

SPRING 2020

PROTECTION CONNECTION

TAWAS BAY INSURANCE AGENCY'S NEWSLETTER



No Fault Reform Special Edition

In June of 2019, Governor Whitmer signed sweeping auto no-fault legislation into law. This new law drastically changes how the Michigan no-fault insurance system operates. In addition, the number of people who will be covered with no-fault personal injury protection benefits will be significantly reduced. As most of these changes go into effect on **July 2, 2020**, we want you to be familiar with some of the major parts of this new law.

Housekeeping Items:

If you think any of these situations or another unique situation might apply to you, please contact our office as soon as possible:

- Do you have children who are using a vehicle titled in your name, but have established residency elsewhere?
- Do you live with someone (who is not a spouse or relative) who does not have his or her own insurance, but drives a vehicle titled in your name?
- Does anyone, occasionally or frequently, operate your vehicle with permissive use, but they do not have their own insurance?

With recent news and new information and updates from our carriers, we want to make sure you're receiving the information you need as quickly and efficiently as possible.

Please email us at emily@tawasbayagency.com or call us at (989) 362.3409 to make sure we have a valid email address for you.

**BIG
CHANGE!**

WORLD CLASS SERVICE. SMALL TOWN VALUES.

Personal Injury Protection Choice

Previously, everyone in Michigan was required to have unlimited personal injury protection (PIP) coverage. Generally speaking, PIP is coverage for medical, recovery, and rehabilitation costs related to an automobile accident. Before July 2, 2020, if you were injured in an auto-related accident, it's unlikely you would pay any medical costs out of pocket because of your unlimited PIP coverage.

Beginning July 2, 2020, you can choose a PIP coverage limit that is less than unlimited. The following options will be available, depending on your eligibility:

- Unlimited PIP coverage (what you have before July 2, 2020)
- \$500,000 PIP coverage limit
- \$250,000 PIP coverage limit
- \$50,000 PIP coverage limit, if you are enrolled in Medicaid, or if your spouse and any resident relative has Medicaid
- Opt-out - Certain people can opt-out of purchasing PIP benefits entirely if the named insured has "qualified health insurance coverage", or a spouse and any resident relative also has qualified health insurance coverage. Whether a plan is "qualified" depends on the type of health plan, if it pays for auto-related accidents, and it's annual deductible amount.

So What? I already have health insurance.

Health insurance is drastically different than PIP. Health insurance plans do not include certain benefits that you currently have under your auto policy. PIP is essentially a medical policy combined with a long-term care and disability policy. If you decline PIP coverage, extensive in-home attendant care, modifications to your vehicle or home for disability such as wheelchair access or height adjustments, as well as long-term care in specialized rehabilitation facilities will no longer be covered. Also, PIP generally does not have co-pays, annual deductibles, or out of network charges – like your health insurance does.

**FOR THESE REASONS, OUR
RECOMMENDATION IS TO
CONTINUE THE UNLIMITED
PIP BENEFIT.**

The small savings by taking a lower benefit or opting out of PIP is not worth the increased risk and exposure of being financially devastated.

Bodily Injury Liability

Bodily Injury Liability Coverage, or BI, pays for claims against you for injuries to others if you are at fault in an auto accident, including their pain and suffering and costs of their medical and other care beyond the coverage on their auto policy. As of July 2, 2020, the new default BI limit will be \$250,000 per person and \$500,000 per accident for these claims. You can choose higher or lower limits depending on the level of asset and income protection you need, but not less than \$50,000/ \$100,000. Before your auto policy renewal, you may receive a form regarding your BI limit. If you do not make a selection, your policy will be issued with the limits of \$250,000/ \$500,000.

Order of Priority Changes

Another change with No Fault legislature is how an injured person who doesn't have auto insurance, or who doesn't live with a relative with auto insurance, is treated. Under the new law, an injured person who does not have auto insurance coverage, or doesn't have auto insurance coverage through a resident relative must now try to get PIP coverage through the Michigan Assigned Claims Plan (MACP). Before July 2, 2020, a person injured in a car went through the insurance carrier of the owner or driver of the car they occupied first before going to the Assigned Claims. The amount of PIP coverage for someone going through Assigned Claims also changes significantly. Going forward, the MACP will only have to pay claimants up to \$250,000 in PIP benefits in most situations. Before July 2, 2020, there was no limitation.

What do I do now? *How to prepare for the reform:*

1. Review your health insurance plan and find out if it excludes or limits medical care for auto accident injuries. Become familiar with your yearly deductibles, co-pays, networks, and out-of-pocket maximum. A plan's summary of benefits will generally provide that information;
2. Review your current liability limits, including your under-insured and uninsured liability limits. You may consider talking with your financial planner or attorney to determine appropriate limits for you. At a minimum, we strongly recommend that you increase your bodily injury liability limit to the new state default limit of \$250,000/\$500,000;
3. Consider obtaining a personal umbrella policy. This added layer of liability protection is highly recommended following the reform. See below for more details.
4. Confirm the status of anyone you consider to be a resident relative. A relative who does not live at your home or is not a spouse is generally not provided coverage under your auto policy. It is not enough to be named as a driver on the policy. Solely being listed as a driver does not grant that person coverage under an auto policy.
5. Ahead of your auto insurance renewals effective July 2, 2020 and later you will now receive a multi-page document to complete where you make your new PIP and Bodily Injury Liability Limit choices. If you choose not to complete and return the forms, your current unlimited medical coverage will continue and your bodily injury liability limits will default to \$250,000/\$500,000 (unless you currently have a higher limit selected.)

Need help? We understand that there will be many questions through this transition period with the new law and we're happy to review any of these items with you. Please call us at (989)362-3409.

Something to consider **AN UMBRELLA POLICY**

Just as an umbrella shields you from the rain, an umbrella insurance policy protects you from a downpour—that worst-case scenario where you could lose everything in a lawsuit. Even if your assets are few, umbrella insurance also protects your income; in some settlements, wages can be garnished up to 10 years.

The odds of being sued in an auto accident are increasing significantly. With the No Fault reform changes, there are likely to be more lawsuits arising out of auto accidents because people who choose lower limits of PIP may find themselves without enough coverage for medical expenses, forcing them to sue the other party involved in the accident.

Why put your nest egg, retirement savings and other hard-earned assets at risk? Umbrella insurance is an affordable layer of protection typically starting with \$1 million in coverage, with additional coverage available if your financial situation changes. Umbrella policies begin at around \$150 per year.

THE RISING TIDE

Why you need flood insurance

Record-high water levels in the Great Lakes have wreaked havoc on our shorelines, but the high water isn't just a shoreline issue; the rest of the state it saturated too. Soil acts like a sponge and our sponge is full, so there's little room left to absorb spring rain which could lead to flooding.

Flooding is the most frequent and expensive natural disaster in the U.S., according to the Federal Emergency Management Agency (FEMA). Floods cost our nation nearly \$9 billion annually. Yet, a 2016 Insurance Information

Institute poll found that only 12 percent of U.S. homeowners have flood insurance. The flood peril is not typically covered through most homeowners and renter's insurance policies. Are you saving money for future flood damage? You may want to consider flood insurance.

Flood insurance is a separate policy. Approximately 25 percent of flood insurance claims come from outside of high-risk flood zones. Where it can rain, it can flood. According to FEMA, an inch of water in a home could cause more than \$25,000 in damages. Are you prepared if your home or business flood?



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Grand River | Hagerty | Hastings
Michigan | Pioneer | Priority Health
Progressive | Secura | Travelers



WE ARE PLEASED TO ANNOUNCE OUR NEW OWNERS! RYAN AND JENNIFER LADLEY

Not many agencies can say that they have been in business for over 85 years and are in their fourth generation of family ownership, but we can!

Mark is still consulting and taking care of clients, but the new owners are eager to continue the same great service you know and love.

Thank you for your loyalty and support. We appreciate your business!



Mark Elliott, Jennifer (Elliott) Ladley, Ryan Ladley