

# MIRS BREAKING NEWS: No-Fault Deal Includes PIP Choice, Fee Schedule, Non-Driving Factor Ban -- 11:01 a.m.

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The auto no-fault car insurance bill slated to move in the House and Senate today mandates insurers lower their rates, provide customers choice on personal injury protection (PIP) and stop using certain non-driving factors when setting rates.

A reworked, 130-page version of SB 0001 will implement a hospital fee schedule that starts July 1, 2021, that will pay out at around 200% of the Medicare reimbursement rates. The exact percentage will be based the volume of Medicaid patients and car wrecks victims they see.

Other differences between the compromise and the version passed by the House earlier this month include extending the rate rollbacks from five years to eight years and asking low-income residents and those with very high-deductible plans to purchase additional coverage.

The compromise also gives insurance companies an "off-ramp" to avoid the rollbacks when the administration allows. The new Fraud Authority has also been eliminated in the plan, meaning the one created by Gov. Rick **SNYDER** in 2018 will continue (See "[Snyder's Fraud Authority Doesn't End Debate On Fraud Authority](#)," 9/14/18).

Bills are still being printed. The House is expected to vote first and put SB 0001 up on the board about noon. Senators will take it up next. When it will arrive on the Governor's desk is unclear. She said in her statement today she plans on signing the bill.

The deal, struck between Gov. Gretchen **WHITMER** and legislative leaders, is being heralded as having lowered auto insurance rates while protecting drivers.

"The people we serve are demanding action," read a statement from House Speaker Lee **CHATFIELD** and Senate Majority Leader Mike **SHIRKEY** For far too long, drivers from Macomb to Menominee and from Kalamazoo to the Keweenaw have been absolutely fed up with paying the nation's highest car insurance rates. They have been waiting decades for state government leaders to step up and deliver results. Today, that wait is over."

While the plan is expected to get at least near unanimous if not unanimous approval from Republicans, some legislative Democrats still believe there's too many loopholes insurance companies can exploit to raise rates on those living in depressed urban areas.

They want a cap on insurance company profits and the hiring of at least 14 more state actuaries within the state insurance commissioner's office to make sure rates are fair.

"Detroiters are being sold out. Car insurance companies were supposed to get a haircut, but this bill is a message to make sure all the special interests are held harmless," said Rep. Isaac **ROBINSON** (D-Detroit).

But Detroit Mayor Mike **DUGGAN** called the "bipartisan auto insurance agreement" "outstanding."

"It will cut rates for Michigan drivers significantly, and we congratulate Gov. Whitmer and the Republican and Democratic leadership for coming up with an excellent bipartisan deal."

It allows for four different PIP coverage options, including the existing unlimited lifetime coverage currently mandated by law, a \$500,000 limit, \$250,000 limit and a \$50,000 limit for those on Medicaid. Seniors on Medicare and those with specific health insurance can opt out of having to buy PIP coverage all together.

The mandatory 8-year PIP rollbacks on the rates are connected to the level of coverage. Drivers with the unlimited lifetime coverage are mandated to see 10% savings on their PIP costs. The insured selecting the \$500,000 coverage option will see 20% savings, \$250,000 35% and \$50,000 45%. Driver who opt out all together will no longer need to pay for PIP coverage.

The provider fee schedule will start in July 1, 2021 and will be based on how many Medicaid patients the hospital or doctor sees. Those doctors whose patient base is less than 20 percent Medicaid patients will be initially reimbursed at 200% of Medicare, which will drop to 190% by July 2023. Those who see more Medicaid patients will be reimbursed at higher rates.

Gender, marital status, zip codes, credit scores, homeownership, education level and occupation will all be banned rating factors under the bill.

While the use of zip codes would be prohibited, insurers would still be able use territory as a rating factor. This is an important difference that is intended to limit price spikes occurring between adjacent zip codes, but not prohibit the overall use of territory by an insurer when establishing rates.

Insurers must file rates with the Department of Insurance and Financial Services (DIFS) and cannot use those rates until they have been approved or 90 days passes.

If DIFS disapproves, the insurer has 15 days to refile a rate in compliance with DIFS disapproval order.

DIFS will be required to report to the Legislature outlining the impact of the reform and necessary changes to the fee schedule.

SB 0001 will create a mini-tort system in which those not at fault in an accident can go after the person responsible if the damages are not covered by insurance. A consumer will be able to sue for allowable expenses and work loss.

The Michigan Catastrophic Claims Association (MCCA) will also be required to report to House

and Senate committees on mortality assumptions, evaluations of the accuracy of the MCCA's assumptions for the preceding five years, and a transparency statement.

DIFS will conduct an actuarial audit of the MCCA every third year, beginning in 2022. If MCCA's asset exceed 120% of its liability, DIFS will be able to order a refund, through insurers, to consumers.