

**a consumer's guide to**



**No-Fault Automobile Insurance  
in Michigan**

**Michigan Department of Licensing and Regulatory Affairs  
Office of Financial and Insurance Regulation**

Dear Motorist,

We've published this guide to help you understand your no-fault insurance policy. This guide will help explain the mandatory coverages required under no-fault, as well as optional coverages like collision and comprehensive coverage. The guide explains different factors that affect the cost of your insurance and offers suggestions for lowering your insurance rates.

I encourage you to read this guide to gain a better understanding of your no-fault auto insurance policy. We encourage you to explore the Office of Financial and Insurance Regulation website at [www.michigan.gov/ofir](http://www.michigan.gov/ofir). There you'll find a wealth of information about insurance, and financial products. You can also contact OFIR toll free at 877-999-6442 to receive publications or get answers to questions about the industries we regulate.

Very truly yours,



R. Kevin Clinton  
Commissioner



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# No-Fault Automobile Insurance in Michigan

*The Michigan no-fault system was adopted in 1973 to increase the level of benefits paid to injured persons, make sure such payments are made promptly, and reduce the proportion of premium dollars paid out for legal and administrative costs.*



A Michigan no-fault policy provides unlimited medical and rehabilitation benefits. It provides wage loss benefits for up to three years, and \$20 per day for replacement services if you are injured in an auto accident, regardless of fault. In exchange for these benefits, Michigan motorists gave up the right to sue in auto accidents except when someone is killed or very seriously injured. Because of this, disputes over who was at-fault in an accident will not hold up payment of medical bills. Michigan is unique in that damage to vehicles also falls under the no-fault system. This, too, saves time and money in claims payment. Michigan drivers must buy collision and/or comprehensive insurance to cover damage to their own car.

The Michigan Catastrophic Claim Association (MCCA) was established in 1973. The MCCA pays for claims paid by an insurer that exceed a certain amount. All insurers that sell auto insurance in Michigan must pay the MCCA an annual fee for each vehicle insured. That fee is known as the MCCA assessment, and is passed on in whole or in part to the policyholders.

## What the Law Requires

Michigan law requires no-fault insurance. Every registered car must be insured. Every car owner must buy basic coverage in order to get license plates. It is a misdemeanor to drive or let your car be driven without basic no-fault coverage.

If you are convicted of driving without basic no-fault insurance coverage, you may be fined up to \$500, put in jail for up to one year, or both. You may also incur additional fines and costs pursuant to the 2003 Michigan's Driver Responsibility Law. For details please go to

[www.mi.gov/driverresponsibility](http://www.mi.gov/driverresponsibility)

If you are unable to produce proof of insurance when requested to do so by a law enforcement official, you may be found guilty of a civil infraction. The court may order your license suspended for at least 30 days or until you are able to provide such proof. You may have to prove you purchased a pre-paid non-cancelable insurance policy before you may renew your vehicle's registration.

## What Happens If You Drive Without Insurance and Have An Accident

If you own a car without no-fault insurance and have an accident:

You can be sued and held personally liable. You may have to pay a lawyer and court costs. If you are hurt in an accident involving a vehicle you own that is not insured, you would not be paid for medical expenses, wage loss, loss of services, or any other no-fault benefits. If you are convicted of

driving your car, allowing someone else to drive your car, or if you drive another person's car, which you know does not have no-fault insurance, you may be fined up to \$500, put in jail for up to one year, or both.



*Play it safe: Don't drive without insurance.  
Be sure to keep your certificate of no-fault  
insurance in your car.*

## Auto Insurance Eligibility

A Michigan insurance law called the Essential Insurance Act requires auto insurers to offer coverage to any eligible person. This includes most Michigan drivers. You are an eligible person for auto insurance if you have a car registered in Michigan or have a valid (not suspended or revoked) Michigan driver's license. However, there are times when a company can refuse to insure you...

## Reasons for Denial

You can be turned down for insurance if:

*Your driver's license is suspended or revoked.*

*Within the past 5 years, you have been convicted of trying to defraud an insurance company, or have been denied payment of a claim over \$1,000 because there is evidence of fraud on your part.*

*Within the past 3 years, you have been found guilty of a felony with a motor vehicle, driving under the influence of alcohol or drugs, failing*

*to stop at the scene of an accident, or reckless driving.*

*Your car does not meet Michigan safety requirements.*

*Within the past 2 years, your auto insurance has been canceled for non-payment of premium. Companies can overlook previous non-payment of premium if you pay your entire premium in advance.*

*The insurance you want to buy requires you to be a member of a group, club or organization and you do not join the organization.*

*You have more than the allowable number of points on your driving record.*

*You do not meet the requirements of a company's underwriting rules (see the next section)*

### **Company Guidelines**

Insurance companies also use certain guidelines, called underwriting rules, to help decide if they will insure you. The rules may be different for each company, but each company must apply its rules in the same way to everyone. For example, a company may refuse to insure you if it does not have a rate for your type of car, or if your car is very expensive to repair or replace (such as custom or antique cars).

### **Ineligible Persons**

If you find you are not an eligible person for auto insurance, you may want to ask your agent to apply to the Michigan Automobile Insurance Placement Facility for you. The Facility was created to offer insurance to those persons who have difficulty finding it through regular companies. Any licensed agent can help you apply for insurance

through the Facility. There are also insurers who specialize in insuring ineligible people.

## **The Basic No-Fault Policy Has Three Parts**

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

This part of your no-fault policy pays all necessary medical costs if you are hurt in an auto accident. It also pays, up to a maximum amount, wages you would have earned if you had not been hurt, for up to three years. This amount is adjusted each year on October 1st, and you may wish to contact our agency to determine the current maximum monthly amount or check our website for the current maximum. If you are killed in an accident, your policy will pay your family up to the monthly amount for three years, based on your earnings and fringe benefits. You may also be entitled to up to \$20 per day in replacement services. This is to pay for services you are no longer able to provide for yourself or your family because you are injured, such as housekeeping and yard work.

You may coordinate PIP coverage with other health or disability coverage you have to reduce your PIP premium. Medicaid, Medicare, and some self-funded health plans, however, do not allow coordination with PIP coverage. If you do coordinate your health coverage, and you are injured in an auto accident, your no-fault policy will pay your medical expenses or lost wages after you have used all the benefits under your health or disability plan. When you coordinate, these auto insurance coverage may be called excess medical/wage loss. Check with your health insurer to

verify they will cover benefits related to a car accident before you agree to coordinate.

**Property Protection (PPI)**

This no-fault coverage pays up to \$1 million for damage your car does in Michigan to other people's property, such as buildings and fences. It will also pay for damage your car does to another vehicle but ONLY IF THE VEHICLE WAS PROPERLY PARKED. Other vehicle damage is covered only if the vehicle has collision and/or comprehensive coverage.

**Residual Bodily Injury and Property Damage Liability Insurance (BI/PD)**

This coverage pays your defense costs and any damages you are found liable for as the result of an auto accident, up to the limits of the policy. Although the no-fault law protects insured persons from being sued in most situations, there are certain exceptions.

In general, these are the circumstances under which you could be sued:

*If you cause an accident in Michigan in which someone is killed or seriously injured.*

*If you are involved in an accident in a state other than Michigan.*

*For damages to another person's car which are not covered by insurance, if you are 50% or more at-fault in the accident. This part of the law is known as "mini-tort." To be covered, you must purchase additional coverage called limited property damage liability insurance. Your agent can help you determine the amount of coverage you should purchase.*



*If you are involved in an accident in Michigan with a non-resident who is an occupant of a motor vehicle not registered in Michigan.*

**A basic no-fault policy pays up to certain amounts for which you are found to be legally responsible.**

*Up to \$20,000 for a person who is hurt or killed in an accident.*

*Up to \$40,000 for each accident if several people are hurt or killed.*

*Up to \$10,000 for property damage in another state.*

This coverage is often described as 20/40/10. These are the minimum amounts of coverage you must have. Sometimes courts award more than these amounts. If this happens, you would be responsible for paying the amount not covered by your policy. To protect themselves, people often buy extra liability insurance.

**Basic No-Fault Does Not Pay For:**

*Repairs to your vehicle after an accident, no matter whose fault it was.*

*Repairs to another person's vehicle after an accident, no matter whose fault it was, unless the vehicle was properly parked.*

*Costs for replacement of your vehicle if it is stolen.*

*"Mini-tort" protection.*

You can purchase coverage against these losses. Read on...

## **It's Your Choice: Additional Insurance You May Want to Buy**

You can choose several types of auto insurance in addition to basic no-fault coverage. Four of the most common types are:

*Residual Liability Insurance - Increased Limits*

*Physical Damage Insurance for Your Car  
(Collision and Comprehensive)*

*Limited Property Damage Liability Insurance  
(Mini-Tort)*

*Uninsured Motorists Insurance*

### ***Residual Liability Insurance, Increased Limits***

You may be sued because of a serious accident. If this happens, your no-fault policy will pay up to the amounts shown in the residual liability section. If you have minimum coverage, that means up to \$20,000 for each person and \$40,000 for each accident in which people are hurt or killed and up to \$10,000 for property damage in other states.

It is possible your liability could be more than these amounts. If so, you would be responsible for paying the amount not covered by your insurance policy. To protect themselves, many people buy extra liability insurance. For example, you could buy liability insurance that would pay up to \$50,000 for each person and \$100,000 for each accident in which people are hurt or killed and up to \$25,000 for property damage. Many other coverage combinations are also available.

## Insurance for Damage to Your Car

Your basic no-fault insurance policy does not pay to repair or replace your car if it is damaged. However, if your properly parked car is hit by another car, the other driver's property protection insurance pays for repairs. Except for this situation, the only kinds of automobile insurance that will pay for repairs to your car are collision and comprehensive. Comprehensive coverage is sometimes referred to as other than collision coverage.



*You must tell your agent if you want collision or comprehensive coverage since they are additional coverage, and are not included in a basic no-fault policy.*

Your agent will explain different collision coverage options. If your car is financed, the lender will probably require that you carry collision and comprehensive coverage.

### **Collision Coverage**

Collision coverage pays to repair or replace your vehicle if it is damaged in an accident. This coverage is available with or without a deductible. A deductible is the amount you agree to pay toward the cost of the repairs before the insurance company steps in and pays the rest.

When you buy car insurance, the law requires that you be offered at least two types of collision coverage:

#### **Limited Collision Without a Deductible**

This collision coverage pays to repair your car if you are 50% or less at-fault in an accident. If

you are more than 50% at-fault, you receive no benefits.

***Broad Form Collision Coverage***

This collision coverage pays to repair your car regardless of fault. If you are more than 50% at-fault, you must pay a deductible. If you are 50% or less at-fault, you pay nothing.

Many companies offer other choices in collision coverage. These include:

***Limited Collision With a Deductible***

If you are 50% or less at-fault, this type of collision coverage will pay to repair your car, and you must pay a deductible. If you are more than 50% at-fault, you will receive no benefits.

***Regular/Standard Collision***

Regular collision will pay regardless of fault, except you must always pay a deductible.



*When you buy your insurance, the company or agent must give you a clear, written explanation of the types of collision coverage available to you. If you decide you don't want collision coverage, you must sign a written statement declining this coverage.*

***Comprehensive Coverage***

Comprehensive coverage pays if your car is stolen, collides with an animal or is accidentally damaged other than in a collision, such as by falling objects, fire, flood, and vandalism. Many companies require a deductible on this type of coverage. The higher the deductible, the lower is the cost of your policy. Personal items in your

car, which are damaged or stolen, are usually not covered under automobile insurance policies. They may be covered under other types of insurance, such as homeowners.

***“Mini-Tort” Limited Property Damage Liability Insurance***

Under Michigan law, if you are 50% or more at-fault in an accident, you can be sued for damages to another person’s car which are not covered by collision insurance. Most companies offer this coverage, which is sometimes called mini-tort coverage.

***Uninsured Motorists Insurance***

Coverage for uninsured motorists is an optional coverage, that compensates you for pain and suffering and excess wage loss. This coverage applies only if a hit and run vehicle or an uninsured motorist strikes you. If you are killed in such an accident, benefits may be paid to your survivors.

## **Why Your Insurance Costs What It Does**

Your insurance cost depends on many things. At least annually, your insurance company must explain the specific rating classifications used to calculate your premium. Check to make certain the rating information is accurate.

Your rate is based on:

***Your Driving Record and Insurance History***

Under Michigan law, an insurance company must accept an applicant at regular rates unless he or she fails to meet specific eligibility requirements

as described earlier in this guide. Some factors affecting eligibility are traffic and drunk driving convictions, as well as substantially (more than 50%) at-fault accidents.

#### ***Your Age or Length of Driving Experience***

Insurance companies can no longer rate drivers based on gender or marital status. However, age or length of driving experience still affects the cost of auto insurance. Young drivers will pay more than those considered to be adults. Companies set different ages when drivers are considered adults: A 23-year-old may be an adult with one company and a youthful driver with another company.

#### ***Where You Live***

Insurance costs are partially based on where you live. Insurance companies have found that more accidents are likely to occur in some parts of the state than others, and it costs more to settle claims in some places.

#### ***Income***

Because no-fault insurance pays for wages lost due to an automobile accident, some companies charge less if a person's income is below a certain amount. If you are over 60 years old, you may waive part of your wage loss coverage if you have no earned income.

#### ***Vehicle Use***

People use their cars for different purposes. Some drive to work, others drive only for pleasure. The less you drive, the less you may be charged for insurance.

### ***Kind of Car***

Certain cars cost more to repair or to replace, so collision and comprehensive insurance costs more. Also, some companies charge extra for insuring sports cars or high performance models.

## **What You Can Do To Lower Your Insurance Rates**

### ***Coordinate Any Health or Accident Benefits With Your Auto Policy***

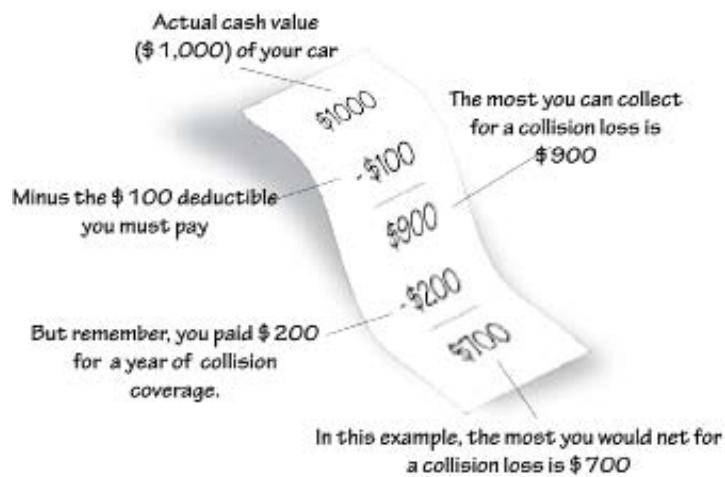
The no-fault law requires insurance companies to offer a discount if you coordinate other health or disability benefits with your no-fault policy. If you have an auto accident and have coordinated these benefits with your personal injury protection coverage, your no-fault policy pays only for that part of your lost wages and medical expenses not paid by your other coverage. Because your auto insurer pays less in claims, your auto insurance cost is less. Before you coordinate policies, make sure your other insurance will provide benefits for an auto-related injury.

### ***Keep Your Driving Record Clean***

Drive carefully and obey all traffic laws. Tickets or substantially at-fault (more than 50%) accidents on your driving record increase the cost of your insurance. Remember: Your insurance company will get a copy of your motor vehicle record (MVR) from the Secretary of State when you apply for a policy and may check your MVR when you renew your policy.

### **Decide Whether You Need Physical Damage Coverage**

If you have an older car, or one in poor condition, you may not want to pay for physical damage coverage. Call a bank or finance company to find out the price you would get for your car on a straight sale. From that price, subtract the deductible you would have to pay if you had a loss. Then subtract the cost of the insurance for one year. The amount you come up with is the most you would actually net if your car were totaled. Here's an example:



You need to decide if it is worth paying the \$200 premium when the most you could net is \$700.



***Consider Choosing a Deductible or a Higher Deductible on Your Collision or Comprehensive Coverage***

You can buy collision coverage with a deductible of \$100, \$250, or more. You can buy comprehensive coverage with similar deductibles. The higher the deductible, the less the insurance coverage will cost. Keep in mind that someday, you may have to pay the deductible. Choose an amount you can afford.

***Shop Around***

Agents are required by law to quote you the lowest rate available to you from the companies they represent. Different agents represent different companies. Some agents represent only one company while others represent many companies. Call several agents to get the best price possible. If you find you can only get insurance from a high-risk company which charges high rates, check the rate from the Michigan Automobile Insurance Placement Facility. The Facility must accept all applicants and may cost less than some high risk companies. Any auto insurance agent can help you apply to the Facility.

**What you should do if you have an Accident**

The police should always be called. If possible, exchange names and insurance information with the other driver. Contact your agent or company as soon as possible to file your claim.

## **Additional Resources**

The Office of Financial and Insurance Regulation (OFIR) publishes a buyer's guide to auto insurance in Michigan. It includes a premium comparison worksheet and may help you compare rates in your area. Many Secretary of State offices have a copy on display. You can get a copy by calling or writing us at:

**Office of Financial and Insurance Regulation  
P.O. Box 30220  
Lansing, MI 48909-7720**

**Toll-Free (877) 999-6442  
Lansing area (517) 373-0220**

The OFIR web site contains many insurance publications, including the auto buyer's guide. Our web address is: [www.michigan.gov/ofir](http://www.michigan.gov/ofir)

## **What to do if you have an Insurance Question or Problem**

If you have a problem or question about your insurance, contact your insurance agent or company representative. You can also contact the Consumer Services Division of OFIR at:

**OFIR - Consumer Services Division  
P.O. Box 30220  
Lansing, MI 48909-7720**

**Toll-Free (877) 999-6442  
Lansing area (517) 373-0220**