QUESTIONS AND ANSWERS ON STATE'S NEW NO-FAULT INSURANCE LAW

The following questions and answers are designed to give general information about Michigan's no-fault law -- not specific legal interpretation of a specific insurance contract or statute.

EFFECTIVE DATE

1. QUESTION: When does Michigan's no-fault law take effect?

ANSWER: October 1, 1973. Auto accidents before then will be handled as at present -- auto accidents on or after October 1, 1973, under the new law. (Sec. 3179)

2. QUESTION: Do I have to have auto insurance after October 1, 1973?

ANSWER: Yes. Everyone in Michigan who owns a car must have auto insurance after October 1, 1973. (Sec. 3101)

3. QUESTION: I already have auto insurance. Is there anything more I need to do before the new law takes effect?

ANSWER: Your insurance policy will automatically cover you for at least the required coverages beginning on October 1, 1973. So there is nothing you have to do unless you want to change your optional coverages such as collision insurance, or your deductible. Before the new program goes into effect next October 1, your insurance agent or your insurance company will contact you and will let you know what coverages are required, what deductibles and additional coverages are available and what the rates will be for the various coverages.

MEDICAL BENEFITS

4. QUESTION: What are the benefits under the new law for medical expenses and rehabilitation?

ANSWER: Medical expenses and rehabilitation as much as and as long as necessary (Sec. 3107). There are other benefits for wage loss, child care, dependents in case of death, and property damage which will be described later.

5. QUESTION: Please be more specific. Do you mean if I am in an auto accident and have Michigan no-fault auto insurance and get seriously hurt, I can have my doctor and hospital bills paid for life?

ANSWER: Yes. (Sec. 3107(a)). This is one of the best features of the Michigan law.

6. QUESTION. What if the accident is my fault? What if I fall asleep, drive into a telephone pole, and am paralyzed for life?

ANSWER: You get medical benefits for life -- **regardless** of who or what caused the auto accident. (Sec. 3105(2) and 3107(a))

7. QUESTION: Are there any limitations?

ANSWER: Hospital care is limited to a semi-private room, unless special or intensive care is needed. (Sec. 3107) You may take various kinds of optional deductibles, especially if you already have some hospital and medical insurance, in which case your auto insurance policy will be cheaper.

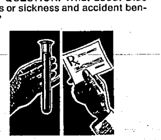
8. QUESTION: Is that the only limitation?

ANSWER: Yes, that is the only limitation. (Sec. 3107)

9. QUESTION: What if I have Workmen's Compensation or Social Security?

ANSWER: You don't get double compensation -- you don't make money on being in the hospital. Workmen's Compensation or Social Security benefits would be subtracted. (Sec. 3109(1)).

10. QUESTION: What about Blue Cross or sickness and accident benefits?



ANSWER: If you do not take an optional deductible in your auto insurance you would collect duplicate benefits for whatever Blue Cross or sickness and accident benefits cover. But you may take an optional deductible in your auto policy which will reduce your premium and eliminate some or all of the duplication with your other insurance and benefit programs. (Sec. 3109(3))

WAGE LOSS BENEFITS

11. QUESTION: What kind of benefits can I receive of any wage loss?

ANSWER: You will receive your regular earnings (minus 15% to make up for the fact that there is no income tax on insurance benefits) for a maximum of $1,000 a month and a total of 3 years if unable to work. (Sec. 3107(b))

For example, if you earn $5.00 an hour for a 40-hour week -- $200.00 a week -- you would receive $170.00 a week ($200 minus 15%). If you can prove your income tax would be less than 15%, then the actual amount of your tax would be deducted. (Sec. 3107(a))

12. QUESTION: What is the maximum earnings I will receive benefits for?

ANSWER: $1,176.47 a month. (Sec. 3107) $1,176.47 minus 15% - $1,000.00

13. QUESTION: What if I earn more than $1,176.47, can I receive more?

ANSWER: **Not** from mandatory no-fault benefits. However, if the other person was at fault, you can sue. (Sec. 3135(2) (c)). However, no-fault benefits would be subtracted so you wouldn't collect twice. You may voluntarily buy a policy covering wage loss in excess of $1,176.47, then you wouldn't have to sue to collect.

14. QUESTION: What if I am off work six months, go back for a few weeks, but can't "cut the mustard" because of the injury? Can I still get benefits?

ANSWER: Yes -- if you can't continue to work because of the injury, you can get benefits any time in the 3 year period from the **date** of the accident. (Sec. 3107(b))

CHILD CARE BENEFITS

15. QUESTION: I am a widow earning $150.00 a week as a clerical worker. I take care of my three children, age 8, 10 and 12. If I am in an accident and can't care for my children, can I be paid for getting someone to care for them?

ANSWER: Yes. You would receive $127.50 a week in benefits ($150.00 minus 15%). (Sec. 3107). In addition, you could receive up to $20.00 a day for the reasonable cost of child care -- so long as you were unable to care for the children, to a maximum of 3 years. But the total for wage loss benefits and child care benefits is limited to $1,000.00 per month. If the cost of child care is over $20.00 a day **and** if you could prove fault of the other driver, you could sue for the amount of the cost over what you collect from your own insurance policy. (Sec. 3135(2) (c))

16. QUESTION: I am a housewife with small children. Believe me I work 20 hours a day, seven days a week (sometimes it seems like nine), caring for the kids, but I get no pay check. If I am injured can I receive any benefits similar to a wage loss?

ANSWER: Yes -- up to $20.00 a day for 3 years for the cost of hiring someone else to perform your duties as a mother and homemaker -- up to a maximum of 3 years. If the cost of replacing your services exceeds $20.00 a day and if you can prove fault of the other driver you could sue for the amount of the cost over $20.00 a day. (Sec. 3135(2))

REHABILITATION

17. QUESTION: You said something about rehabilitation. What are some examples?

ANSWER: The rehabilitation is one of the **best** provisions of Michigan's no-fault law. This includes **all** costs for medical rehabilitation. It also includes costs for **all** economic rehabilitation, such as learning a new skill if you can't return to your old job because of the accident. (Sec. 3107(a))

COVERAGE

18. QUESTION: Does my policy **only** cover me?

ANSWER: No. It covers you as named insured, your spouse, and relatives living in your household. (Sec. 3111, 3114, and 3115). You are all entitled to the same benefits.

19. QUESTION: Can a car thief receive benefits?

ANSWER: No. (Sec. 3113(a))

COLLECTING BENEFITS

20. QUESTION: What insurance company pays my "no-fault" benefits?

ANSWER: Your own. (Sec. 3114). This is called "first party" benefits, instead of the present system of "third party" benefits -- where you collect from the other person's insurance company, based on fault.

21. QUESTION: What if I am hurt while riding in someone else's car?

ANSWER: You still collect from your own insurance company. But if you have no insurance of your own you would collect from the insurance company that insured the owner of the car you were riding in. (Sec. 3114)

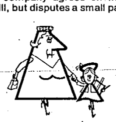
22. QUESTION: When does my insurance company pay my medical bills, wage loss, and rehabilitation?

ANSWER: When due. (Sec. 3142 and 3110(4))

23. QUESTION: What if the insurance company stalls in paying?

ANSWER: The insurance company **must** pay 12% interest and reasonable attorney's fees on any payment more than 30 days overdue. (Sec. 3142(3) and 3148)

24. QUESTION: What if the insurance company agrees on most of the bill, but disputes a small part?



ANSWER: The insurance company must pay what is reasonably proved, and when the amount in dispute is reasonably proven, must pay that within 30 days of proof, or pay 12% interest and reasonable attorney's fees on anything over 30 days due. (Sec. 3142 and 31)

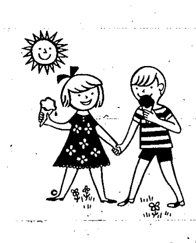
25. QUESTION: What is reasonable proof?

ANSWER: Copies of any bills and a claim form signed by you giving the details of the accident and the benefits you claim. Claim forms will be available from your insurance agent and your insurance company. A court could ultimately decide, if a serious dispute arose.

DEPENDENTS

26. QUESTION: It sounds pretty good so far -- my insurance company pays me for my medical costs, rehabilitation and wage loss up to $1,000 a month for 3 years. But what about dependents? What if I am killed?

ANSWER: *Your spouse and children could receive up to $1,000 a month for 3 years.* The benefits would be the economic value of what you provided your family -- thus a working woman or man who earned $1,500.00 a month and contributed $900.00 a month to the spouse and children would have his widow or widower and children receive $900.00 a month for 3 years. (Sec. 3108)



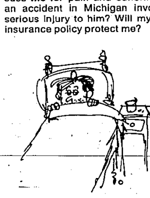
Dependency of a spouse ends with remarriage and of a child upon reaching 18 years, unless the child is incapacitated from earning or is attending school full time. (Sec. 3110)

PAIN AND SUFFERING--TORT

27. QUESTION: Can I ever collect for damages for pain and suffering?

ANSWER: Yes -- but not from your own insurance company. You would have to show the other person was at fault -- and then prove that there was "death, serious impairment of body function or permanent serious disfigurement." (Sec. 3135)

28. QUESTION: What if someone sues **me** for pain and suffering for an accident in Michigan involving serious injury to him? Will my auto insurance policy protect me?



ANSWER: Yes. (Sec. 3101 and 3131)

PROPERTY DAMAGE

29. QUESTION: How does the Michigan no-fault law affect property damage?

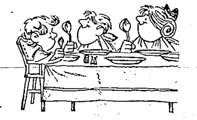
ANSWER: Your insurance company will pay for damage you cause to other people's non-vehicular property and parked cars -- BUT NOT FOR OTHER CARS OR THEIR CONTENTS OR TRAILERS -- in Michigan up to one million dollars. (Sec. 3121). If you hit a gasoline station and a pump explodes, **your** insurance company is liable up to one million dollars in damages (NOT TO UNPARKED CARS) -- **regardless** of whose fault the accident was.

30. QUESTION: What if I hit another car and it is my fault, must I pay for the damage to that car?

ANSWER: No. But if the car was parked, your insurance company will have to pay. (Sec. 3123)

31. QUESTION: What if another car hits my car, can I collect?

ANSWER: No, unless your car was properly parked and not moving. (Sec. 3123 and 3135). However, if you want to, you MAY voluntarily buy a collision policy protecting you



if your car is damaged either by someone else's fault or regardless of fault.

32. QUESTION: Wouldn't such a policy cost **more** than a present liability policy to another car and a collision policy for my car?

ANSWER: Probably not, unless your car is worth more than the average car on the road today. Your present property liability policy must include in the premium the chance **you** hit a $10,000 Cadillac or Porsche. Under no-fault, your collision premium would **only** be based on the maximum value of your car.

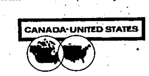
33. QUESTION: I'm a careful driver so I don't buy collision insurance on my own car. But if I can't sue a negligent driver for damaging my car, is there some other way I can protect myself from having to pay for damage to my car by a negligent driver?

ANSWER: Yes, some insurance companies plan to offer a limited collision coverage that will pay you for damage to your car only if it was the fault of some other driver. This coverage will cost much less than full collision coverage and will probably be comparable in cost to what you now pay for property damage liability to other cars.

OTHER STATES AND CANADA

34. QUESTION: What if I am in an accident in another state or Canada, will my Michigan no-fault insurance policy help?

ANSWER: Yes -- it will provide the insurance required by that state



or possession or territory of U.S. or Canada -- no-fault if that state has no-fault or conventional financial responsibility coverage if that is what is required in that state. (Sec. 3131). You will also receive no-fault benefits for yourself, your spouse and relatives living at home based on your no-fault policy if the accident occurred anywhere in the United States, its territories and possessions or Canada. (Sec. 3114)