



**House
Legislative
Analysis
Section**

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ALLOW SENIORS TO WAIVE WORK LOSS

House Bill 5696 (Substitute H-1)
First Analysis (5-31-90)

Sponsor: Rep. John Bennett
Committee: Insurance

THE APPARENT PROBLEM:

Some senior citizens have complained that when they purchase a mandatory no-fault automobile insurance policy they are paying for benefits they can never receive: work loss benefits that will replace income lost due to an auto accident. Obviously, people who are retired and not earning wages or salaries cannot collect these benefits, and they should not have to pay for them.

THE CONTENT OF THE BILL:

The bill would amend Chapter 31 of the Insurance Code, which deals with no-fault automobile insurance, to allow people 60 years of age and older to waive coverage for work loss benefits if they would not be eligible to receive them in the event of an accidental bodily injury (in an auto accident). Insurance companies would have to offer a reduced premium rate for people who waive coverage for work loss benefits. The insured would waive the benefits by signing a waiver form provided by the insurer. The waiver of coverage would only apply to benefits payable to the person or persons who had signed a waiver form.

Currently, work loss benefits cover 1) the loss of income from work that would have been performed during the three years immediately following the injury and 2) expenses up to \$20 per day incurred in obtaining ordinary and necessary services in lieu of those the injured person would have performed for himself or herself, or for a dependent, during the three years following injury. The bill would separate the two elements of work loss coverage, leaving only the first within work loss and making the second a separate kind of benefit. The waiver of work loss benefits permitted under the bill would apply to loss of income from work.

The bill would take effect October 1, 1990.

MCL 500.3107 and 500.3107a

FISCAL IMPLICATIONS:

The Department of Licensing and Regulation says the bill has no budgetary or revenue implications for the state. (5-29-90)

ARGUMENTS:

For:

The bill would say that a person who is 60 years of age or older and who is not eligible for work loss benefits in an auto insurance policy can waive those benefits and get a reduction in the premium. The bill specifically applies to benefits that replace lost income and not to replacement services, which currently are also part of wage loss benefits. (Those benefits pay for someone to carry out routine tasks, such as cleaning, shopping, gardening, and laundering, when someone cannot do them due to an auto accident.)

Response: It should be pointed out that, according to the insurance industry, the savings from this waiver will be very small, even miniscule.

POSITIONS:

The Insurance Bureau supports the bill. (5-29-90)

The Michigan Citizens Lobby supports the bill. (5-29-90)

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