medical care for auto-related accidents would remain available at the cost of the current, higher premium<sup>5</sup>

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<sup>3</sup> “... loss of income from work an injured person would have performed during the first 3 years after the date of the accident if he or she had not been injured...” MCL 500.3107(1)(b)

<sup>4</sup> “... personal protection insurance benefits are payable for the following: (a) Allowable expenses consisting of all reasonable charges incurred for reasonably necessary products, services and accommodations for an injured person's care, recovery, or rehabilitation.” MCL 500.3107(1)(a)

<sup>5</sup> A question remains, should the D-Insurance proposal pass, whether more expensive so-called “full coverage” policies would further increase in price, either immediately or gradually, to encourage drivers



The mayor further states an intention to select at least two different companies to offer D-Insurance through competitive bidding, with City Council's approval required for the companies.<sup>6</sup>

The administration summarizes the urgent nature of the issues arising from no fault insurance affordability, and the intent of their D-Insurance proposal to address these concerns, as follows:

- Detroiters' annual average auto insurance cost is \$3,400, or double the average for surrounding communities, leading to "Detroit's Auto Insurance Crisis"
- Mobility is essential for jobs and opportunity, with 61% of employed Detroiters working outside the City
- The unlimited lifetime medical benefit for auto-related injuries provided by traditional, full no fault auto insurance coverage is far above the level of coverage available elsewhere
- Michigan is the only state where it is a crime to drive without the unlimited medical coverage required under the no fault statute
- More than half of Detroit drivers are uninsured because of the cost of insurance
- The single biggest cost of auto insurance (44% of the cost, and 88% of the premium, according to the administration's presentation) is PIP-medical coverage
- "As long as the No-Fault law requires every driver to buy unlimited PIP coverage, there is no hope for our rates going down."

## **Discussion**

The potential merits of the administration's case are obvious and, on their face, somewhat compelling. The intended provision of affordable auto insurance under the Michigan no fault law has been unsuccessful. And the effects of the extraordinary cost of this mandatory insurance product are well known to every Detroiters who drives.

However, from a policy perspective and careful analysis, the D-Insurance proposal raises multiple questions about whether or not it is a good solution for affordability of auto insurance. At least four (4) interrelated concerns come to mind immediately. These concerns are:

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to opt for the lower-cost and -benefit exposure policies that insurers may find it irresistible to promote via inflated prices for "full coverage". LPD has not been afforded the opportunity to review the consultant's report by Pinnacle Actuarial Resources provided to the administration regarding this issue; if it made available and it provides additional information or analysis that changes or adds in any meaningful way to the analysis contained in this report, then LPD would be happy to review it and, if appropriate, comment further.

<sup>6</sup> Council may wish to ask the administration whether or not they have considered appropriate promotional and negotiated support for such selected companies to provide full coverage under existing law at reduced premiums.





1. The limited nature of the lower-premium-for-lower-benefits trade off;
2. The lack of adequate regulatory attention to other options for improving affordability;
3. The inherent limitations in analyzing proposed legislation before it is finalized; and
4. The lack of adequate demographic data about who would benefit, and how much, from the D-Insurance proposal, and its consequent effects (or lack thereof) on the City.

This report will conclude by briefly discussing each of the above concerns.

### **Reduced Premium Analysis**

The simple equation of reduced premiums with better insurance value is a seriously flawed method of analysis that misconstrues the very nature and purpose of insurance coverage as a product. A moment's reflection on the nature of insurance reveals why: for the overwhelming majority of the time, in the overwhelming majority of car trips - well in excess of 99% - the consumer is better off economically with the lower premium. This is true whenever there is no serious accident.

But the insurance is purchased not for any of those times. It is bought, and has to be evaluated, for the extremely rare exceptional instance, when the consumer or a family member has the misfortune of suffering severe personal injuries in an accident. Only then is the value of the coverage realized to the consumer. Evaluating insurance coverage solely by reference to a lower premium completely disregards the essential nature of the transaction, wherein the insurer accepts the premium and agrees to bear the risk and cost of a loss in the remote event of its occurrence.

In this regard, two (2) aspects of the substitute version of SB 288 in particular raise significant questions about the adequacy of the coverage<sup>7</sup> that go beyond the limitation to \$275,000 for all occupants of the vehicle (which is itself a very serious concern). Additional issues include:

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<sup>7</sup> Recall that the adequacy of insurance coverage to fully satisfy economic claims (including medical as well as wage loss) without litigation was a primary factor that was originally offered for requiring every motor vehicle owner in Michigan to obtain no fault coverage and forfeit the right to bring suit against the motorist at fault for the accident and loss. In this regard the current version of the proposed legislation is still unclear in crucial respects. Section 3107(3)(b), for example (on page 20 of the attached document) includes the following limitation: "A QUALIFYING NO-FAULT POLICY MAY LIMIT THE TOTAL AMOUNT OF BENEFITS PAYABLE UNDER THE POLICY UNDER THIS SECTION TO BOTH OF THE FOLLOWING:...: \$250,000.00 IN THE AGGREGATE, PAYABLE ONLY FOR CRITICAL CARE FOR AN INDIVIDUAL NAMED IN THE QUALIFYING NO-FAULT POLICY, THE INDIVIDUAL'S SPOUSE, OR A RELATIVE OF EITHER DOMICILED IN THE SAME HOUSEHOLD, WHO IS INJURED IN A SINGLE MOTOR VEHICLE ACCIDENT DURING THE POLICY TERM." LPD cannot determine, based on the above language, whether it a) limits such coverage for more than one accident during the policy term to \$250,000; or b) makes such coverage available for each such "single motor vehicle accident during the policy term." If the coverage is exhausted after an accident, would there be no coverage in the event of a second accident? Although rare, this could prove to be a serious problem if it occurs.



1) The right of the insurer to dispute with the hospital/emergency room whether some care was necessary to save the patient's life and stabilize their condition or not; and 2) the waiver of malpractice claims.<sup>8</sup> This simple comparison illustrates the main, non-comprehensive differences between "full coverage" no fault and D-Insurance coverages:

<b><u>Full Coverage No Fault Insurance</u></b>	<b><u>D-Insurance</u></b>
<b>Lifetime medical care for all injuries caused in the accident</b>	<b>\$275,000 (up to \$250,000 for the initial hospital care plus \$25,000 for everything else)</b>
<b>3 years loss of income from work 85% of lost earnings</b>	<b>Counts toward the \$25,000 cap</b>
<b>Nursing attendant care for life</b>	<b>Counts toward the \$25,000 cap</b>
<b>Replacement Services - \$20/day x 3 years</b>	<b>Counts toward the \$25,000 cap</b>
<b>Applies to the driver <u>and</u> each occupant</b>	<b><u>All</u> occupants <u>limited to</u> \$275,000</b>

Imposing such potentially very onerous conditions on the most severely injured automobile accident victims, at their most vulnerable point and condition as they lie helpless in a hospital bed with their lives often altered forever, speaks directly to the inadvisability of evaluating such insurance coverage solely in terms of the cost of the premium. Moreover, D-Insurance would not permit the insured to access the catastrophic claims fund to pay excess coverage because D-Insurance insurers would not pay into that fund.

### **Regulatory Options for Affordability in Addition to Reduced Medical Benefits**

The insurance industry is a complex, sophisticated group of companies who sell carefully designed and calibrated products. The insurance transaction can be divided up into multiple flows of money and value, from the payment of premiums for multiple forms of coverage, to the investment of those premium dollars by the insurer yielding profit and interest, to the role of state regulators in requiring best practices, minimum coverage and fair dealing with consumers, inevitable disputes over liability after a loss, and many other aspects of the business. These various phases of the insurance transaction provide, at least in theory without regard to obstruction and other issues raised by political philosophies, multiple opportunities for regulators and legislators to optimize coverage and hold down excessive premiums.

For example, excess profits could be used to require premium discounts; trade-offs could be required for property vs. medical and other coverages; an overall, statewide legislative solution

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<sup>8</sup> The insured under a D-Insurance policy must select a doctor from a list of providers of the insurance company's choosing. If that doctor is negligent or even grossly negligent, the D-Insurance policy holder would have no redress available beyond the \$275,000 cap for all occupants, even when the injuries are catastrophic.



to affordability would probably be much more beneficial than any attempt to devise a solution solely for redlined urban communities that disregards how this state law-based coverage works in other Michigan communities; motorists and passengers covered by D-Insurance could have the restored right to bring suit against at-fault drivers to obtain compensation, such as additional medical benefits, under full no fault coverage, but withheld under D-Insurance.

Similar to the above problem of evaluating insurance reform solely by premium reduction without regard to adequacy of benefits, the D-Insurance reliance solely on the trade-off of reduced coverage for lower premiums, without regard to savings, efficiencies, equities and minimum coverages that could be imposed to address the affordability issue in a more holistic way by regulation or statutory amendment, seems insufficiently thought-out, even if it is understandable given how long this issue has festered without any state legislative remedy. Recognizing the need for Detroit's elected officials to act affirmatively to address this serious economic problem in our community – at a time when the state legislature in Lansing may not be willing to enact more comprehensive solutions – should not compel hurried adoption of an alternative with many shortcomings, without adequate analysis and consideration, resulting in nearly certain early regrets.

#### **Absence of Final Legislative Language Provisions**

No matter what proponents of legislative reform claim or state to be their intentions, the actual terms of a specific proposed law are indispensable for any adequate analysis. There have been many attempts to amend the no fault law in the last several decades, on behalf of insurers, of members of the Detroit delegation in the state legislature, and others. The potential difference between a preliminary, recently amended proposal in a senate committee and the specific terms of an actual statute, which may be amended again and again before passage, in terms of evaluating and drawing conclusions about the best policy option, cannot be overstated. This is a situation where the devil is truly in the details, all of which cannot yet be known.

#### **Lack of Demographic Impacts Data**

Finally, there is a significant question about the extent of likely social impact the D-Insurance proposal would have. Certainly some current and potential future residents of Detroit could benefit (as noted above, at least in the absence of a serious accident), from lower premiums. Struggling middle class auto owners who benefit from following the rules requiring mandatory auto insurance may well see short-term savings on their premiums of up to \$150 per month. But whether or not that advantage is likely to spur more residents, more insured drivers, or other significant social benefits to the City, particularly involving a large number of people, is not a conclusion that is supported by any data. The question turns substantially on whether unaffordability of auto insurance in the City is primarily a middle class problem, or a much broader issue affecting the working poor and other more marginalized groups.

Although LPD lacks data to support any contrary conclusion, it seems intuitively probable in a City like Detroit with such notoriously high poverty levels that reducing premiums by \$1000-\$1800 per year may only benefit a relatively small number of automobile owners and drivers. There is abundant anecdotal evidence to indicate that some drivers are getting much greater



savings by buying very short-term insurance only long enough to register and license a vehicle, then driving illegally without insurance, as the mayor has repeatedly stressed. Others simply register their address outside the City for insurance purposes. If those drivers are saving considerably more than \$1000 per year via such illicit strategies, would they opt for the D-Insurance option at greater cost? And aside from the broader policy questions raised above, in a community as plagued by poverty as Detroit, how many drivers and owners are really in a position to benefit much from the lower premiums of this discount insurance initiative? In the absence of concrete data, even without regard to substantial concerns about the inadequacy of the reduced insurance benefits discussed above, it is hard to enthusiastically support the D-Insurance proposal in its current form.

If Council has any additional questions or concerns regarding this matter, or if the administration would like to share their underlying insurance consultant report, LPD would be pleased to provide further research and analysis and report back regarding same.





SUBSTITUTE FOR  
SENATE BILL NO. 288

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending sections 3101, 3104, 3107, 3114, 3115, 3157, and 3172  
(MCL 500.3101, 500.3104, 500.3107, 500.3114, 500.3115, 500.3157,  
and 500.3172), section 3101 as amended by 2014 PA 492, section 3104  
as amended by 2002 PA 662, section 3107 as amended by 2012 PA 542,  
section 3114 as amended by 2002 PA 38, and section 3172 as amended  
by 2012 PA 204, and by adding section 3101e.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 3101. (1) The owner or registrant of a motor vehicle  
2       required to be registered in this state shall maintain security for  
3       payment of benefits under personal protection insurance **AS REQUIRED**  
4       **UNDER SECTION 3107**, property protection insurance, and residual  
5       liability insurance **AS REQUIRED UNDER SECTION 3009**. Security is

1 only required to be in effect during the period the motor vehicle  
2 is driven or moved on a highway. Notwithstanding any other  
3 provision in this act, an insurer that has issued an automobile  
4 insurance policy on a motor vehicle that is not driven or moved on  
5 a highway may allow the insured owner or registrant of the motor  
6 vehicle to delete a portion of the coverages under the policy and  
7 maintain the comprehensive coverage portion of the policy in  
8 effect.

9 (2) As used in this chapter:

10 (a) "Automobile insurance" means that term as defined in  
11 section 2102.

12 (b) "Commercial quadricycle" means a vehicle to which all of  
13 the following apply:

14 (i) The vehicle has fully operative pedals for propulsion  
15 entirely by human power.

16 (ii) The vehicle has at least 4 wheels and is operated in a  
17 manner similar to a bicycle.

18 (iii) The vehicle has at least 6 seats for passengers.

19 (iv) The vehicle is designed to be occupied by a driver and  
20 powered either by passengers providing pedal power to the drive  
21 train of the vehicle or by a motor capable of propelling the  
22 vehicle in the absence of human power.

23 (v) The vehicle is used for commercial purposes.

24 (vi) The vehicle is operated by the owner of the vehicle or an  
25 employee of the owner of the vehicle.

26 (C) "ELIGIBLE CITY" MEANS A CITY THAT MEETS EITHER OF THE  
27 FOLLOWING CRITERIA:

1 (i) BOTH OF THE FOLLOWING APPLY:

2 (A) THE CITY HAS A POPULATION OF 500,000 OR MORE.

3 (B) THE CITY HAS A CHARTER PROVISION AUTHORIZING THE CITY TO  
4 PROVIDE INSURANCE TO ITS RESIDENTS UNDER THIS CHAPTER.

5 (ii) THE CITY PRESENTS CREDIBLE EVIDENCE TO THE DEPARTMENT  
6 DEMONSTRATING THAT 35% OR MORE OF THE CITY'S RESIDENTS WHO  
7 REGULARLY DRIVE A MOTOR VEHICLE DO SO WITHOUT THE SECURITY REQUIRED  
8 UNDER SUBSECTION (1).

9 (D) ~~(e)~~ "Golf cart" means a vehicle designed for  
10 transportation while playing the game of golf.

11 (E) ~~(d)~~ "Highway" means highway or street as that term is  
12 defined in section 20 of the Michigan vehicle code, 1949 PA 300,  
13 MCL 257.20.

14 (F) ~~(e)~~ "Moped" means that term as defined in section 32b of  
15 the Michigan vehicle code, 1949 PA 300, MCL 257.32b.

16 (G) ~~(f)~~ "Motorcycle" means a vehicle that has a saddle or seat  
17 for the use of the rider, is designed to travel on not more than 3  
18 wheels in contact with the ground, and is equipped with a motor  
19 that exceeds 50 cubic centimeters piston displacement. For purposes  
20 of this subdivision, the wheels on any attachment to the vehicle  
21 are not considered as wheels in contact with the ground. Motorcycle  
22 does not include a moped or an ORV.

23 (H) ~~(g)~~ "Motorcycle accident" means a loss that involves the  
24 ownership, operation, maintenance, or use of a motorcycle as a  
25 motorcycle, but does not involve the ownership, operation,  
26 maintenance, or use of a motor vehicle as a motor vehicle.

27 (I) ~~(h)~~ "Motor vehicle" means a vehicle, including a trailer,

1 that is operated or designed for operation on a public highway by  
2 power other than muscular power and has more than 2 wheels. Motor  
3 vehicle does not include any of the following:

4 (i) A motorcycle.

5 (ii) A moped.

6 (iii) A farm tractor or other implement of husbandry that is  
7 not subject to the registration requirements of the Michigan  
8 vehicle code under section 216 of the Michigan vehicle code, 1949  
9 PA 300, MCL 257.216.

10 (iv) An ORV.

11 (v) A golf cart.

12 (vi) A power-driven mobility device.

13 (vii) A commercial quadricycle.

14 (J) ~~(i)~~ "Motor vehicle accident" means a loss that involves  
15 the ownership, operation, maintenance, or use of a motor vehicle as  
16 a motor vehicle regardless of whether the accident also involves  
17 the ownership, operation, maintenance, or use of a motorcycle as a  
18 motorcycle.

19 (K) ~~(j)~~ "ORV" means a motor-driven recreation vehicle designed  
20 for off-road use and capable of cross-country travel without  
21 benefit of road or trail, on or immediately over land, snow, ice,  
22 marsh, swampland, or other natural terrain. ORV includes, but is  
23 not limited to, a multitrack or multiwheel drive vehicle, a  
24 motorcycle or related 2-wheel, 3-wheel, or 4-wheel vehicle, an  
25 amphibious machine, a ground effect air cushion vehicle, an ATV as  
26 defined in section 81101 of the natural resources and environmental  
27 protection act, 1994 PA 451, MCL 324.81101, or other means of

1 transportation deriving motive power from a source other than  
2 muscle or wind. ORV does not include a vehicle described in this  
3 subdivision that is registered for use ~~upon~~ ON a public highway and  
4 has the security ~~described in section 3101~~ REQUIRED UNDER  
5 SUBSECTION (1) or SECTION 3103 in effect.

6 (I) ~~(K)~~ "Owner" means any of the following:

7 (i) A person renting a motor vehicle or having the use of a  
8 motor vehicle, under a lease or otherwise, for a period that is  
9 greater than 30 days.

10 (ii) A person renting a motorcycle or having the use of a  
11 motorcycle under a lease for a period that is greater than 30 days,  
12 or otherwise for a period that is greater than 30 consecutive days.  
13 A person who borrows a motorcycle for a period that is less than 30  
14 consecutive days with the consent of the owner is not an owner  
15 under this subparagraph.

16 (iii) A person that holds the legal title to a motor vehicle  
17 or motorcycle, other than a person engaged in the business of  
18 leasing motor vehicles or motorcycles that is the lessor of a motor  
19 vehicle or motorcycle under a lease that provides for the use of  
20 the motor vehicle or motorcycle by the lessee for a period that is  
21 greater than 30 days.

22 (iv) A person that has the immediate right of possession of a  
23 motor vehicle or motorcycle under an installment sale contract.

24 (M) ~~(L)~~ "Power-driven mobility device" means a wheelchair or  
25 other mobility device powered by a battery, fuel, or other engine  
26 and designed to be used by an individual with a mobility disability  
27 for the purpose of locomotion.

1           (N) "QUALIFYING INSURER" MEANS AN INSURER AUTHORIZED TO  
2     PROVIDE THE INSURANCE COVERAGES REQUIRED UNDER THIS CHAPTER THAT  
3     CONTRACTS WITH AN ELIGIBLE CITY TO PROVIDE AUTOMOBILE INSURANCE TO  
4     INDIVIDUALS WHO ARE RESIDENTS OF THE CITY.

5           (O) "QUALIFYING NO-FAULT POLICY" MEANS A POLICY OF INSURANCE  
6     THAT PROVIDES THE SECURITY REQUIRED UNDER SUBSECTION (1) ISSUED  
7     UNDER SECTION 3101E.

8           (P) ~~(m)~~—"Registrant" does not include a person engaged in the  
9     business of leasing motor vehicles or motorcycles that is the  
10    lessor of a motor vehicle or motorcycle under a lease that provides  
11    for the use of the motor vehicle or motorcycle by the lessee for a  
12    period that is longer than 30 days.

13          (3) Security required by subsection (1) may be provided under  
14    a policy issued by an authorized insurer that affords insurance for  
15    the payment of benefits described in subsection (1). A policy of  
16    insurance represented or sold as providing security is considered  
17    to provide insurance for the payment of the benefits.

18          (4) Security required by subsection (1) may be provided by any  
19    other method approved by the secretary of state as affording  
20    security equivalent to that afforded by a policy of insurance, if  
21    proof of the security is filed and continuously maintained with the  
22    secretary of state throughout the period the motor vehicle is  
23    driven or moved on a highway. The person filing the security has  
24    all the obligations and rights of an insurer under this chapter.  
25    When the context permits, "insurer" as used in this chapter,  
26    includes a person that files the security as provided in this  
27    section.

1 SEC. 3101E. (1) AN ELIGIBLE CITY MAY CONTRACT WITH 1 OR MORE  
 2 INSURERS AUTHORIZED TO PROVIDE THE COVERAGES REQUIRED UNDER SECTION  
 3 3101(1) TO PROVIDE QUALIFYING NO-FAULT POLICIES TO INDIVIDUALS WHO  
 4 ARE RESIDENTS OF THE CITY.

5 (2) AN INDIVIDUAL INSURED UNDER A QUALIFYING NO-FAULT POLICY,  
 6 THE INDIVIDUAL'S SPOUSE, AND A RELATIVE OF EITHER DOMICILED IN THE  
 7 SAME HOUSEHOLD ARE LIMITED TO RIGHTS UNDER THE QUALIFYING NO-FAULT  
 8 POLICY AND ARE NOT ENTITLED TO BENEFITS FROM THE ASSIGNED CLAIMS  
 9 PLAN ADOPTED UNDER SECTION 3171.

10 (3) A QUALIFYING NO-FAULT POLICY MUST CONTAIN LANGUAGE THAT  
 11 PROMINENTLY DISCLOSES THAT IT IS A "QUALIFYING NO-FAULT POLICY WITH  
 12 LIMITED BENEFITS ISSUED UNDER 20\_\_ PA \_\_\_\_.", INDICATING THE YEAR  
 13 OF PASSAGE AND NUMBER ASSIGNED TO THE PUBLIC ACT THAT ADDED THIS  
 14 SECTION.

15 (4) A QUALIFYING INSURER SHALL NOT ISSUE A QUALIFYING NO-FAULT  
 16 POLICY UNLESS THE INDIVIDUAL INSURED UNDER THE POLICY HAS SIGNED A  
 17 WRITTEN WAIVER STATING THAT THE INDIVIDUAL UNDERSTANDS THAT THE  
 18 QUALIFYING NO-FAULT POLICY OFFERS ONLY LIMITED BENEFITS AND NOT  
 19 FULL, UNLIMITED NO-FAULT BENEFITS.

20 Sec. 3104. (1) ~~An~~ THE CATASTROPHIC CLAIMS ASSOCIATION IS  
 21 CREATED AS AN unincorporated, nonprofit association. ~~to be known as~~  
 22 ~~the catastrophic claims association, hereinafter referred to as the~~  
 23 ~~association, is created.~~ Each insurer engaged in writing insurance  
 24 coverages that provide the security required by section 3101(1)  
 25 within this state, as a condition of its authority to transact  
 26 insurance in this state, shall be a member of the association and  
 27 ~~shall be~~ IS bound by the plan of operation of the association. Each

1 insurer engaged in writing insurance coverages that provide the  
2 security required by section 3103(1) within this state, as a  
3 condition of its authority to transact insurance in this state,  
4 ~~shall be~~ IS considered TO BE a member of the association, but only  
5 for purposes of premiums under subsection (7)(d). Except as  
6 expressly provided in this section, the association is not subject  
7 to any laws of this state with respect to insurers, but in all  
8 other respects the association is subject to the laws of this state  
9 to the extent that the association would be if it were an insurer  
10 organized and subsisting under chapter 50.

11 (2) The association shall provide and each member shall accept  
12 indemnification for 100% of the amount of ultimate loss sustained  
13 under personal protection insurance coverages **UNDER THIS CHAPTER** in  
14 excess of the following amounts in each loss occurrence:

15 (a) For a motor vehicle accident policy issued or renewed  
16 before July 1, 2002, \$250,000.00.

17 (b) For a motor vehicle accident policy issued or renewed  
18 during the period July 1, 2002 to June 30, 2003, \$300,000.00.

19 (c) For a motor vehicle accident policy issued or renewed  
20 during the period July 1, 2003 to June 30, 2004, \$325,000.00.

21 (d) For a motor vehicle accident policy issued or renewed  
22 during the period July 1, 2004 to June 30, 2005, \$350,000.00.

23 (e) For a motor vehicle accident policy issued or renewed  
24 during the period July 1, 2005 to June 30, 2006, \$375,000.00.

25 (f) For a motor vehicle accident policy issued or renewed  
26 during the period July 1, 2006 to June 30, 2007, \$400,000.00.

27 (g) For a motor vehicle accident policy issued or renewed



1 during the period July 1, 2007 to June 30, 2008, \$420,000.00.

2 (h) For a motor vehicle accident policy issued or renewed  
3 during the period July 1, 2008 to June 30, 2009, \$440,000.00.

4 (i) For a motor vehicle accident policy issued or renewed  
5 during the period July 1, 2009 to June 30, 2010, \$460,000.00.

6 (j) For a motor vehicle accident policy issued or renewed  
7 during the period July 1, 2010 to June 30, 2011, \$480,000.00.

8 (k) For a motor vehicle accident policy issued or renewed  
9 during the period July 1, 2011 to June 30, 2013, \$500,000.00.

10 Beginning July 1, 2013, this \$500,000.00 amount shall be increased  
11 biennially on July 1 of each odd-numbered year, for policies issued  
12 or renewed before July 1 of the following odd-numbered year, by the  
13 lesser of 6% or the consumer price index, and rounded to the  
14 nearest \$5,000.00. This biennial adjustment shall be calculated by  
15 the association by January 1 of the year of its July 1 effective  
16 date.

17 (3) An insurer may withdraw from the association only upon  
18 ceasing to write insurance that provides the security required by  
19 section 3101(1) in this state.

20 (4) An insurer whose membership in the association has been  
21 terminated by withdrawal shall continue to be bound by the plan of  
22 operation, and upon withdrawal, all unpaid premiums that have been  
23 charged to the withdrawing member are payable as of the effective  
24 date of the withdrawal.

25 (5) An unsatisfied net liability to the association of an  
26 insolvent member shall be assumed by and apportioned among the  
27 remaining members of the association as provided in the plan of

1 operation. The association has all rights allowed by law on behalf  
2 of the remaining members against the estate or funds of the  
3 insolvent member for ~~sums~~**MONEY** due the association.

4 (6) If a member has been merged or consolidated into another  
5 insurer or another insurer has reinsured a member's entire business  
6 that provides the security required by section 3101(1) in this  
7 state, the member and successors in interest of the member remain  
8 liable for the member's obligations.

9 (7) The association shall do all of the following on behalf of  
10 the members of the association:

11 (a) Assume 100% of all liability as provided in subsection  
12 (2).

13 (b) Establish procedures by which members shall promptly  
14 report to the association each claim that, on the basis of the  
15 injuries or damages sustained, may reasonably be anticipated to  
16 involve the association if the member is ultimately held legally  
17 liable for the injuries or damages. Solely for the purpose of  
18 reporting claims, the member shall in all instances consider itself  
19 legally liable for the injuries or damages. The member shall also  
20 advise the association of subsequent developments likely to  
21 materially affect the interest of the association in the claim.

22 (c) Maintain relevant loss and expense data relative to all  
23 liabilities of the association and require each member to furnish  
24 statistics, in connection with liabilities of the association, at  
25 the times and in the form and detail as may be required by the plan  
26 of operation.

27 (d) In a manner provided for in the plan of operation,

1 calculate and charge to members of the association a total premium  
2 sufficient to cover the expected losses and expenses of the  
3 association that the association will likely incur during the  
4 period for which the premium is applicable. The premium shall  
5 include an amount to cover incurred but not reported losses for the  
6 period and may be adjusted for any excess or deficient premiums  
7 from previous periods. Excesses or deficiencies from previous  
8 periods may be fully adjusted in a single period or may be adjusted  
9 over several periods in a manner provided for in the plan of  
10 operation. Each member shall be charged an amount equal to that  
11 member's total written car years of insurance providing the  
12 security required by section 3101(1) or 3103(1), or both, written  
13 in this state during the period to which the premium applies,  
14 multiplied by the average premium per car. The average premium per  
15 car shall be the total premium calculated divided by the total  
16 written car years of insurance providing the security required by  
17 section 3101(1) or 3103(1) written in this state of all members  
18 during the period to which the premium applies. A member shall be  
19 charged a premium for a historic vehicle that is insured with the  
20 member of 20% of the premium charged for a car insured with the  
21 member. **THE ASSOCIATION SHALL NOT CHARGE A MEMBER A PREMIUM FOR A**  
22 **CAR INSURED WITH THE MEMBER UNDER A QUALIFYING NO-FAULT POLICY.** As  
23 used in this subdivision:

24 (i) "Car" includes a motorcycle but does not include a  
25 historic vehicle.

26 (ii) "Historic vehicle" means a vehicle that is a registered  
27 historic vehicle under section 803a or 803p of the Michigan vehicle

1 code, 1949 PA 300, MCL 257.803a and 257.803p.

2 (e) Require and accept the payment of premiums from members of  
3 the association as provided for in the plan of operation. The  
4 association shall do either of the following:

5 (i) Require payment of the premium in full within 45 days  
6 after the premium charge.

7 (ii) Require payment of the premiums to be made periodically  
8 to cover the actual cash obligations of the association.

9 (f) Receive and distribute all ~~sums~~ MONEY required by the  
10 operation of the association.

11 (g) Establish procedures for reviewing claims procedures and  
12 practices of members of the association. If the claims procedures  
13 or practices of a member are considered inadequate to properly  
14 service the liabilities of the association, the association may  
15 undertake or may contract with another person, including another  
16 member, to adjust or assist in the adjustment of claims for the  
17 member on claims that create a potential liability to the  
18 association and may charge the cost of the adjustment to the  
19 member.

20 (8) In addition to other powers granted to it by this section,  
21 the association may do all of the following:

22 (a) Sue and be sued in the name of the association. A judgment  
23 against the association shall not create any direct liability  
24 against the individual members of the association. The association  
25 may provide for the indemnification of its members, members of the  
26 board of directors of the association, and officers, employees, and  
27 other persons lawfully acting on behalf of the association.

1 (b) Reinsure all or any portion of its potential liability  
2 with reinsurers licensed to transact insurance in this state or  
3 approved by the ~~commissioner~~**DIRECTOR OF THE DEPARTMENT**.

4 (c) Provide for appropriate housing, equipment, and personnel  
5 as may be necessary to assure the efficient operation of the  
6 association.

7 (d) Pursuant to the plan of operation, adopt reasonable rules  
8 for the administration of the association, enforce those rules, and  
9 delegate authority, as the board considers necessary to assure the  
10 proper administration and operation of the association consistent  
11 with the plan of operation.

12 (e) Contract for goods and services, including independent  
13 claims management, actuarial, investment, and legal services, from  
14 others within or without this state to assure the efficient  
15 operation of the association.

16 (f) Hear and determine complaints of a company or other  
17 interested party concerning the operation of the association.

18 (g) Perform other acts not specifically enumerated in this  
19 section that are necessary or proper to accomplish the purposes of  
20 the association and that are not inconsistent with this section or  
21 the plan of operation.

22 (9) A board of directors is created ~~, hereinafter referred to~~  
23 ~~as the board, which shall be responsible for the operation of~~ **AND**  
24 **SHALL OPERATE** the association consistent with the plan of operation  
25 and this section.

26 (10) The plan of operation shall provide for all of the  
27 following:

1 (a) The establishment of necessary facilities.

2 (b) The management and operation of the association.

3 (c) Procedures to be utilized in charging premiums, including  
4 adjustments from excess or deficient premiums from prior periods.

5 (d) Procedures governing the actual payment of premiums to the  
6 association.

7 (e) Reimbursement of each member of the board by the  
8 association for actual and necessary expenses incurred on  
9 association business.

10 (f) The investment policy of the association.

11 (g) Any other matters required by or necessary to effectively  
12 implement this section.

13 (11) Each board ~~shall~~**MUST** include members that would  
14 contribute a total of not less than 40% of the total premium  
15 calculated pursuant to subsection (7)(d). Each director ~~shall be~~**IS**  
16 entitled to 1 vote. The initial term of office of a director ~~shall~~  
17 ~~be~~**IS** 2 years.

18 (12) As part of the plan of operation, the board shall adopt  
19 rules providing for the composition and term of successor boards to  
20 the initial board, consistent with the membership composition  
21 requirements in subsections (11) and (13). Terms of the directors  
22 ~~shall~~**MUST** be staggered so that the terms of all the directors do  
23 not expire at the same time and so that a director does not serve a  
24 term of more than 4 years.

25 (13) The board ~~shall consist~~**CONSISTS** of 5 directors, and the  
26 ~~commissioner shall be~~**DIRECTOR OF THE DEPARTMENT, WHO IS** an ex  
27 officio member of the board without vote.

1           (14) Each director shall be appointed by the ~~commissioner~~  
2     DIRECTOR OF THE DEPARTMENT and shall serve until that member's  
3     successor is selected and qualified. The chairperson of the board  
4     shall be elected by the board. A vacancy on the board shall be  
5     filled by the ~~commissioner~~ DIRECTOR OF THE DEPARTMENT consistent  
6     with the plan of operation.

7           (15) ~~After the board is appointed, the~~ THE board shall meet as  
8     often as the chairperson, the ~~commissioner~~, DIRECTOR OF THE  
9     DEPARTMENT, or the plan of operation ~~shall require~~, REQUIRES, or at  
10    the request of any 3 members of the board. The chairperson ~~shall~~  
11    ~~retain the right to~~ MAY vote on all issues. Four members of the  
12    board constitute a quorum.

13          (16) An annual report of the operations of the association in  
14    a form and detail as ~~may be determined~~ by the board shall be  
15    furnished to each member.

16    ~~—— (17) Not more than 60 days after the initial organizational~~  
17    ~~meeting of the board, the board shall submit to the commissioner~~  
18    ~~for approval a proposed plan of operation consistent with the~~  
19    ~~objectives and provisions of this section, which shall provide for~~  
20    ~~the economical, fair, and nondiscriminatory administration of the~~  
21    ~~association and for the prompt and efficient provision of~~  
22    ~~indemnity. If a plan is not submitted within this 60 day period,~~  
23    ~~then the commissioner, after consultation with the board, shall~~  
24    ~~formulate and place into effect a plan consistent with this~~  
25    ~~section.~~

26    ~~—— (18) The plan of operation, unless approved sooner in writing,~~  
27    ~~shall be considered to meet the requirements of this section if it~~

1 ~~is not disapproved by written order of the commissioner within 30~~  
2 ~~days after the date of its submission. Before disapproval of all or~~  
3 ~~any part of the proposed plan of operation, the commissioner shall~~  
4 ~~notify the board in what respect the plan of operation fails to~~  
5 ~~meet the requirements and objectives of this section. If the board~~  
6 ~~fails to submit a revised plan of operation that meets the~~  
7 ~~requirements and objectives of this section within the 30 day~~  
8 ~~period, the commissioner shall enter an order accordingly and shall~~  
9 ~~immediately formulate and place into effect a plan consistent with~~  
10 ~~the requirements and objectives of this section.~~

11 (17) ~~(19) The proposed plan of operation or ANY~~ amendments to  
12 the plan of operation **OF THE ASSOCIATION** are subject to majority  
13 approval by the board, ~~ratified AND RATIFICATION~~ by a majority of  
14 the membership having a vote, with voting rights being apportioned  
15 according to the premiums charged in subsection (7)(d) and are  
16 subject to approval by the ~~commissioner~~ **DIRECTOR OF THE DEPARTMENT**.

17 (18) ~~(20) Upon approval by the commissioner and ratification~~  
18 ~~by the members of the plan submitted, or upon the promulgation of a~~  
19 ~~plan by the commissioner, each AN~~ insurer authorized to write  
20 insurance providing the security required by section 3101(1) in  
21 this state, as provided in this section, is bound by and shall  
22 formally subscribe to and participate in the plan ~~approved OF~~  
23 **OPERATION** as a condition of maintaining its authority to transact  
24 insurance in this state.

25 (19) ~~(21) The association is subject to all the reporting,~~  
26 loss reserve, and investment requirements of the ~~commissioner~~  
27 **DIRECTOR OF THE DEPARTMENT** to the same extent as ~~would a member ARE~~



1 THE MEMBERS of the association.

2 (20) ~~(22)~~—Premiums charged members by the association shall be  
3 recognized in the rate-making procedures for insurance rates in the  
4 same manner that expenses and premium taxes are recognized.

5 (21) ~~(23)~~—The ~~commissioner~~—DIRECTOR OF THE DEPARTMENT or an  
6 authorized representative of the ~~commissioner~~—DIRECTOR may visit  
7 the association at any time and examine any and all OF the  
8 association's affairs.

9 (22) ~~(24)~~—The association does not have liability for losses  
10 occurring before July 1, 1978.

11 (23) ~~(25)~~—As used in this section:

12 (A) "ASSOCIATION" MEANS THE CATASTROPHIC CLAIMS ASSOCIATION  
13 CREATED IN SUBSECTION (1).

14 (B) "BOARD" MEANS THE BOARD OF DIRECTORS OF THE ASSOCIATION  
15 CREATED IN SUBSECTION (9).

16 (C) ~~(a)~~—"Consumer price index" means the percentage of change  
17 in the consumer price index for all urban consumers in the United  
18 States city average for all items for the 24 months ~~prior to~~—BEFORE  
19 October 1 of the year ~~prior to~~—BEFORE the July 1 effective date of  
20 the biennial adjustment under subsection (2)(k) as reported by the  
21 United States department of labor, bureau of labor statistics, and  
22 as certified by the ~~commissioner~~—DIRECTOR OF THE DEPARTMENT.

23 (D) ~~(b)~~—"Motor vehicle accident policy" means a policy  
24 providing the coverages required under section 3101(1).

25 (E) ~~(c)~~—"Ultimate loss" means the actual loss amounts that a  
26 member is obligated to pay and that are paid or payable by the  
27 member, and do not include claim expenses. An ultimate loss is

1 incurred by the association on the date that the loss occurs.

2 Sec. 3107. (1) Except as OTHERWISE provided in ~~subsection (2),~~

3 **THIS SECTION**, personal protection insurance benefits are payable  
4 for the following:

5 (a) Allowable expenses consisting of all reasonable charges  
6 incurred for reasonably necessary products, services, and  
7 accommodations for an injured person's care, recovery, or  
8 rehabilitation. Allowable expenses within personal protection  
9 insurance coverage ~~shall~~ DO not include either of the following:

10 (i) Charges for a hospital room in excess of a reasonable and  
11 customary charge for semiprivate accommodations ~~except if~~ UNLESS  
12 the injured person requires special or intensive care.

13 (ii) Funeral and burial expenses in excess of the amount set  
14 forth in the policy, which shall not be less than \$1,750.00 or more  
15 than \$5,000.00.

16 (b) Work loss consisting of loss of income from work an  
17 injured person would have performed during the first 3 years after  
18 the date of the accident if he or she had not been injured. Work  
19 loss does not include any loss after the date on which the injured  
20 person dies. Because the benefits received from personal protection  
21 insurance for loss of income are not taxable income, the benefits  
22 payable for such loss of income shall be reduced 15% unless the  
23 claimant presents to the insurer in support of his or her claim  
24 reasonable proof of a lower value of the income tax advantage in  
25 his or her case, in which case the lower value shall apply. For the  
26 period beginning October 1, 2012 through September 30, 2013, the  
27 benefits payable for work loss sustained in a single 30-day period

1 and the income earned by an injured person for work during the same  
 2 period together shall not exceed \$5,189.00, which maximum shall  
 3 apply pro rata to any lesser period of work loss. Beginning October  
 4 1, 2013, the maximum shall be adjusted annually to reflect changes  
 5 in the cost of living under rules prescribed by the ~~commissioner~~  
 6 DIRECTOR but any change in the maximum shall apply only to benefits  
 7 arising out of accidents occurring subsequent to the date of change  
 8 in the maximum.

9 (c) Expenses not exceeding \$20.00 per day, reasonably incurred  
 10 in obtaining ordinary and necessary services in lieu of those that,  
 11 if he or she had not been injured, an injured person would have  
 12 performed during the first 3 years after the date of the accident,  
 13 not for income but for the benefit of himself or herself or of his  
 14 or her dependent.

15 (2) Both of the following apply to personal protection  
 16 insurance benefits payable under subsection (1):

17 (a) A person who is 60 years of age or older and in the event  
 18 of an accidental bodily injury would not be eligible to receive  
 19 work loss benefits under subsection (1)(b) may waive coverage for  
 20 work loss benefits by signing a waiver on a form provided by the  
 21 insurer. An insurer shall offer a reduced premium rate to a person  
 22 who waives coverage under this subsection for work loss benefits.  
 23 Waiver of coverage for work loss benefits applies only to work loss  
 24 benefits payable to the person or persons who have signed the  
 25 waiver form.

26 (b) An insurer ~~shall~~ IS not ~~be~~ required to provide coverage  
 27 for the medical use of marihuana or for expenses related to the

1 medical use of marihuana.

2 (3) A QUALIFYING NO-FAULT POLICY MAY LIMIT THE TOTAL AMOUNT OF  
3 BENEFITS PAYABLE UNDER THE POLICY UNDER THIS SECTION TO BOTH OF THE  
4 FOLLOWING:

5 (A) SUBJECT TO SUBDIVISION (B), AN AMOUNT THAT IS NOT LESS  
6 THAN \$25,000.00 FOR BENEFITS PAYABLE UNDER SUBSECTION (1).

7 (B) SUBJECT TO SUBSECTION (5), \$250,000.00 IN THE AGGREGATE,  
8 PAYABLE ONLY FOR CRITICAL CARE FOR AN INDIVIDUAL NAMED IN THE  
9 QUALIFYING NO-FAULT POLICY, THE INDIVIDUAL'S SPOUSE, OR A RELATIVE  
10 OF EITHER DOMICILED IN THE SAME HOUSEHOLD, WHO IS INJURED IN A  
11 SINGLE MOTOR VEHICLE ACCIDENT DURING THE POLICY TERM. AS USED IN  
12 THIS SUBDIVISION, "CRITICAL CARE" MEANS TREATMENT RENDERED AT AN  
13 ACUTE CARE HOSPITAL OR TRAUMA CENTER IMMEDIATELY FOLLOWING THE  
14 MOTOR VEHICLE ACCIDENT, NECESSARY TO SAVE THE INDIVIDUAL'S LIFE OR  
15 TREAT LIFE-THREATENING OR PERMANENTLY DISABLING INJURIES, UNTIL THE  
16 INDIVIDUAL IS STABILIZED. AN INDIVIDUAL IS STABILIZED WHEN THE  
17 INDIVIDUAL CAN SAFELY BE DISCHARGED OR TRANSFERRED TO ANOTHER ACUTE  
18 CARE HOSPITAL OR TRAUMA CENTER OR TO A REHABILITATION OR OTHER  
19 FACILITY, REGARDLESS OF WHETHER THE INDIVIDUAL IS, IN FACT,  
20 DISCHARGED OR TRANSFERRED AT THAT TIME.

21 (4) A QUALIFYING INSURER MAY CONTEST THE CHARGES OF AN ACUTE-  
22 CARE HOSPITAL OR TRAUMA CENTER UNDER SUBSECTION (3) (B) IF THE  
23 INSURER CAN PRESENT COMPETENT EVIDENCE SHOWING THAT THE HOSPITAL OR  
24 TRAUMA CENTER CHARGES RELATE TO POSTSTABILIZATION SERVICES.

25 (5) IF A QUALIFYING NO-FAULT POLICY PROVIDES A CAP ON BENEFITS  
26 UNDER SUBSECTION (3) (A) THAT IS MORE THAN \$25,000.00, THE BENEFITS  
27 UNDER SUBSECTION (3) (B) MAY BE REDUCED ACCORDINGLY, IF THE TOTAL

1 BENEFITS AVAILABLE UNDER SUBSECTION (3) (A) AND (B) ARE NOT LESS  
2 THAN \$275,000.00.

3       Sec. 3114. (1) Except as provided in subsections (2), (3), and  
4 (5), a personal protection insurance policy described in section  
5 3101(1) applies to accidental bodily injury to the person named in  
6 the policy, the person's spouse, and a relative of either domiciled  
7 in the same household, if the injury arises from a motor vehicle  
8 accident. A personal injury insurance policy described in section  
9 3103(2) applies to accidental bodily injury to the person named in  
10 the policy, the person's spouse, and a relative of either domiciled  
11 in the same household, if the injury arises from a motorcycle  
12 accident. When personal protection insurance benefits or personal  
13 injury benefits described in section 3103(2) are payable to or for  
14 the benefit of an injured person under his or her own policy and  
15 would also be payable under the policy of his or her spouse,  
16 relative, or relative's spouse, the injured person's insurer shall  
17 pay all of the benefits and is not entitled to recoupment from the  
18 other insurer.

19       (2) A person suffering accidental bodily injury while an  
20 operator or a passenger of a motor vehicle operated in the business  
21 of transporting passengers shall receive the personal protection  
22 insurance benefits to which the person is entitled from the insurer  
23 of the motor vehicle. This subsection does not apply to a passenger  
24 in the following, unless that passenger is not entitled to personal  
25 protection insurance benefits under any other policy:

26       (a) A school bus, as defined by the department of education,  
27 providing transportation not prohibited by law.

1 (b) A bus operated by a common carrier of passengers certified  
2 by the department of transportation.

3 (c) A bus operating under a government sponsored  
4 transportation program.

5 (d) A bus operated by or providing service to a nonprofit  
6 organization.

7 (e) A taxicab insured as prescribed in section 3101 or 3102.

8 (f) A bus operated by a canoe or other watercraft, bicycle, or  
9 horse livery used only to transport passengers to or from a  
10 destination point.

11 (3) An employee, his or her spouse, or a relative of either  
12 domiciled in the same household ~~who~~ suffers accidental bodily  
13 injury while an occupant of a motor vehicle owned or registered by  
14 the employer, shall receive personal protection insurance benefits  
15 to which the employee is entitled from the insurer of the furnished  
16 vehicle.

17 (4) Except as provided in subsections (1) to (3) **AND (7)**, a  
18 person suffering accidental bodily injury arising from a motor  
19 vehicle accident while an occupant of a motor vehicle shall claim  
20 personal protection insurance benefits from insurers in the  
21 following order of priority:

22 (a) The insurer of the owner or registrant of the vehicle  
23 occupied.

24 (b) The insurer of the operator of the vehicle occupied.

25 (5) ~~A-EXCEPT AS PROVIDED IN SUBSECTION (7)~~, A person suffering  
26 accidental bodily injury arising from a motor vehicle accident  
27 ~~which-THAT~~ shows evidence of the involvement of a motor vehicle

1 while an operator or passenger of a motorcycle shall claim personal  
2 protection insurance benefits from insurers in the following order  
3 of priority:

4 (a) The insurer of the owner or registrant of the motor  
5 vehicle involved in the accident.

6 (b) The insurer of the operator of the motor vehicle involved  
7 in the accident.

8 (c) The motor vehicle insurer of the operator of the  
9 motorcycle involved in the accident.

10 (d) The motor vehicle insurer of the owner or registrant of  
11 the motorcycle involved in the accident.

12 (6) If 2 or more insurers are in the same order of priority to  
13 provide personal protection insurance benefits under subsection  
14 (5), an insurer paying benefits due is entitled to partial  
15 recoupment from the other insurers in the same order of priority,  
16 ~~together with~~ AND a reasonable amount of partial recoupment of the  
17 expense of processing the claim, in order to accomplish equitable  
18 distribution of the loss among all of the insurers.

19 (7) SUBSECTION (4) DOES NOT APPLY IF THE MOTOR VEHICLE  
20 OCCUPIED, AND SUBSECTION (5) DOES NOT APPLY IF THE MOTOR VEHICLE  
21 INVOLVED, WAS INSURED UNDER A QUALIFYING NO-FAULT POLICY. IF THE  
22 MOTOR VEHICLE OCCUPIED OR INVOLVED WAS INSURED UNDER A QUALIFYING  
23 NO-FAULT POLICY, THE INJURED PERSON IS ONLY ENTITLED TO THE  
24 BENEFITS AVAILABLE UNDER THE QUALIFYING NO-FAULT POLICY AND, UNLESS  
25 THE PERSON IS DESCRIBED IN SECTION 3101E(2), AFTER THOSE BENEFITS  
26 ARE EXHAUSTED, TO BENEFITS UNDER THE ASSIGNED CLAIMS PLAN ADOPTED  
27 UNDER SECTION 3171.

1       Sec. 3115. (1) Except as provided in ~~subsection (1) of section~~  
2     ~~3114, 3114(1)~~ AND SUBSECTION (4), a person suffering accidental  
3     bodily injury while not an occupant of a motor vehicle shall claim  
4     personal protection insurance benefits from insurers in the  
5     following order of priority:

6       (a) Insurers of owners or registrants of motor vehicles  
7     involved in the accident.

8       (b) Insurers of operators of motor vehicles involved in the  
9     accident.

10       (2) When 2 or more insurers are in the same order of priority  
11     to provide personal protection insurance benefits an insurer paying  
12     benefits due is entitled to partial recoupment from the other  
13     insurers in the same order of priority, ~~together with~~ AND a  
14     reasonable amount of partial recoupment of the expense of  
15     processing the claim, in order to accomplish equitable distribution  
16     of the loss among ~~such~~ THE insurers. HOWEVER, IF 1 OF THE MOTOR  
17     VEHICLES INVOLVED WAS INSURED UNDER A QUALIFYING NO-FAULT POLICY,  
18     ANOTHER INSURER OR OTHER INSURERS ENTITLED TO RECOUPMENT UNDER THIS  
19     SUBSECTION ARE ONLY ENTITLED TO RECOUP THE AMOUNT OF THE QUALIFYING  
20     NO-FAULT POLICY LIMITS THAT ARE NOT OTHERWISE PAYABLE BECAUSE OF  
21     THE ACCIDENT.

22       (3) A limit ~~upon~~ ON the amount of personal protection  
23     insurance benefits available because of accidental bodily injury to  
24     1 person arising from 1 motor vehicle accident ~~shall be~~ IS  
25     determined without regard to the number of policies applicable to  
26     the accident.

27       (4) SUBSECTION (1) DOES NOT APPLY IF NO INSURANCE IS AVAILABLE



1 TO THE INJURED PERSON UNDER SECTION 3114(1) AND THE MOTOR VEHICLE  
2 INVOLVED IN THE ACCIDENT WAS INSURED UNDER A QUALIFYING NO-FAULT  
3 POLICY. IF NO INSURANCE IS AVAILABLE TO THE INJURED PERSON UNDER  
4 SECTION 3114(1) AND THE MOTOR VEHICLE INVOLVED WAS INSURED UNDER A  
5 QUALIFYING NO-FAULT POLICY, THE INJURED PERSON IS ONLY ENTITLED TO  
6 THE BENEFITS AVAILABLE UNDER THE QUALIFYING NO-FAULT POLICY AND,  
7 UNLESS THE PERSON IS DESCRIBED IN SECTION 3101E(2), AFTER THOSE  
8 BENEFITS ARE EXHAUSTED, TO BENEFITS UNDER THE ASSIGNED CLAIMS PLAN  
9 ADOPTED UNDER SECTION 3171.

10       Sec. 3157. (1) A physician, hospital, clinic, or other person  
11 or institution lawfully rendering treatment to an injured person  
12 for an accidental bodily injury covered by personal protection  
13 insurance, and a person or institution providing rehabilitative  
14 occupational training following the injury, may charge a reasonable  
15 amount for the products, services, and accommodations rendered. The  
16 charge shall not exceed the amount the person or institution  
17 customarily charges for like products, services, and accommodations  
18 in cases not involving insurance.

19       (2) A QUALIFYING INSURER MAY CREATE A LIMITED PROVIDER  
20 NETWORK. EXCEPT FOR EMERGENCY SERVICES AND TREATMENT RENDERED  
21 IMMEDIATELY AFTER A MOTOR VEHICLE ACCIDENT AND UNTIL THE TIME THE  
22 INJURED INDIVIDUAL IS STABLE AND CAN BE TRANSFERRED TO AN IN-  
23 NETWORK PROVIDER, THE INSURER MAY REQUIRE AN INJURED INDIVIDUAL  
24 UNDER A QUALIFYING NO-FAULT POLICY TO OBTAIN PRODUCTS, TREATMENT,  
25 SERVICES, ACCOMMODATIONS, OR REHABILITATIVE OR OCCUPATIONAL THERAPY  
26 OR TRAINING PROVIDED FOR UNDER THIS CHAPTER FROM A PROVIDER OR  
27 SUPPLIER THAT IS PART OF THE LIMITED PROVIDER NETWORK. THERE IS NO

1 PRIVATE RIGHT OF ACTION FOR CLAIMS ARISING UNDER OR RELATING TO  
 2 THIS SUBSECTION. IF THE QUALIFYING INSURER EXHIBITS A PATTERN OR  
 3 PRACTICE OF PROVIDING AN INADEQUATE NETWORK OF PROVIDERS, THE  
 4 DIRECTOR MAY INITIATE AN APPROPRIATE ADMINISTRATIVE OR CIVIL ACTION  
 5 AGAINST THE INSURER TO SEEK APPROPRIATE RELIEF.

6 (3) EXCEPT FOR EMERGENCY SERVICES RENDERED IMMEDIATELY AFTER A  
 7 MOTOR VEHICLE ACCIDENT AND UNTIL THE TIME THE INJURED INDIVIDUAL IS  
 8 STABLE AND CAN BE TRANSFERRED TO AN IN-NETWORK PROVIDER, A  
 9 QUALIFYING INSURER MAY REQUIRE AN INJURED INDIVIDUAL TO OBTAIN  
 10 PREAUTHORIZATION FROM THE INSURER FOR PRODUCTS, TREATMENT,  
 11 SERVICES, ACCOMMODATIONS, OR REHABILITATIVE OR OCCUPATIONAL THERAPY  
 12 OR TRAINING PROVIDED FOR UNDER THIS CHAPTER. AN INSURER THAT  
 13 REQUIRES PREAUTHORIZATION UNDER THIS SUBSECTION SHALL ONLY GRANT  
 14 PREAUTHORIZATION IF MEDICAL NECESSITY HAS BEEN DEMONSTRATED. IF AN  
 15 INSURER REQUIRES PREAUTHORIZATION UNDER THIS SUBSECTION, THE  
 16 FAILURE OF AN INJURED INDIVIDUAL, PROVIDER, OR VENDOR TO OBTAIN  
 17 WRITTEN PREAUTHORIZATION RENDERS A CLAIM FOR PAYMENT FOR THE  
 18 PRODUCTS, TREATMENT, SERVICES, OR ACCOMMODATIONS VOID.

19 Sec. 3172. (1) A person entitled to claim because of  
 20 accidental bodily injury arising out of the ownership, operation,  
 21 maintenance, or use of a motor vehicle as a motor vehicle in this  
 22 state may obtain personal protection insurance benefits through the  
 23 assigned claims plan if ~~no~~ ANY OF THE FOLLOWING APPLY:

24 (A) NO personal protection insurance is applicable to the  
 25 injury. ~~no~~

26 (B) NO personal protection insurance applicable to the injury  
 27 can be identified. ~~the~~

1       (C) THE personal protection insurance applicable to the injury  
2 cannot be ascertained because of a dispute between 2 or more  
3 automobile insurers concerning their obligation to provide coverage  
4 or the equitable distribution of the loss. ~~or the~~

5       (D) THE only identifiable personal protection insurance  
6 applicable to the injury is, because of financial inability of 1 or  
7 more insurers to fulfill their obligations, inadequate to provide  
8 benefits up to the maximum prescribed. ~~In that case,~~

9       (E) PERSONAL PROTECTION INSURANCE IS AVAILABLE TO THE INJURED  
10 PERSON ONLY UNDER A QUALIFYING NO-FAULT POLICY AND THE LIMITS OF  
11 THE POLICY HAVE BEEN EXHAUSTED.

12       (2) IF A PERSON IS ENTITLED TO OBTAIN PERSONAL PROTECTION  
13 INSURANCE BENEFITS THROUGH THE ASSIGNED CLAIMS PLAN UNDER  
14 SUBSECTION (1), unpaid benefits due or coming due may be collected  
15 under the assigned claims plan and the insurer to which the claim  
16 is assigned is entitled to reimbursement from the defaulting  
17 insurers to the extent of their financial responsibility.

18       (3) ~~(2)~~ Except as otherwise provided in this subsection,  
19 personal protection insurance benefits, including benefits arising  
20 from accidents occurring before March 29, 1985, payable through the  
21 assigned claims plan shall be reduced to the extent that benefits  
22 covering the same loss are available from other sources, regardless  
23 of the nature or number of benefit sources available and regardless  
24 of the nature or form of the benefits, to a person claiming  
25 personal protection insurance benefits through the assigned claims  
26 plan. This subsection only applies if the personal protection  
27 insurance benefits are payable through the assigned claims plan

1 because no personal protection insurance is applicable to the  
 2 injury, no personal protection insurance applicable to the injury  
 3 can be identified, or the only identifiable personal protection  
 4 insurance applicable to the injury is, because of financial  
 5 inability of 1 or more insurers to fulfill their obligations,  
 6 inadequate to provide benefits up to the maximum prescribed. As  
 7 used in this subsection, "sources" and "benefit sources" do not  
 8 include the program for medical assistance for the medically  
 9 indigent under the social welfare act, 1939 PA 280, MCL 400.1 to  
 10 400.119b, or insurance under the health insurance for the aged act,  
 11 title XVIII of the social security act, 42 USC 1395 to ~~1395kkk-1.~~  
 12 1395lll.

13 (4) ~~(3)~~—If the obligation to provide personal protection  
 14 insurance benefits cannot be ascertained because of a dispute  
 15 between 2 or more automobile insurers concerning their obligation  
 16 to provide coverage or the equitable distribution of the loss, and  
 17 if a method of voluntary payment of benefits cannot be agreed upon  
 18 among or between the disputing insurers, all of the following  
 19 apply:

20 (a) The insurers who are parties to the dispute shall, or the  
 21 claimant may, immediately notify the Michigan automobile insurance  
 22 placement facility of their inability to determine their statutory  
 23 obligations.

24 (b) The claim shall be assigned by the Michigan automobile  
 25 insurance placement facility to an insurer and the insurer shall  
 26 immediately provide personal protection insurance benefits to the  
 27 claimant or claimants entitled to benefits.

1           (c) An action shall be immediately commenced on behalf of the  
2 Michigan automobile insurance placement facility by the insurer to  
3 whom the claim is assigned in circuit court to declare the rights  
4 and duties of any interested party.

5           (d) The insurer to whom the claim is assigned shall join as  
6 parties defendant to the action commenced under subdivision (c)  
7 each insurer disputing either the obligation to provide personal  
8 protection insurance benefits or the equitable distribution of the  
9 loss among the insurers.

10          (e) The circuit court shall declare the rights and duties of  
11 any interested party whether or not other relief is sought or could  
12 be granted.

13          (f) After hearing the action, the circuit court shall  
14 determine the insurer or insurers, if any, obligated to provide the  
15 applicable personal protection insurance benefits and the equitable  
16 distribution, if any, among the insurers obligated, and shall order  
17 reimbursement to the Michigan automobile insurance placement  
18 facility from the insurer or insurers to the extent of the  
19 responsibility as determined by the court. The reimbursement  
20 ordered under this subdivision shall include all benefits and costs  
21 paid or incurred by the Michigan automobile insurance placement  
22 facility and all benefits and costs paid or incurred by insurers  
23 determined not to be obligated to provide applicable personal  
24 protection insurance benefits, including reasonable, actually  
25 incurred attorney fees and interest at the rate prescribed in  
26 section 3175 as of December 31 of the year preceding the  
27 determination of the circuit court.

- 1           (5) AN INDIVIDUAL DESCRIBED IN SECTION 3101E(2) IS NOT  
2 ENTITLED TO CLAIM BENEFITS FROM THE ASSIGNED CLAIMS PLAN.



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

## BILL ANALYSIS



Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 288 (Substitute S-2)  
Sponsor: Senator Virgil Smith  
Committee: Insurance

Date Completed: 6-3-15

**CONTENT**

The bill would amend the Insurance Code to do the following:

- Allow an eligible city to contract with one or more insurers to provide qualifying no-fault policies to its residents.
- Specify that an individual insured under a qualifying no-fault policy, his or her spouse, and a relative of either living in the same household, would be limited to the rights under that policy.
- Allow a qualifying no-fault policy to limit benefits for critical care to \$250,000 for an individual named in the policy, his or her spouse, or a relative of either living in the same household, and to limit other personal protection benefits to \$25,000.
- Allow an injured person to receive benefits under the assigned claims plan after benefits under a qualifying no-fault policy were exhausted, unless he or she was insured under that policy, the spouse of the insured person, or a relative of either living in the same household.
- Allow an insurer that provided a qualifying no-fault policy to create a limited provider network and require an injured individual to receive post-acute care through an in-network provider, as well as obtain preauthorization.
- Prohibit the Catastrophic Claims Association from charging a member a premium for a car insured under a qualifying no-fault policy.<sup>1</sup>

The bill would define "eligible city" as a city that either 1) has a population of at least 500,000 and a charter provision allowing it to provide insurance to its residents (i.e., Detroit), or 2) presents credible evidence to the Department of Insurance and Financial Services that at least 50% of the city's residents who regularly operate a motor vehicle do so without the personal protection insurance required by the Code.

Under the Code, personal protection benefits are payable for 1) allowable expenses consisting of all reasonable charges incurred for reasonably necessary products, services, and accommodations for an injured person's care, recovery, or rehabilitation; 2) loss of income from work an injured person would have performed for three years after the accident; and 3) expenses of up to \$20 per day reasonably incurred in obtaining services that an injured person would have performed for himself or herself or a dependent, for three years after the accident.

<sup>1</sup> The Catastrophic Claims Association is an unincorporated, nonprofit association to which all Michigan auto insurers are required to belong. The Association reimburses insurers for personal protection insurance claims above a certain threshold (currently \$530,000), and members pay a premium to the Association based on the number of vehicles insured in the State.

Under the bill, a qualifying no-fault policy could limit the total amount of benefits payable under the policy to both of the following:

- \$25,000 for the personal protection benefits described above.
- \$250,000 in the aggregate, payable only for critical care for an individual named in the policy, the individual's spouse, or a relative of either domiciled in the same household, who was injured in a single motor vehicle accident during the policy term.

If a qualifying no-fault policy provided a cap of more than \$25,000 on personal protection benefits other than critical care (for the allowable expenses, work loss, and services described above), the benefits for critical care could be reduced accordingly, if the total benefits available were at least \$275,000.

"Critical care" would mean treatment rendered at an acute care hospital or trauma center immediately following the motor vehicle accident, necessary to save the individual's life or treat life-threatening or permanently disabling injuries, until the individual is stabilized. An individual would be considered stabilized when he or she could be safely discharged or transferred to another acute care hospital or trauma center or to a rehabilitation or other facility, regardless of whether the individual was actually discharged or transferred at that time.

A qualifying insurer could contest the charges from an acute-care hospital or trauma center if the insurer could present competent evidence showing that the charges related to post-stabilization services.

The Code requires a person injured in a motor vehicle accident to claim personal protection insurance benefits from insurers in a specified order of priority. Under the bill, these requirements would not apply if the motor vehicle occupied or involved were insured under a qualifying no-fault policy.

If the motor vehicle occupied or involved in an accident were insured under a qualifying no-fault policy, an injured person would be entitled only to the benefits available under that policy. Unless the person was the individual insured, his or her spouse, or a relative of either domiciled in the same household, the injured person could receive benefits from the assigned claims plan after benefits under the qualifying no-fault policy were exhausted.<sup>2</sup> The same provisions would apply to a person who was injured while he or she was not an occupant and the vehicle involved in the accident was insured by a qualifying no-fault policy, if no personal protection insurance were available to the injured person.

Under the Code, if two or more insurers are in the same order of priority to provide personal protection benefits, the insurer paying benefits due is entitled to partial recoupment from the other insurers in order to accomplish equitable distribution of the loss among the insurers. The bill provides that if one of the motor vehicles involved were insured under a qualifying no-fault policy, the other insurer or insurers would be entitled to recoup only the amount of the qualifying no-fault policy limits that were not otherwise payable because of the accident.

The bill would allow a qualifying insurer (an insurer under contract with an eligible city) to create a limited provider network. Except for emergency services and treatment rendered immediately after a motor vehicle accident and until the individual was stable and could be transferred to an in-network provider, the insurer could require an injured individual under a

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<sup>2</sup> The assigned claims plan is maintained by the Michigan Automobile Insurance Placement Facility, and all automobile insurers in the State are required to participate. The plan is responsible for providing no-fault medical benefits to a person who is injured in an accident involving an uninsured motor vehicle and who has no insurance of his or her own.



qualifying no-fault policy to obtain products, treatment, services, accommodations, or rehabilitative or occupational therapy or training from a provider or supplier that was part of the limited provider network. There would be no private right of action for claims arising under or relating to this provision. If the qualifying insurer exhibited a pattern or practice of providing an inadequate network of providers, the Department Director could initiate an appropriate administrative or civil action against the insurer.

A qualifying insurer also could require an injured individual to obtain preauthorization from the insurer for products, treatment, services, accommodations, therapy, or training, except for emergency services rendered until the individual could be transferred to an in-network provider. The insurer would have to grant preauthorization only if medical necessity had been demonstrated. If an insurer required preauthorization and an injured individual, provider, or vendor failed to obtain it, the failure would render a claim for payment void.

A qualifying no-fault policy would have to contain language that prominently disclosed that it was a "qualifying no-fault policy with limited benefits issued under 20\_\_ PA \_\_", indicating the year of enactment and public act number assigned to the bill.

MCL 500.3101 et al.

Legislative Analyst: Ryan M. Bergan

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Glenn Steffens

S1516\288sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.



# D-INSURANCE PROPOSAL

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Affordable Car Insurance  
For All Detroit Citizens



City of Detroit  
Mayor Mike Duggan



# **Detroit's Auto Insurance Crisis**

- **Detroit drivers spend \$2,000-5,000 per car in auto insurance.**
- **Average Detroiters' s annual car insurance is \$3,400.**
- **Average for surrounding communities is \$1,700.**



**Michigan's Auto No Fault Law is a  
Major Barrier to Economic Inclusion**

**Mobility is Essential for Jobs and Opportunity**

**61% of employed Detroit residents work at jobs outside the city.**

**Today, 75,000 Detroiters remain unemployed and looking for work.**

**In 38 states, you do not have to purchase car insurance in order to have the right to drive.**

**In 11 states, you must purchase car insurance, but with limited health care coverage.**



**Michigan is the only State in America that  
Makes it a Crime to Drive unless you First Buy  
Unlimited Medical Coverage.**

- **People who need a car to get to work and can't afford insurance are criminalized in Michigan.**
- **Over 50% of Detroit drivers are uninsured.**
- **If caught, they are subject to misdemeanor conviction: Up to \$500 fine and one year in jail.**
- **It also means they have no health care coverage from car insurance if they're in an accident.**



# **Michigan's No Fault Law Has Created Two Separate Classes in Michigan**

- 1) The well-off. Those who can afford to purchase car insurance enjoy the richest medical benefits in America.**
- 2) Those of lower income. They cannot legally drive, risk arrest if they drive without insurance, and have no coverage in an accident.**
- 3) There is no low cost option for people of limited means to get insurance and be able to drive legally.**



## What makes up cost of car insurance in Detroit?

Bodily Injury (Coverage for your passenger)	6%
Theft (Comprehensive)	18%
Collision (Car Damage)	31%
PIP (Personal Injury Protection -Medical)	<u>44%</u>
Total	100%

The single biggest cost of car insurance in Detroit is PIP – Medical Coverage.





# **1/3 of Detroit Drivers Don't Buy Collision/Theft**

**Make up of your premium:**

**PIP (Medical Coverage):**

**88%**

**Bodily Injury (Passenger Coverage):**

**12%**



# **How does PIP work?**

## **(Personal Injury Protection)**

**Most people already have health care coverage:**

**Employer (Blue Cross, HAP, etc.)**

**Medicare**

**Obamacare**

**Medicaid**

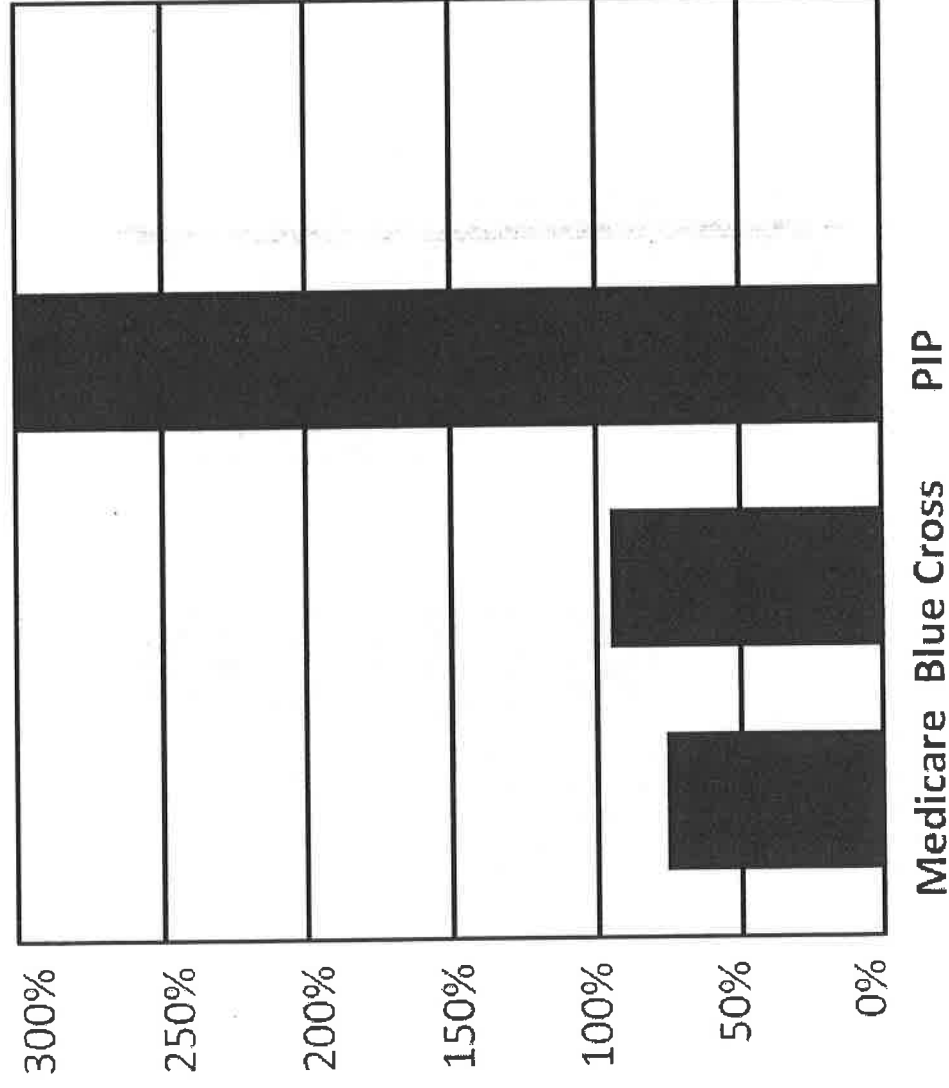
**VA**

**If you have a serious injury (fall from a ladder, get hit by falling brick), your emergency medical treatment and long-term care are paid for by your medical coverage.**

**When you buy car insurance, you are often paying for duplicate medical coverage.**

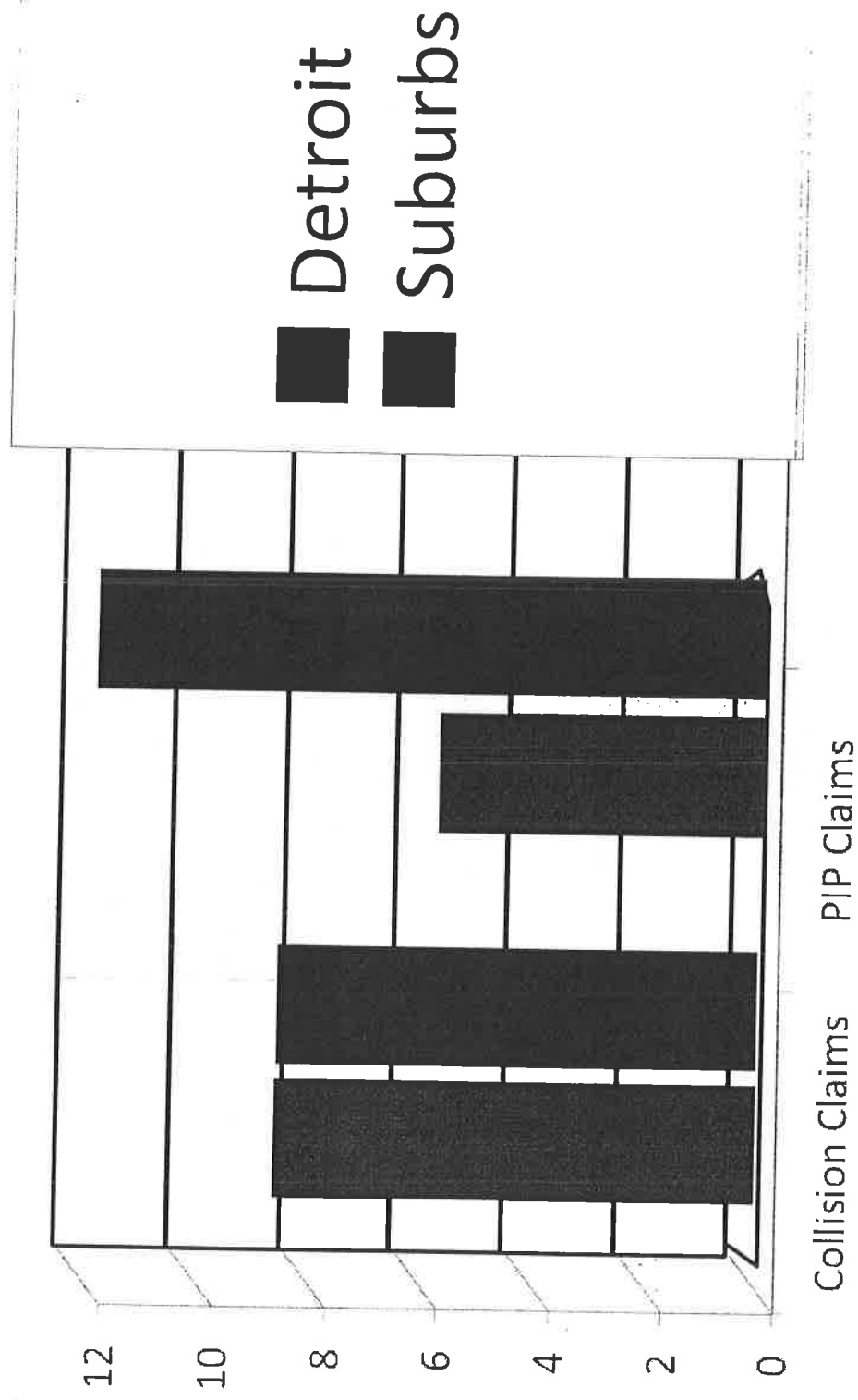


# For Payments to Doctors and Hospitals, What's the Difference Between Medicare, Blue Cross and PIP?



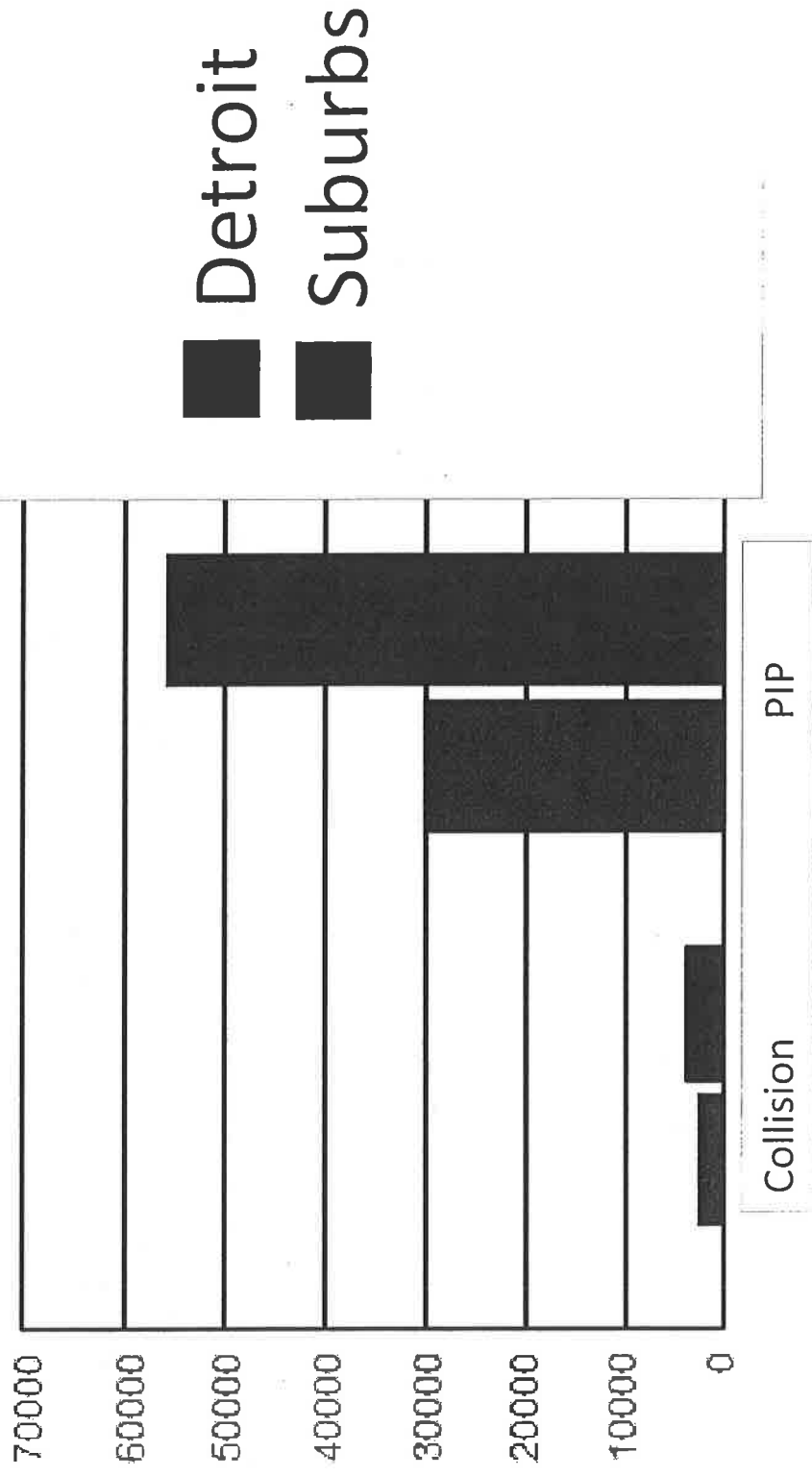
**Medical Providers are usually paid 2-5 times more for the same care by Auto Insurance PIP**

# Why are Detroiters Rates Higher?



Detroiters file the same number of accident claims as surrounding communities.  
Detroiters file twice as many PIP claims.

# How much are Detroiters costing on each claim?



Average Claim Size

**Detroiters have the same number of accidents as other communities.**

**But we have twice as many medical claims on those accidents.**

**And each medical claim is twice as expensive.**

**As long as the No-Fault law requires every driver to buy unlimited PIP coverage, there is no hope for our rates going down.**



# **D-Insurance Proposal: Cut rates 25-33% with Limited Benefit Option \$1,000 Savings for Many Detroiters**

Detroit City Charter Section 9-801 provides the City may:  
“establish an insurance system to provide automobile insurance  
for city residents”

Seeking passage of SB 288 to allow Mayor and Council to offer  
more choices to city residents.

We will offer a D-Insurance policy that will cut rates by 25-33% by  
giving our citizens an option to buy lower PIP coverage.

It is only an option – everyone is free to keep purchasing the full  
coverage policies you have now.



# 12 States With The Highest Requirement to Buy Car Insurance PIP

Michigan	UNLIMITED
New Jersey	\$250,000
New York	\$ 50,000
Minnesota	\$ 40,000
North Dakota	\$ 30,000
Florida	\$ 10,000
Hawaii	\$ 10,000
Kentucky	\$ 10,000
Massachusetts	\$ 8,000
Pennsylvania	\$ 5,000
Kansas	\$ 4,500
Utah	\$ 3,000

38 States Require You to Buy No Minimum PIP in Car Insurance  
You can use your own health care coverage.





# D Insurance Details

## 1) Minimum Hospital Care: \$250,000

This is for ER and hospital stay after an accident.

An ER/Hospital bill over \$250,000 is very rare, but if it happens, you will receive a bill for the amount over \$250,000.

## 2) Minimum PIP Coverage After Hospital Stay: \$25,000

First \$25,000 of treatment will be paid for by car insurance. After that coverage comes from other insurance coverage, or Obamacare.



# How Does D-Insurance Compare to Policies Across America?

Michigan	UNLIMITED		
New Jersey	\$250,000	↓	\$250,000 Hospital Coverage matches NJ as highest in U.S.
New York	\$ 50,000		
Minnesota	\$ 40,000		
North Dakota	\$ 30,000		
Florida	\$ 10,000	↓	\$25,000 Post Hospital PIP Coverage higher than 45 other states.
Hawaii	\$ 10,000		
Kentucky	\$ 10,000		
Massachusetts	\$ 8,000		
Pennsylvania	\$ 5,000		
Kansas	\$ 4,500		
Utah	\$ 3,000		

38 States Require You to Buy No Minimum PIP in Car Insurance  
You can use your own health care coverage.

## **What happens now?**

- 1. Try to pass Senate Bill 288 Substitute to authorize D-Insurance this year.**
- 2. City will select at least two different companies to offer D-Insurance through competitive bidding.**
- 3. Selection of D-Insurance Companies will be approved by Detroit City Council.**

## **Bottom Line: Detroiters will finally have choices**

- 1) You can continue to buy full coverage no fault policy at average cost of \$3,400**
- 2) You can buy D-Insurance with limited benefits at an average 25-33% rate cut.**

**\$3,400 policy could be cut to \$2,100-2,400.**

**We project an average savings to Detroiters of more than \$1,000 per year.**

**Just received unanimous endorsement Detroit Branch,  
NAACP**

