

Legislative Analysis



PASSENGER TRANSPORTATION BUSINESSES

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5718 as introduced
Sponsor: Rep. Daire Rendon

Analysis available at
<http://www.legislature.mi.gov>

House Bill 5719 as introduced
Sponsor: Rep. Roger Hauck

Committee: Rules and Competitiveness
Complete to 2-10-22

SUMMARY:

House Bills 5718 and 5719 would amend the Insurance Code to change the order of priority for payment of personal injury protection (PIP) benefits to a person injured while an operator or passenger of a motor vehicle operated in the business of transporting passengers. The bills would remove provisions that now provide that the motor vehicle owner's insurance must cover those benefits, under varying circumstances, and instead provide for them to primarily be a matter for the injured person's own insurance coverage.

Order of priority

Provisions in the Insurance Code establish which no-fault insurer has primary responsibility for PIP benefits in different situations, and thus which insurer an injured person should look to first for payment, then next if the first does not apply, etc. This is called the "order of priority."

Generally speaking, an injured person's own policy is first in the order of priority. If the person is not a named insured on a policy, but the person's spouse or any relative living in the same household is insured by a policy, then that policy is first. The insurer of last resort, for people who are not otherwise covered as above, is the Michigan Automobile Insurance Placement Facility, which administers the Michigan Assigned Claims Plan (MACP).

Current order of priority for passenger vehicles

The order of priority for vehicles operated in the business of transporting passengers is an exception to the general rule. The insurer of the motor vehicle (coverage obtained by the vehicle owner) is included in the order of priority for payment of PIP benefits for people injured while an operator or passenger in such a vehicle.

For an *operator* of such a vehicle, the insurer of the motor vehicle owner is first in the order of priority, followed by the operator's own policy, the policy of the operator's spouse or a relative living in the same household, and the MACP.

For the following kinds of vehicles, the insurer of the motor vehicle owner is responsible only if an injured *passenger* is not entitled to PIP benefits under any other policy (that is, the insurer of the motor vehicle owner is responsible after the passenger's own coverage but before the MACP):

- A school bus, as defined by the Department of Education, providing transportation not prohibited by law.

- A bus operated by a common carrier of passengers certified by the Department of Transportation.
- A bus operating under a government sponsored transportation program.
- A bus operated by or providing service to a nonprofit organization.
- A taxicab insured as prescribed in the code.
- A bus operated by a canoe or other watercraft, bicycle, or horse livery used only to transport passengers to or from a destination point.
- A transportation network company vehicle (e.g., Uber or Lyft).
- A motor vehicle insured under a policy for which the person named in the policy has elected to not maintain coverage for personal protection insurance benefits under section 3107d of the code or as to which an exclusion under section 3109a(2) applies.

For a *passenger* injured on motor vehicle operated in the business of transporting passengers that is not listed above (e.g., an ambulance or medical transport, a limousine, an airport shuttle, a “party bus”), the insurer of the motor vehicle owner is first in the order of priority, followed by the operator’s own policy, the policy of the operator’s spouse or a relative living in the same household, and the MACP.

House Bill 5719 would remove the provisions described above that establish the order of priority for vehicles operated in the business of transporting passengers. A person injured while an operator or passenger of such a vehicle would be covered as under the general order of priority (their own policy, then that of a relative in the same household, then the MACP). The insurer of the motor vehicle operated in the business of transporting passengers would not be in that order of priority.

MCL 500.3114

House Bill 5718 would make a complementary technical change. The provisions that HB 5719 would remove contain several defined terms that would no longer be used in that section after those changes. Another section in the code uses the same terms and now refers to the section HB 5719 would amend by way of defining them. House Bill 5718 would thus move the definitions of those terms to the section where they would continue to be used.

MCL 500.3107c

The bills are tie-barred together, which means that neither could take effect unless both were enacted.

FISCAL IMPACT:

The bills would have no fiscal impact on the state or local units of government.

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