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BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

(517) 373-5383

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Senate Bill 385 (Substitute S-1 as reported)

Sponsor: Senator Vern Ehlers

Committee: Commerce and Technology

Mich. State Law Library

Date Completed: 11-5-87

RATIONALE

The Insurance Code provides that personal protection automobile insurance benefits are not payable for funeral and burial expenses in excess of \$1,000. This standard has not been changed since the no-fault auto insurance system was enacted in Michigan in 1972, even though the rate of inflation has risen dramatically during that time. Reportedly, the families of victims of some fatal automobile accidents have been unable to cover funeral and burial expenses because the auto insurance benefits were the sole source of payment for those services. Some people believe that the level of funeral and burial benefits should be increased and adjusted for inflation.

CONTENT

Senate Bill 385 (S-1) would amend the no-fault provisions of the Insurance Code to increase the amount of funeral or burial charges for which personal protection insurance benefits are payable, and to specify the dates on which maximum benefit levels for work loss began.

The Code provides that personal protection insurance benefits are not payable for funeral and burial expenses in excess of \$1,000; the bill specifies that such benefits would be payable in an amount set forth in the insurance policy, but could not be less than \$2,500 nor more than \$5,000. The bill also would require that these amounts be adjusted annually to reflect changes in the cost of living. The changes would have to be made under rules prescribed by the Insurance Commissioner, and could apply only to accidents that occurred after the date of the change.

In addition, the Code specifies that "benefits payable for work loss sustained in a single 30-day period and the income earned by an injured person for work during the same period together shall not exceed \$1,000.00". The bill specifies that this provision would apply beginning March 30, 1973. Finally, the Code requires that this maximum level be adjusted annually to reflect changes in the cost of living. The bill specifies that this provision would apply beginning October 1, 1974.

MCL 500.3107

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

ARGUMENTS**Supporting Argument**

The current personal protection auto insurance benefit level for funeral and burial expenses is inadequate. Funeral and burial expenses often exceed \$1,000. Unless the victim had other coverage, or a substantial estate, his or her family can end up paying those expenses. Although \$1,000 may

have been sufficient coverage when the provision of the Code was enacted, it falls short today. The Code contains no method for increasing the benefit level for inflation but should do just that, in order to avoid having to revisit this provision periodically. The bill would correct both these inefficiencies by increasing the benefit level to a range of \$2,500 to \$5,000 and requiring annual adjustments.

Response: Personal protection auto insurance should not be the sole source for covering funeral expenses. It merely should complement other sources of payment. In addition, insurance companies should be left to make the decision of what coverage to offer. The provision for increased benefits should be permissive rather than mandatory.

Legislative Analyst: P. Affholter

Fiscal Analyst: L. Burghardt

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

S.B. 385 (11-5-87)