

**STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

Bulletin 2013-05-INS

In the matter of

No-Fault Automobile Insurance Penalty Deductibles

**Issued and entered
this 27th day of February 2013
by R. Kevin Clinton
Commissioner**

Chapter 31 of the Michigan Insurance Code, MCL 500.100 et seq., permits automobile insurers to offer deductibles on personal injury protection coverage. Two types of deductibles are available: a general deductible (MCL 500.3109(3)) and a deductible that is “reasonably related” to other health and accident coverage (MCL 500.3109a). Both types of deductibles must be offered “at appropriately reduced premium rates.” The type of deductible under Section 3109a is commonly referred to as a “penalty deductible.” A penalty deductible is imposed when the insurer discovers, upon the insured making a claim, that the insured had attested that they had coordinated health or accident coverage (i.e., other health or accident coverage that will pay claims at least up to the coordinated coverage deductible amount shown in the personal auto policy) but, at the time of an accident or claim, does not actually have coordinated coverage.

Section 3109a of the Code requires penalty deductibles to receive prior approval from the Commissioner. Penalty deductibles over \$500 per accident will not be approved.

Any questions regarding this bulletin should be directed to:

Office of Financial and Insurance Regulation
Insurance Rates and Forms Division
Product Review Section
611 West Ottawa Street
P.O. Box 30220
Lansing, Michigan 48909-7720

Phone: (517) 335-1712
Toll Free: (877) 999-6442