

WHAT IS “NO-FAULT” INSURANCE?

If you are injured in a car accident who pays your medical bills?

If you thought your medical insurance carrier had the primary responsibility to pay your medical bills as a result of injuries sustained in an automobile accident, you are incorrect.

In New York State each automobile insurance policy must provide coverage known as Personal Injury Protection (“PIP”) and typically referred to a “No-Fault” insurance. Medical bills, some or all of the injured party’s lost wages and other expenses are paid from this portion of the policy, whether or not the injured party caused the accident.

The New York State Insurance Law, requires that all automobile insurance policies issued in this state contain a Personal Injury Protection (“PIP”) or “No-Fault” endorsement with a minimum of \$50,000.00 in coverage. Generally speaking, this coverage extends to the driver and passengers in a covered vehicle, as well as to a pedestrian struck by the covered vehicle.

The coverage “kicks in” regardless of fault in connection with an accident; in other words, under most circumstances, a covered individual will be afforded certain enumerated benefits regardless of that individual’s fault in connection with the happening of the accident.

Assuming an application for benefits is filed in a timely manner, (most typically within 30 days of the accident), no-fault benefits are provided. This insurance covers “basic economic loss”.

These benefits can be summarized as follows:

- a. All necessary doctor and hospital bills and other health service provider and related expenses;
- b. 80% of lost earnings up to \$2,000 per month for a period of three years following the accident;
- c. Up to \$25 per day reimbursement for reasonable and necessary expenses incurred by the injured person (e.g. housekeeping, transportation for medical services), for a period of up to one year; and
- d. \$2,000 death benefit to the estate of a deceased, in addition to coverage for economic loss.

Drivers have the option of purchasing additional no-fault coverage above the \$50,000.00 basic PIP minimum. These additional optional coverage options are called additional personal injury protection (“APIP”) and optional basic economic loss (“OBEL”).

More often than not, the cost to purchase these additional coverage options is minimal. It is highly recommended that all those purchasing automobile insurance purchase the most APIP that is available to them.

APIP coverage is typically offered in increments of \$50,000.00. APIP can extend the basic economic loss benefits of PIP up to the amount of the additional coverage purchased.

There are different varieties of APIP coverage available. APIP protection may be purchased for lost wages, medical expenses or additional expenses. In connection with lost wages, for example, APIP coverage allows you to increase the PIP \$2,000.00 reimbursement limit to cover your monthly salary. In other words, if you earn \$2,500.00 per month, APIP will increase your lost wage earnings benefit to cover your lost salary. If you are injured in a motor vehicle accident and are unable to work, APIP will cover 80% of \$2,500, but the underlying no-fault policy will pay the first \$2,000. The amount beyond the basic PIP limits would be paid under APIP. Without APIP, the lost wage coverage under basic PIP would be limited to \$2,000 per month.

Under New York State law, any APIP benefits which are actually paid to you (i.e. those basic economic loss benefits paid in excess of the \$50,000 basic PIP coverage) may need to be repaid to the insurance carrier if you have a successful personal injury claim against the person who caused the accident.

OBEL coverage is a policy option that provides \$25,000 additional coverage, beyond the \$50,000 PIP coverage. Under OBEL, when the policy is written, the policy holder determines where the payments go. For example, the policy holder can opt for additional basic economic loss (wages, health expenses). A second option would be to have the benefits go to lost wages exclusively. A third option would be to have the coverage to go to any rehabilitation that is necessary including psychiatric, occupational and physical rehabilitation. A final option allows the policy holder the choice of selecting both the second and third options combined. In any event, this coverage comes into play after the initial \$50,000 of basic economic loss coverage is exhausted.

Most people are unaware that they have PIP coverage, let alone that they can buy additional coverage. \$50,000.00 sounds like a lot of money but it can be depleted very quickly in the event of an injury that requires hospitalization and/or surgical intervention. The additional APIP and OBEL benefits are a good value for the consumer and their purchase should be discussed with your insurance company or insurance agent.

If you still have medical expenses after your No-Fault benefits expire or are terminated, your health insurance carrier should step in and pay those costs pursuant to the terms of your health insurance contract. However, your health insurance carrier may, under some circumstances, have a lien against any funds you recover from a personal injury law suit that you commence relating to the accident that caused your injury. More importantly, when you utilize PIP and APIP instead of your health insurance you do not have to worry about co-pays and deductibles when seeking medical care.

If you are injured in a motor vehicle accident and are employed, you should also determine whether you are covered by a separate disability policy through your employer. If this is the case you should contact the disability carrier and complete an application for those benefits, which would supplement your No-Fault disability benefits. Without a separate disability policy, you

can no longer collect lost wages once your No-Fault benefits expire or are terminated, though you can claim them as damages in any personal injury law suit you may file as a result of the automobile accident.

Finally, if you are injured while driving your vehicle during the course of your employment (i.e. “while on the clock”), New York State Law provides that you look to your company’s Workers Compensation carrier for benefits, not to your no-fault insurance carrier.