



Webinar of June 11, 2020:

Four Perspectives on Michigan's New Auto No-Fault Insurance

## Additional Q&As

Thank you for joining our recent webcast!

We are pleased to provide panelist and moderator responses to the following questions submitted during the webcast but not heretofore addressed.

#### PANELISTS

**Kris Johnson**, Director of Benefits and Wellness; SpartanNash

**Margaret Kroese, MSSW, FACHE, CBIS** Executive Vice President; Hope Network Neuro Rehabilitation

**Robert Winkelman**, Legislative Assistant; Office of Michigan State Representative Scott VanSingel

**Marty Brown**, Vice President of Corporate Legal; Farmers Insurance, Grand Rapids Office

#### MODERATOR

**Jim Hanley, CEBS**, President & Co-Founder; EeComm, Inc.

---

**Q1: Kris: What were the factors you considered in your decision to remain as a secondary payer? Why not exclude in Michigan?**

**KJ:** At SpartanNash we considered several factors before deciding our medical coverage would continue as a secondary payer to Motor Vehicle Accident insurance. First, not all MVA claims are covered by our health plan; there will now be reimbursement agreements with providers vs. retail and, therefore, the primary MVA coverage will go further. Also, the projected overall cost of claims was only 0.5 percent. Another factor we considered: BCBS of Michigan shared this two-year claims history of their book of business when paying primary:

- Auto claims represented less than 0.5% of total charges
- For those claims for which BCBSM paid primary, the average allowed cost per contract was roughly \$2,700. Additionally, on an annual basis:
  - Fewer than 30 members had claims in the \$75,000 - \$100,000 range
  - Fewer than 50 members had claims in the \$100,000 - \$250,000 range
  - Fewer than 10 members had claims in the \$250,000 - \$500,000 range
  - Fewer than 1 member had a claim over \$500,000

**Q2: Some employers are considering excluding the first \$250k or \$500k to encourage people to buy that amount of coverage (BCBS is not offering). Thoughts?**

**KJ:** We considered this, as well, but recognized it would be difficult to effectively communicate and determined employee satisfaction with our benefits is not worth jeopardizing given the secondary exposure rather minimal.

---

**Q3: Kris: I would love to see the one-page Information you shared with your employees or the Q & A. Would you be OK sharing that?**

**KJ:** I am happy to provide those materials in the Appendix that follows.

---

**Q4: Have you seen a list of items that are covered by PIP? Are all carriers' PIP coverages the same as far as WHAT is covered even though coverage amounts may be different? A big problem I'm facing is being able to explain exactly what it covers in comparison to medical since I'm not in the auto insurance industry.**

**RW:** Put very simply, PIP covers pretty much everything. The no fault act has stated, and continues to state: "Allowable expenses consisting of all reasonable charges incurred for reasonably necessary products, services and accommodations for an injured person's care, recovery or rehabilitation.

Over the years the courts have determined that this language covers a very broad spectrum of care. Auto insurers, unlike health insurers, cannot sell PIP policies with different levels of care. Your PIP through Progressive covers the same care as your PIP through Auto Owners. So, there isn't necessarily a list of what PIP does and doesn't cover. PIP is the "Cadillac plan." That is why every person will need to decide for themselves what they think is best. If they consider opting out, they will want to consider what their private health care covers, its deductibles, its coinsurance levels, etc. That's also why legislators also decided to include the requirement that DIFS put risks and benefits on the forms that consumers must sign.

**MK:** PIP covers, "all reasonably necessary products, services, and accommodations for an injured person's care, recovery, or rehabilitation." This could be long-term care or assisted living for life, home and vehicle modifications, vocational retraining, specialized medical equipment ... and the list goes on. It only must be "reasonably necessary" for the person's care, recovery or rehabilitation. Compare this to health insurance, which usually says services need to be "medically necessary," which is much narrower. By the way: the PIP will also cover all your commercial health co-pays and deductibles for care after an accident.

---

**Q5: What happens to someone who was hit as a pedestrian a year ago and is now being covered under the no fault plan. Do they stay covered under that after the law changes?**

**RW:** If a pedestrian was hit by an auto a year ago and is receiving no fault benefits, they will continue to receive those benefits. A pedestrian, depending on whether they had car insurance or not, may be receiving lifetime care through their own policy or the Assigned Claims Plan. Either way, they will get the benefits they were promised. The only change will be that, after July 2021, their care will be subject to the fee schedule – care provider charges will be limited to that schedule.

If a pedestrian was hit by an auto after the new law was signed, there could be some question due to litigation. When the new law took immediate effect, a few items relevant to your question took immediate effect. One of those items was a \$250,000 limit on assigned claims benefits. This limit would mean an uninsured pedestrian who was struck after reform took effect would be entitled to no more than \$250,000 in benefits through the assigned claims plan. Note that this has been challenged in court. Those challenging it are arguing that the Assigned Claims limit should not have taken effect until July 1, 2020. How the courts rule will have a direct impact on how cases such as these are handled under the new law.

**MK:** Yes, the injured person stays under the same “contract” even with the change in the law. It is possible this person will experience some changes as the 2021 Fee Schedules take effect on their service providers. Some of the new Fee Schedules and new regulations may close some of these businesses.

---

**Q6: Marty: Can you address the change to the bodily injury coverage? Isn't there an increased risk that drivers might be sued by other drivers who don't have an adequate amount of PIP?**

**MB:** Yes, with the option to choose lower limits of PIP, and the lower verbal threshold for filing lawsuits, there is a much greater risk that drivers will be sued as a result of auto accidents. Those drivers who choose lower PIP limits are more likely to have auto-accident-related medical expenses that exceed the amount of PIP coverage they purchased. As such, drivers should consider purchasing higher limits of BI liability coverage and even consider purchasing umbrella liability policies.

---

**Q7: So maybe employers should consider offering a legal benefit to help employees deal with possible lawsuits!?**

**JH:** When we help clients communicate voluntary legal plans we typically include a representative list of the types of legal issues for which the coverage can be used. Perhaps auto insurance claim disputes will make that short list. In any case, employers may want to reference the availability of voluntary legal plan coverage among messages they communicate to Michigan employees regarding the new law.

---

**Q8 : How does PIP under the new law work if I am injured while driving a company car for personal use?**

**MK:** If an employee, their spouse or another relative domiciled in the same household is injured in a company vehicle (owned, registered by company) while using the vehicle for personal use, the injured parties will receive the PIP coverage from the insurer of the furnished vehicle. So, if the company selects capped PIP policies, your employee and family will get those limits while using the company vehicle – even if they purchased the unlimited for their own personal vehicles.

Companies should be very transparent with their employees who drive their vehicles about the capped coverage.

# APPENDIX:

## SpartanNash Communication Materials

The following materials are copyright 2020 by SpartanNash and are being provided by SpartanNash for educational purposes. SpartanNash gives permission to employers to use these materials as a basis for developing educational employee communication materials for their own internal use only. Please do not directly reproduce and distribute these materials which were developed expressly for SpartanNash employees. SpartanNash makes no claims to the accuracy and appropriateness of the following materials as the basis for any other employer's communications.

# TAKING CARE OF THE PEOPLE WHO TAKE CARE OF OUR BUSINESS.

*Sounds like SpartanNash.*

## New Michigan No-Fault Reform Law

Michigan recently enacted significant changes to no-fault motor vehicle insurance that will take effect in July 2020. There are changes to the personal injury (“PIP”) coverage under the new no-fault law that impact your employer group health coverage.

### Current Coverage Requirements:

Michigan drivers must carry unlimited PIP coverage. This means that if you get into an auto accident, any costs you incur for the rest of your life relating to the accident are covered, regardless of when you incur the cost and regardless of the total amount of benefits PIP has paid. This is a very important benefit for individuals who experience a catastrophic accident.

SpartanNash currently is secondary to your PIP coverage, meaning that your auto insurance is first responsible for PIP related expenses.

### New Coverage Requirements:

Instead of requiring all Michigan drivers to carry unlimited PIP coverage, Michigan drivers will now be able to choose a lesser level of PIP coverage if they would like to do so. The rationale of the new law is that lesser PIP coverage should lead to lower premiums.

### Effective Date:

The new law applies to no-fault policies issued or renewed on or after July 1, 2020. Michigan drivers need to renew their no-fault insurance once every 6 months. So as a practical matter, these new options will apply to you at your first renewal on or after July 1, 2020.

### Action Required:

Step one – determine when the new law applies to you. You should find out when your no-fault policy renews in order to know the effective date of this change for you.

Step two – understand that SpartanNash medical coverage will be secondary to whatever level of coverage you elect. For example, if you elect PIP of \$250,000, SpartanNash will coordinate after your PIP coverage is exhausted.

Step three—plan for which PIP coverage option you will select under the new law. In order to pay the lowest no-fault premium possible, it is anticipated that most Michigan drivers will want to select the lowest level of PIP coverage for which they are eligible. The lowest level will be \$250,000 for all Michigan drivers, and some may qualify for the \$50,000 or opt-out options. For questions about eligibility levels and opt-out options, please contact your auto insurance agent.

**Learn more on HR Self-Service at [hrss.spartannash.com](https://hrss.spartannash.com) > Benefit Details > Resources – Plans/Policies.**

# TAKING CARE OF THE PEOPLE WHO TAKE CARE OF OUR BUSINESS.

*Sounds like SpartanNash.*

## New Michigan No-Fault Reform Law

Michigan recently made changes to no-fault motor vehicle insurance that will take effect in July 2020. There are changes to the personal injury (“PIP”) coverage under the new no-fault law that impact your SpartanNash health coverage.

### Current Coverage Requirements:

Michigan drivers must carry unlimited PIP coverage. This means that if you get into an auto accident, any costs you incur for the rest of your life relating to the accident are covered.

SpartanNash currently is secondary to your PIP coverage, meaning that your auto insurance is first responsible for PIP related expenses.

### New Coverage Requirements:

Michigan drivers will now be able to choose a lesser level of PIP coverage if they would like to do so. Lesser PIP coverage should lead to lower premiums.

### Effective Date:

The new law applies to no-fault policies issued or renewed on or after July 1, 2020. Michigan drivers need to renew their no-fault insurance once every 6 months so these new options will apply to you at your first renewal on or after July 1, 2020.

### Action Required

Find out when your no-fault policy renews in order to know the effective date of this change for you. SpartanNash medical coverage will be secondary to whatever level of coverage you choose.

**Learn More on HR Self-Service at [hrss.spartannash.com](https://hrss.spartannash.com) > Benefit Details > Resources – Plans/Policies.**

# TAKING CARE OF THE PEOPLE WHO TAKE CARE OF OUR BUSINESS.

*Sounds like SpartanNash.*

## NEW MICHIGAN NO-FAULT REFORM LAW FREQUENTLY ASKED QUESTIONS

Michigan recently enacted significant changes to no-fault motor vehicle insurance that will take effect in 2020. These FAQs focus on the changes to the personal injury (“PIP”) coverage under the new no-fault law and how those changes impact your employer group health coverage.

Question 1: What is PIP coverage?

Answer: PIP coverage pays for all reasonable charges incurred for reasonably necessary products, services and accommodations for an injured person’s care, recovery or rehabilitation, as long as those products, services or accommodations are prescribed by your doctor. For example, PIP pays the costs associated with a hospital stay, surgery and physical, speech and/or occupational therapy after a motor vehicle accident. Most people expect these typical medical costs to be covered. In addition, PIP also pays for items not considered traditional medical care, such as the cost of an attendant, therapy past the point when further progress isn’t likely, and auto and home modifications, such as a wheelchair ramp.

Question 2: Are there currently any limits on PIP coverage?

Answer: No. Currently, Michigan drivers must carry unlimited PIP coverage. This means that if you get into an auto accident, any costs you incur for the rest of your life relating to the accident are covered, regardless of when you incur the cost and regardless of the total amount of benefits PIP has paid. This is a very important benefit for individuals who experience a catastrophic accident.

Question 3: How does PIP coverage currently coordinate with my employer group health coverage?

Answer: SpartanNash currently is secondary to your PIP coverage, meaning that your auto insurance is first responsible for PIP related expenses.

Question 4: Is Michigan’s current no-fault PIP coverage rule unique?

Answer: Yes. Most other states only require a driver in that state to carry a minimal amount of PIP coverage under their auto insurance.

Question 5: Does Michigan’s no-fault law apply to motorcycles?

Answer: Generally no. If you buy a Michigan no-fault policy on your car, it doesn't also include your motorcycle. You need to buy a separate policy. In Michigan, there is generally no required PIP coverage for motorcycle policies. However, if you don't wear a helmet you must carry at least \$20,000 in medical coverage on your motorcycle policy. (Also, if you are driving or riding on a motorcycle and are involved in an accident with a motor vehicle, Michigan no-fault PIP coverage may be available under another no-fault policy.)

Question 6: How does the new Michigan no-fault law change the PIP coverage rules?

Answer: Instead of requiring all Michigan drivers to carry unlimited PIP coverage, Michigan drivers will now be able to choose a lesser level of PIP coverage. The rationale of the new law is that lesser PIP coverage should lead to lower premiums

Question 7: What are the PIP coverage options under the reform law?

Answer: Michigan drivers will have 3 primary choices:

- a. continue unlimited PIP;
- b. select \$500,000 in PIP coverage; or
- c. select \$250,000 in PIP coverage.

In addition, certain Michigan drivers can elect an even lower PIP coverage option (\$50,000) or opt-out of PIP coverage entirely, if certain requirements are satisfied. You will need to consult your auto agent on those rules.

Question 8: When do these new PIP coverage options take effect?

Answer: The new law applies to no-fault policies issued or renewed on or after July 1, 2020. Michigan drivers need to renew their no-fault insurance once every 6 months. So as a practical matter, these new options will apply to you at your first renewal on or after July 1, 2020.

Question 9: What should you do to get ready for this new law?

Answer:

- a. Step one—determine when the new law applies to you. You should find out when your no-fault policy renews in order to know the effective date of this change for you.
- b. Step two—understand that SpartanNash medical coverage will be secondary to whatever level of coverage you elect. For example, if you elect PIP of \$250,000, SpartanNash will coordinate after your PIP coverage is exhausted.

- c. Step three—plan for which PIP coverage option you will select under the new law. In order to pay the lowest no-fault premium possible, it is anticipated that most Michigan drivers will want to select the lowest level of PIP coverage for which they are eligible. The lowest level will be \$250,000 for all Michigan drivers, and some may qualify for the \$50,000 or opt-out options. Some points of caution:
- i. Caution one—don't elect the \$50,000 or opt-out option unless you are absolutely sure you and all members of your household have the required alternative coverage. (Of the two options, you are probably less likely to qualify for the \$50,000 option because you must be enrolled in Medicaid.) If you elect the \$50,000 or opt-out option and you are not eligible for that option, you and your family may have no coverage for your medical expenses resulting from an auto accident.
  - ii. Caution two—consider electing a higher level of PIP coverage than you are required to carry. Why? Even if you have other coverage, remember that the coverage will only pay your medical bills from an auto accident. As explained above (see Q/A #1), PIP covers many more items that are needed, particularly for a person who requires long-term care as a result of motor vehicle injuries. Also, as discussed in Q/A #2, PIP provides coverage for your life, where other coverage may end after you are no longer eligible. For example, if you are enrolled in an employer group health plan and terminate employment, you may extend your coverage for a limited period of time (for example, through COBRA) but any expenses you incur after your coverage terminates won't be covered. For these reasons—comprehensiveness of PIP and lifetime duration of PIP—you should consider a higher level of PIP coverage under your no-fault policy after the new law takes effect.