



CAMBRIDGE
PROPERTY & CASUALTY

PERSONAL INJURY PROTECTION

Under Michigan's No Fault Insurance Act, your automobile insurance carrier will generally pay benefits to you and certain other people injured in an automobile accident, without regard to fault, for goods, services, and accommodations needed for care, recovery, and rehabilitation resulting from auto accident injuries. These benefits are collectively referred to as Personal Injury Protection, or PIP, and are provided without deductibles on a per-accident basis.

PIP claims can involve payments for medical expenses, work loss, replacement services, attendant care (such as supervision of an injured person or assisting a person with daily activities), survivor's loss, or funeral expenses.

What exactly is covered?

- Medical expenses – no maximum dollar amount on general medical expenses
- Funeral expenses - \$1,750 limit per person (set by statute)
- Work loss – up to \$4,713 in 2008 in any 30 day period (revised annually in October)
- Replacement services – to a maximum of \$20 per day (set by statute)
- Survivor loss – up to \$4,713 in 2008 in any 30 day period (revised annually in October)

Coordinating PIP Coverage with Other Types of Insurance

The Michigan no-fault law allows the purchaser of an automobile insurance policy to place other policies of insurance, such as health or disability insurance, higher in priority than the auto carrier. This means that if you have health or disability insurance that pays for automobile-related medical bills or loss of wages, that specific policy pays first and the auto policy pays second.

Thus, the auto carrier would be liable for the difference between the amount of benefits paid by the health carrier and what would be allowed under the No-Fault Act, subject to a \$300 deductible. This is known as “coordinated” or “excess” coverage.

By way of example, an injured person with coordinated coverage would submit his or her medical and pharmaceutical expenses to the health insurer first. Once the health insurer pays, subject to the health policy limits, the auto insurer is then responsible to cover any additional medical expenses that are reasonably necessary, such as copays that might apply, charges for medical services, and charges not covered under the health policy, subject to a \$300 deductible.

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Medicaid and Medicare and some self-funded plans do not allow you to coordinate with automobile PIP coverage and no-fault carriers therefore have primary responsibility for payment of accident-related medical expenses for persons covered by these plans.

Advantages and Disadvantages of Coordinating PIP Coverage

One advantage of coordinating coverage is that it typically results in a premium decrease. However, that decrease may be slight. For instance, the decrease could be as low as \$11 per vehicle for a driver in their 50s. But it could be as high as \$109 per vehicle for a youthful driver.

One disadvantage of coordinated benefits is that payments made by the auto carrier are subject to a \$300 deductible, regardless of whether the health insurer pays. It is important to note that in Michigan today, some health insurance companies are endorsing their health insurance policies to exclude automobile-related expenses.

In addition, when you make a claim and have coordinated benefits you may also have to prove to the automobile insurance company that the health insurance excludes medical claims (if this applies), which could be a hassle.

Another disadvantage to having coordinated benefits is that to the extent your health insurance does pay auto-related medical bills, you will be depleting any lifetime maximum benefit allowed under some health plans. For example, some Blue Cross policies have a \$5,000,000 maximum lifetime benefit for all health claims. Some other health policies have a \$1,000,000 limit.

Work Loss Benefits Under PIP

A major issue regarding work loss benefits is whether the statutory amount, currently \$4,713 (until 9/30/08), in any 30 day period is adequate and whether or not an individual should buy supplemental disability coverage either through the auto policy or elsewhere.

It is possible to purchase more than the statutory work loss benefits, both with regard to limits and period of coverage under your automobile policy. The amount that an individual would purchase is a maximum amount. The actual payment in most cases will be no more than 85% of a disabled person's actual loss of gross income from work up to that amount or up to a higher amount, if the higher amount is purchased. Also the loss of income benefit is payable only for three years after the automobile accident unless a longer period is chosen.

Coordinating Work Loss Benefits Under PIP

It is possible to coordinate work loss benefits provided under PIP with a sickness or accident policy. Additionally, an insured may totally exclude work loss benefits for individuals who are age 60 or older and who have no expectation of actual income loss, in exchange for reduced premium. However, this reduction in premium can be minimal, often only around \$4 per year in savings.

Where work loss benefits are coordinated, calculation of work loss owed by the auto insurer, if any, can be complicated. The no-fault insurer will owe any differential between the amounts paid by the primary, sickness, and accident insurer, up to the maximum recovery amount stated under the

Michigan statute. The claimant is not entitled to his or her full wages if expected wages exceed the statutory limit.

Under the Michigan no-fault law, if you have other work loss benefits, there is no coverage under the auto policy to the extent that similar benefits are paid, payable or required to be paid under any individual, blanket or group disability policy. Many employers provide short and long term disability. In any event, we recommend that individuals have stand-alone disability coverage, apart from the auto coverage, that will pay for longer than 36 months.

PIP Coverage Recommendations

Our recommendations regarding PIP coverage are as follows:

- Do not buy coverage on a coordinated basis because a \$300 deductible applies if your health coverage does not pay auto medical claims, and you will have to submit information regarding your health insurance to establish that coverage is not provided elsewhere in the event of an injury. Furthermore the savings on the auto policy is minimal. In addition, if your health insurance pays, it will deplete any lifetime maximum benefit which may apply. It is probably better to use the auto policy for auto-related medical bills rather than the health insurance policy.
- Do not rely on the wage loss benefit under the auto policy. The limited maximum of \$4,713 per month for up to 36 months, (\$56,556 in 2008) is only payable to the extent that you do not have other coverage. Most employers provide short-term or long-term disability coverage. In addition, carefully examine your disability insurance coverage without relying on the automobile insurance coverage.