



**House
Legislative
Analysis
Section**

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COORDINATION OF BENEFITS

House Bill 5510 (Substitute H-4)
First Analysis (5-9-96)

Sponsor: Rep. Gerald Law
Committee: Insurance

THE APPARENT PROBLEM:

The Insurance Code requires an auto insurance company providing personal injury protection (e.g., medical) benefits to offer, at appropriately reduced premium rates, deductibles and exclusions reasonably related to other health and accident coverage on the insured. (This is referred to as coordination of benefits.) The act says that the deductibles and exclusions are subject to prior approval by the insurance commissioner and apply only to benefits payable to the person named in the policy, the spouse of the insured, and any relative of either domiciled in the same household. A driver who coordinates benefits, then, pays a lower premium for auto insurance but cannot "double dip;" that is, cannot receive payments from the auto insurer for health care services paid for by other insurance. (Typically, but not always, the health insurer is primary and the auto insurance secondary.) If a driver does not coordinate benefits, he or she may be eligible for double payments.

However, there remain cases in which a person could get double payments even though the no-fault policy involved was a coordinated policy. They include cases where the person entitled to no-fault benefits was not the named insured, insured's spouse, or a relative of either domiciled in the same household; in other words when someone is entitled to collect from another person's policy. Examples of this include a passenger in a vehicle or a pedestrian or cyclist struck by a vehicle. Legislation has been introduced to deal with such cases.

THE CONTENT OF THE BILL:

The bill would amend Section 3109a of the Insurance Code, which deals with the coordination of benefits in no-fault auto insurance policies, to specify that a person claiming personal protection benefits under a coordinated benefits policy (and who was not the named insured, the insured's spouse, or a relative of either domiciled in the same household) could not receive compensation or benefits from the policy that have been covered by other health and accident coverage. However, this would not preclude such a person from electing the auto coverage from the coordinated policy as primary over that other health and accident coverage.

The bill also would reiterate that a person named in a coordinated policy, the spouse of the insured, and any relative of either domiciled in the same household could not receive compensation or benefits from the coordinated policy except to the extent that they were not payable through any other health and accident coverage.

MCL 500.3109a

FISCAL IMPLICATIONS:

The bill would have no state or local fiscal implications, according to the House Fiscal Agency. (Fiscal Note dated 4-16-96)

ARGUMENTS:

For:

The bill would provide that a person who was entitled to personal injury protection (medical) benefits under a no-fault auto insurance policy with coordinated benefits (and who was not the named insured, the insured's spouse, or a relative of either living in the same household) could not collect PIP benefits from the auto policy if the health care had been covered by other health and accident insurance. However, the bill would permit such a person to elect to use the no-fault benefits rather than other health and accident coverage. This would cover cases where a person was entitled to collect from someone else's no-fault policy, including cases where the injured party was a pedestrian, cyclist, or passenger. The bill would only apply to auto policies where the insured had chosen to coordinate benefits and received the lower premium as a result.

POSITIONS:

The Michigan Insurance Federation supports the concept of the bill but is concerned about opening up the code's "coordinated benefits" provisions. (5-7-96)

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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