

Frankenmuth Insurance Committed to Helping Agents Navigate Michigan No-Fault Reform

As Michigan's no-fault reform law (Michigan Senate Bill 1 and House Bill 4397) begins to take effect, Frankenmuth Insurance continues to study and implement changes that will be required. Although we support reform of Michigan Personal Insurance Protection coverage, we know our company and agency partners are facing some challenges ahead.

The company has convened a cross-functional task force that, over the next several years, will:

- Address challenges
- Provide clear communications
- Help you navigate changes in processes and coverages through Frankenmuth Insurance due to the reform law
- Limit disruption as much as possible

Understandably, you have a lot of questions. There is a lot to work through, so let's get started.

How will changes to order of priority affect policyholders?

As you know, the law changes the order of priority in several ways. What makes this challenging is the effective date of June 11, 2019. We recommend that your agency discuss changes with policyholders to make them aware of potential gaps in their coverage that may need to be corrected.

- The most immediate change is that PIP coverage will no longer extend to:
 - o Relatives who do not reside in the household of the named insured unless they are away at school.
 - o Non-relatives who reside in the household, even if they are listed drivers.

In both of these cases, PIP coverage for the drivers will go to the Michigan Assigned Claims Plan and be limited to \$250,000. To help your agency identify impacted policyholders, your underwriter will provide listings of policies in which a vehicle is not garaged at the policyholder's address and when a non-relative is listed as a driver. These lists will be sent via email in late August.

- Named insured, spouse, and resident relative will continue to pursue coverage under the named insured's policy.
- Occupants and non-occupants who are uninsured (not eligible through a named insured, spouse or resident relative) now pursue coverage through MACP with a \$250,000 limit. This means that the insurance carrier(s) of the owner, registrant or driver of the vehicle involved are no longer options in the order of priority. In these cases, Frankenmuth Insurance will not be responsible for filing the claim but will simply advise them to contact MACP on their own.
- Occupants of employer-provided vehicles will first pursue coverage through the employer's vehicle insurer before pursuing coverage through their own policy or that of a spouse, resident relative or MACP.
- Occupants of transportation company vehicles will generally pursue coverage through the insurer of the transportation company's vehicle unless specifically excluded.
- Motorcyclists will pursue coverage in the same order of priority as under the previous law. This means that if the motor vehicle involved has a limited no-fault policy, the motorcyclist will receive limited benefits, regardless of the motorcyclist's own PIP coverage. If the motor vehicle involved has opted out of PIP, the motorcyclist goes to the next order of priority.

- Out-of-state residents are no longer entitled to PIP benefits for injuries sustained in a Michigan motor vehicle accident unless the owner of the vehicle is both registered and insured in Michigan.

Will policyholders be able to change their PIP benefit as soon as the law is in effect?

Yes, that will be an option. For the changes that go into effect in July 2020, new forms will have to be completed to select the new coverage limits. You will need to determine the best approach for managing that process with your policyholders. Ideally, the changes will occur in the regular renewal process. Based on conversations with DIFS, we believe that mid-term changes will be able to be handled through either an endorsement or cancel and rewrite, based on circumstances and ease of workflow for agencies and Frankenmuth Insurance. We know it is critical to minimize the disruption to agencies, so our intent is to offer both. We will advise as soon as details are finalized.

Will the mini-tort limit increase automatically on July 1, 2020?

Frankenmuth Insurance is finalizing its review of this question, and currently we believe mini-tort recovery limits will automatically increase to \$3,000 after July 1, 2020, even if the policy has not yet renewed. If this is the case, we will liberalize the coverage.

How will policyholders select their PIP and bodily injury limits?

Agencies will be responsible for working with their customers to make PIP and bodily injury selections. Frankenmuth Insurance is working with industry groups and DIFS to develop forms for these selections. We are focused on ensuring simple workflows for the process and advocating for a rule or change in the law to allow the form to remain in effect until the policyholder chooses to change it, rather than an annual confirmation of the selection. If the forms are not completed by the policyholder, policies will default to unlimited PIP coverage and \$250,000/\$500,000 bodily injury limits.

Although many details still need to be worked out, we are optimistic that the impact of the reforms will be positive in the long term. We will continue to work closely with you, DIFS, legislative representatives, Insurance Alliance of Michigan, MAIA and PIA to work through the challenges and will provide additional information when it is available. In the meantime, please continue to share your comments and questions with your underwriter and field manager and we will do our best to address them.