

Michigan drivers get new auto insurance options Thursday that cut rates

Beth LeBlanc, The Detroit News Published 9:40 a.m. ET July 1, 2020 | Updated 8:21 p.m. ET July 1, 2020

Michigan drivers on Thursday will have the choice to "opt out" of unlimited Personal Protection Insurance in an effort to reduce their insurance rates as the state's historic no fault auto insurance reform takes effect.

The amended law, signed in May 2019, changes the state's auto insurance rules so unlimited Personal Protection Insurance (PIP) is no longer required but remains an option. Michigan had the country's only mandatory unlimited medical coverage for catastrophic crashes and is well known for its high insurance rates.

The previously required unlimited coverage guaranteed motorists had uncapped lifetime medical benefits in the event of catastrophic injuries. That coverage typically accounts for about half of a driver's insurance premium.

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Heavy traffic along US-31 North in East Bay Township near Traverse City signals the beginning of the holiday weekend. (Photo: John L. Russell, Special to The Detroit News)

The new law removed the requirement to purchase unlimited coverage and made changes mandating lower rates from insurance providers. The law also created a tiered fee schedule for medical providers, capping the rates they could charge insurance companies for motorist care in another bid to reduce costs.

"It keeps what is good about the old system, but gives some more opportunity for people to have a say in what is more cost-effective for their family," said Anita Fox, director for the state Department of Insurance and Financial Services.

Drivers around the state should contact their insurance agents to explore the new options, Fox said. In addition, people who have been driving without insurance will receive an 18-month amnesty period starting Thursday to enroll in auto insurance with no penalties tied to the uninsured period.

"People should shop around," Fox said. "We have more than 100 companies writing auto insurance. We have new companies trying to get into the market, and it does matter. ... It certainly pays to shop around if you're trying to save money."

The Insurance Alliance of Michigan recommended the same action, noting the amnesty period offers an opportunity for the estimated 20% of Michigan motorists driving without insurance to get back on a plan.

"People should explore all of their options," said Erin McDonough, the alliance's executive director.

Insurance agent Ben Rathbun has been communicating the changes to his clients for the past year through conversations, video and blog posts and newsletters.

Roughly 90% of the 4,000 customers at the Lansing-based Rathbun Agency will continue to purchase unlimited PIP coverage, he said. Three have decided to opt out completely and rely on existing medical coverage and the rest are dropping down to \$500,000 policies, he said.

"I think a lot of times, people are only thinking about the savings and not thinking about the coverage they're giving up," said Rathbun, who recommended drivers discuss the full suite of options with their insurance companies.

Balancing savings against risk

Under the new law, drivers will have up to six options for PIP coverage — including maintaining unlimited coverage. The other coverage options are for \$500,000, \$250,000 and \$250,000 with PIP medical exclusions (covered by their existing health plan).

For those who have government medical coverage through Medicare — the health care program for seniors — or Medicaid, there are other choices.

Residents on Medicare Parts A or B can opt out of PIP, but any of their household members must have another auto insurance policy or health insurance that covers auto accident injuries. They must show proof of that coverage.

Medicaid enrollees can choose up to \$50,000 in coverage, but their household members are required to have another auto insurance policy or health insurance that covers auto accident injuries.

Clinton Andrews is doing his homework before making a final decision on changes to his plan, especially after experiencing an 11% hike to his insurance bill ahead of the mandated rollbacks.

The 70-year-old Grosse Pointe Park resident attended a teleconference with Fox last month to learn more about his options, but he still has lingering questions about how much his Medicare plan would cover if he opted to rely on just Medicare instead of PIP.

"Before I do anything that will reduce the amount of insurance, I want to hear what am I getting myself into here to save \$100 a year," he said. "My advice to anyone including myself is you better know darn well what you're getting yourself into when you're reducing your insurance."

The state estimates the changes taking effect Thursday will include an average reduction of 15.5% for unlimited PIP coverage, 30.6% for \$500,000 coverage, 41.8% for \$250,000 coverage and 53.3% for \$50,000 coverage.

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Michigan Gov. Gretchen Whitmer signs historic no-fault auto insurance reform legislation. (Photo: Beth LeBlanc, The Detroit News)

Opponents of the reforms have argued the state's savings estimates are exaggerated and will vary based on factors such as vehicle type, driving record, credit history and location. The state also has noted those factors — combined with an increase in mandatory liability insurance coverage — would cut into some of the PIP savings, but the state insurance department estimated customers would still come out ahead in money saved.

"After more than 40 years and more than a decade to try to change it, it's a very big step forward at a minimum," Fox said.

Michigan drivers automatically will save \$120 per unlimited policy starting Thursday when the Michigan Catastrophic Claims Association lowers its fee from \$220 to \$100 per car. Those who opt for a lower tier of coverage will pay no fee.

The association reimburses auto insurance companies when a person's medical costs eclipse \$580,000, but fewer reimbursements are expected with the changes in coverage options, allowing for the lower fee.

Starting Thursday, drivers can contact their insurers to explore the choices for PIP coverage and should be receiving a detailed breakdown of options from their insurance companies. If a driver doesn't affirmatively opt in for certain coverage, their plans will default to unlimited PIP coverage and liability coverage will be set at a default of \$250,000/\$500,000.

The state has spent more than a year preparing the insurance marketplace for the changes, including reviewing the new rates available from each company.

Concerns continue

The reform, which eluded lawmakers for nearly 40 years, was not passed without opposition and controversy in 2019.

Critics, including the late Oakland County Executive L. Brooks Patterson, said the changes would strip important treatment guarantees for catastrophically injured motorists and shift costs to other forms of insurance, including taxpayer-funded programs like Medicaid. The amended law also will increase civil litigation over medical cost responsibility, opponents argued.

The Coalition Protecting Auto No-Fault plans to educate the public on the risk of lower levels of coverage and encourage drivers to buy unlimited lifetime coverage, said Stephen Sinas, legal counsel for CPAN.

"We oppose the reform because it allows consumers to be presented with options for auto insurance coverage that will not adequately cover their needs if they're ever seriously or catastrophically injured in a motor vehicle crash," Sinas said.

Several Detroit lawmakers contended the reforms did not do enough to address rate setting practices that have made rates in the city among the highest in the nation. Those practices included rates based on factors like location, credit history and driving record.

In June, Mayor Mike Duggan warned Detroiters "to act for yourself or it won't change" after contending insurance providers weren't doing enough to inform residents of their new rights.

The mayor argued insurance companies, medical systems and attorneys were profiting off higher rates and would be hesitant to help Detroiters choose lower rates.

Duggan said on June 18 that drivers in Michigan are paying an average of \$2,878 annually to insure their vehicles — the highest rates in the nation. The average cost for Detroit residents is \$4,400, he said.

In Michigan, 20% of drivers are uninsured. For Detroit, the number is closer to 50%, Duggan said.

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