



# Shopping for Insurance: No-Fault Insurance

Michigan is generally recognized as having one of the most efficient and effective auto insurance laws in the United States. Under this law, accident victims are compensated by their own insurance carriers for most expenses due to property damage or personal injury, regardless of who was at fault. Michigan's Personal Injury Protection (medical) benefits are the highest in the nation. Michigan's no-fault law provides unlimited, lifetime benefits to person's injured in auto accidents. No other state mandates such a high level of benefit. Michigan's no-fault law became effective October 1, 1973.

The no-fault law requires automobile owners to buy certain mandatory coverages as a condition of vehicle licensure. It is illegal to drive or permit one's car to be operated without them. The penalty for driving without no-fault insurance is a misdemeanor punishable by a fine of not less than \$500, and/or imprisonment for not more than one year.

## **What coverages are required in Michigan?**

The mandatory no-fault coverages are personal injury protection (PIP), property protection insurance (PPI) and residual liability insurance.

### **Personal Injury Protection (PIP)**

Personal injury benefits are paid to an accident victim by his/her own insurance company. Coverage applies to accidents occurring in the United States and Canada. PIP benefits are paid for the lifetime of the person injured. This is the highest level of medical benefits provided of any state in the country. The coverage protects them even if they are passengers in another person's car or pedestrians when they are injured. PIP pays:

- all reasonable and necessary medical expenses;
- 85 percent of the wages or salary the injured party would have earned, up to a maximum of \$5,104 per month (effective 10-01-11) for three years. The maximum is subject to an annual cost-of-living adjustment. Policyholders may purchase coverage with higher benefit limits;
- up to \$20 per day, for a maximum of three years, to pay someone to perform tasks of daily living that the injured person no longer can perform;
- survivor's loss benefits and replacement services, for up to three years, for the insured's dependents in case of death;
- \$1,750 funeral and burial expense benefits. Benefits of up to \$5,000 may be purchased.

### **Property Protection Insurance (PPI)**

PPI pays up to \$1 million for damages caused by a policyholder's car to such property of others as buildings, trees, and road signs, regardless of fault. Vehicles owned by others are excluded from coverage unless properly parked. Property protection does not apply to accidents occurring outside of Michigan.

### **Residual Liability Insurance**

Residual liability coverage provides protection if a driver is sued or legally responsible for 1) accidents resulting in death, serious impairment of body function, or permanent, serious disfigurement; 2) accidents in which actual economic losses sustained exceed the benefits available in personal injury protection coverage; or 3) property damage and bodily injury in accidents occurring outside Michigan. The basic no-fault policy will pay \$20,000 for one person's injury, \$40,000 for all persons injured in one accident, and \$10,000 per accident for property damage. Higher limits may be purchased.

### **What optional coverages can I choose from?**

Several optional coverages also may be offered as part of the no-fault insurance policy, including protection against collision, automobile damage other than collision (called comprehensive coverage), certain property damage liability, uninsured and underinsured motorists, and problems on the road.

### **Collision Insurance**

Collision insurance is available in three forms: standard, broad and limited. Standard (regular) collision insurance pays for damage to an insured's vehicle, regardless of who is at fault. The insured pays a deductible—a specific amount of money—toward the repair or replacement of a loss, after which the insurance takes over and pays the remainder or other specified amount. Broad coverage pays for damage to the insured's vehicle regardless of who is at fault, but if the insured is more than 50 percent at fault, she/he pays the deductible. Limited collision insurance pays for damage to a vehicle (minus any deductible) only if the insured is not more than 50 percent at fault.

### **Comprehensive**

Comprehensive coverage pays for most damage to an automobile caused by something other than collision. For example, comprehensive covers most damages caused by falling objects, accidents with animals, fire, windstorm, vandals or theft.

### **Limited Property Damage Liability (Mini-tort)**

Mini-tort is an exception to the no-fault insurance law. It permits a driver to recover up to \$500 for vehicle damage not covered by the driver's own insurance. Purchasing this coverage protects you if someone files a "mini-tort" claim against you.

### **Uninsured and Underinsured Motorists**

Uninsured motorist coverage protects insureds (through their own insurance company), against bodily injury liability losses from an accident involving a motorist driving without insurance or a hit-and-run driver. In the event of death, benefits are paid to survivors. Underinsured motorists coverage, which insures against bodily injury liability losses from an accident involving a driver whose policy has low residual liability coverage amounts, also allows insureds to pursue recovery of damages from their own company.