



**House  
Legislative  
Analysis  
Section**

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**PPI: MAINTENANCE OF VEHICLE**

**House Bill 4318 with committee  
amendments  
First Analysis (4-27-93)**

**Sponsor: Rep. James McNutt  
Committee: Insurance**

***THE APPARENT PROBLEM:***

Under Michigan's no-fault automobile insurance system, property protection coverage (PPI) pays, generally speaking, for damage an insured person's vehicle does to the property of others. The act says, "an insurer is liable to pay benefits for accidental damage to tangible property arising out of the ownership, operation, maintenance, or use of a motor vehicle as a motor vehicle . . ." According to testimony before the House Insurance Committee, courts have interpreted this language to require no-fault insurers to cover, for example, damage done to a professional repair shop by a fire begun by a mechanic while working on a vehicle. Some people complain that this and similar cases are not what is intended by the act's requirement that PPI cover accidental damage arising out of the maintenance of a vehicle. In such cases, they say, the insurance of the business involved should provide coverage.

***THE CONTENT OF THE BILL:***

The bill would amend the Insurance Code to specify that coverage under no-fault automobile insurance for accidental damage to tangible property arising out of the maintenance of a motor vehicle would not include accidental damage to tangible property, other than the insured motor vehicle, that occurred within the course of a business of repairing, servicing, or otherwise maintaining motor vehicles.

MCL 500.3121

***FISCAL IMPLICATIONS:***

There is no information at present.

***ARGUMENTS:***

***For:***

The bill would make it clear that no-fault insurers would not be liable for damage done to professional repair shops or similar businesses by fires and other

accidents while an insured motor vehicle is being repaired, serviced, or otherwise maintained. Reportedly, no-fault insurers have suffered several large judgments in cases of this kind due to court interpretations of the no-fault law. If a garage burns down due to the negligence of a mechanic or shop owner while working on a car, the insurer of the car should not have to pay. The damage should be covered under insurance coverage of the business. The bill would still allow no-fault coverage to pay for damage to the vehicle itself in such instances, in case a business did not have the proper coverage in place. The bill applies to damage "within the course of a business" of maintaining vehicles and would not otherwise affect no-fault property protection coverage for damage related to maintenance.

***POSITIONS:***

The Michigan Insurance Federation supports the bill. (4-27-93)

State Farm Insurance Co. supports the bill. (4-27-93)

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