

New No-Fault Law Will Reverse Legal Concept Of Auto Insurance

Beginning this October first, all of us in Michigan -- and all who visit our state -- will experience the most revolutionary change in the auto insurance system which yet has been made anywhere in the nation.

October first is the effective date of the no-fault auto insurance law which the Michigan Legislature adopted late in 1972.

The year of lead-time was allowed for legal review and interpretation of the law, and for the rather complicated process of converting the insurance mechanism to the new legal requirements.

Recently, the State Supreme Court has held that the legislative procedures involved in the law were constitutional. It has left any other constitutional issues for resolution in individual cases if they should develop. Meanwhile, the process of insurance implementation has reached its final stages.

These lengthy preparations reflect the extent of the no-fault law's impact on the present system.

THE FUNDAMENTAL PURPOSE of the new law is to almost completely reverse the legal concept which has governed auto accident loss compensation -- and consequently the nature of auto insurance -- since the automobile was invented.

It does this through three basic areas of change.

First, the predominant source of auto injury loss compensation will become an extremely broadened form of the present auto insurance medical and disability coverages. These coverages now are a relatively minor part of the auto insurance policy because of the dominant role of the liability law principle in auto accidents.

This coverage, called Personal Protection Insurance, will pay two types of benefits, promptly and automatically, without regard for who is at fault for an injury.

One of these benefits is all reasonable medical and hospital expenses resulting from an auto accident, in unlimited amount, and for life if necessary, plus the costs of both physical and occupational rehabilitation, if needed.

The other part of the no-fault Personal Protection benefits is a maximum of \$36,000 for income loss, and for replacement of essential services if necessary, for an injured person who is disabled and cannot work -- or for the dependents of one who dies from an auto accident.

THE SECOND BASIC CHANGE which the new law makes is to severely restrict use of the tort liability law -- the fault system -- for recovery of accident loss from another driver.

It prohibits fault recovery of any economic loss except that which exceeds the no-fault benefits. Since the no-fault hospital-medical benefits are unlimited, this applies only to loss in excess of the benefits for income loss, services replacement, or dependents.

This part also prohibits fault recovery for intangible loss, com-

monly called pain and suffering damages, except in three types of instances: death, serious impairment of body function or permanent serious disfigurement.

The other part of the restriction on use of the fault system extends the no-fault concept to property damage, and again it does so in two ways.

First, the law creates a coverage called Property Protection Insurance. Under this coverage, your insurer must pay, whether or not you are at fault, if you should damage a car which is parked in such a way as not to cause unreasonable risk of damage, or if you should damage fixed property, such as a building.

This coverage has a one-million-dollar limit, just in case, for instance, you might hit a gas tank and blow up or burn half the neighborhood.

Secondly, this change eliminates fault recovery for damage to vehicles, except for the absolute liabil-

ity coverage on properly parked ones.

created by the new law makes auto insurance compulsory in Michigan. Beginning October first, no one will be allowed to drive without insurance by paying \$45 into the state's Motor Vehicle Accident Claims Fund. That fund will be phased out as it pays pending claims.

Every owner of a motor vehicle registered in Michigan, whether it is a car, truck, bus, or trailer -- but not two-wheeled motorcycles, must have the insurance coverages required by the new law.

The law also recognizes, however, that compelling all motorists to insure has not yet been successful anywhere under any system.

It therefore creates an Assigned Claims Plan, which will pay benefits to those injured by uninsured motorists. Essentially these will be accident victims who do not own cars, since insured motorists would be covered under their own policies

being converted, and probably some explanations of optional deductibles, or extra limits, or alternative collision coverages.

THE COST OF YOUR INSURANCE also will be adjusted according to how your insurer evaluates the probable effect of the law's changes on your particular loss exposure, and what variables in the coverages you may wish to use.

Undoubtedly, many individuals will pay about the same as at present; some will pay more, and some will pay less.

It also can be expected that both coverage offerings and costs will undergo some changes as companies begin to get answers to many questions about the effect of the changes which now are uncertain.

Your basic no-fault protection is from your own policy, except that if injured in a car owned by your employer, or in a vehicle in the business of carrying passengers, such as a taxi, bus, or airport limousine, you would collect from the insurer of that vehicle. A passenger injured on a school bus would collect from the school's insurer.

A person now owning a car and now under a no-fault coverage would collect no-fault injury benefits from the insurer of a car in which, or by which, he was injured.

If that car was uninsured, the next source would be the driver, if he is other than the owner.

And if he was uninsured, the benefits would be payable from the Assigned Claims Plan.

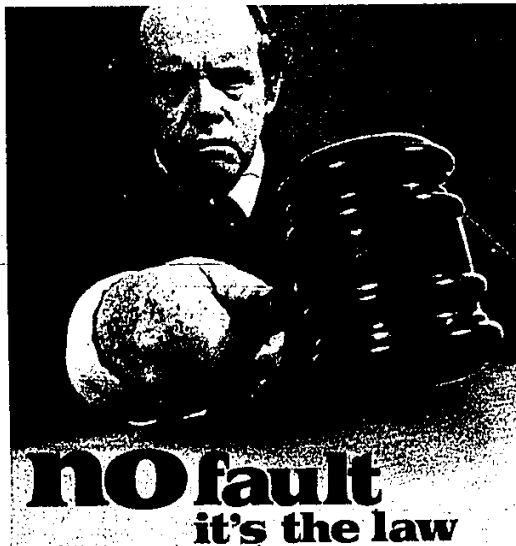
WHAT YOU WOULD COLLECT from the no-fault coverage is limited only by the requirement that it cannot duplicate benefits established by state or federal law, such as workmen's compensation or social security. And, of course, it would be limited by any form of deductible which you might elect.

The only persons excluded from the benefits are a vehicle owner who does not meet the insurance requirements, or a person who knowingly drives a car without the owner's permission.

Motorists from other states injured in accidents in Michigan will have the no-fault benefits if their insurers have certified that their policies comply with the Michigan law. This will be required of all companies licensed to sell auto insurance in Michigan. It will be optional with those not licensed here.

No-fault benefits are intended to be paid promptly and with a minimum of detail, but the providing of reasonable proof of injury and amount of loss will be required.

Payments delayed more than 30 days after reasonable proof are subject to 12 per cent interest. A company also must pay its policyholder's attorney fee if he should find it necessary to take collection action, and a company may recover its attorney fee for defense against a fraudulent or unreasonable payment demand.



ity coverage on properly parked ones.

In other words, if you are involved in an accident, you can't collect from another driver if he is at fault for damage to your car, and he can't collect from you for damage to his car if you are at fault.

This means that, to recover for damage to your car, you will need collision insurance. And because of this change, most companies will be offering some options to the present standard type of deductible collision insurance.

The restrictions which the new law puts on the use of the fault system are in response to the major criticisms of the present system upon which the move to the no-fault concept was based.

They are intended to stop major reliance on the fault system for injury loss recovery, and to convert insurance dollars which now have to go for delays, inequities, and cost-excesses of the fault process into the payment of actual injury costs for all accident victims.

THE THIRD BASIC CHANGE

even if injured by an uninsured vehicle.

The Assigned Claims Plan will be under the jurisdiction of the Secretary of State, and will be operated by all auto insurance companies in the state.

Effect On You

Now that we have covered the basic changes in the system, and what they seek to accomplish, the important question is: **How will this affect you?**

To begin with, if you happen to have an uninsured motor vehicle, you should be preparing to do something about it.

But if you now are an insured motorist, the October first date poses no problem for you. Your insurer automatically will apply the required new coverages and delete those which no longer apply.

You will be getting from your company a general description of the new program, a detailed statement of how your policy is