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# Michigan Supreme Court To Take On Landmark PIP Issue

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In the most significant Michigan PIP case in more than a decade, the Michigan Supreme Court has agreed to hear arguments on whether a health care provider for a person injured in an automobile accident has a direct cause of action against the insurer of that vehicle. In *Covenant Medical Center v. State Farm*, MCAP #322108 (10-22-15), a motorist injured in a 2011 accident received medical services from Covenant, for which Covenant billed State Farm \$43,484.80. The injured party ultimately received \$59,000.00 from State Farm, and signed a Release insulating State Farm from claims by third parties. When Covenant failed to receive payment from State Farm for the medical bills, it filed a direct lawsuit against the insurer, despite the terms of that Release.

While the trial court hearing the case granted summary disposition to State Farm, the Court of Appeals reversed, accepting Covenant's position that written notice to State Farm gave it a direct cause of action under MCL 500.3112, which provides:

*Payment by an insurer in good faith of personal protection insurance benefits, to or for the benefit of a person who it believes is entitled to the benefits, discharges the insurer's liability to the extent of the payments unless the insurer has been notified in writing of the claim of some other person.*

If an insurer is unable to determine what third parties may be entitled to some portion of the settlement proceeds, the statute authorizes a motion to settle the case in circuit court. Due to that statutory provision, however, Michigan circuit courts have been overburdened by substantial motion practice on the issue. This decision by the Michigan Supreme Court to hear arguments in *Covenant* may signal its willingness to alter the ability of medical providers to bring a direct cause of action against PIP insurers, potentially setting the stage for a major change in Michigan PIP law and how medical providers seek reimbursement for treatment rendered.

Smith, Rolfes & Skavdahl will be monitoring this case closely, and we look forward to sharing with our business partners the decision reached by the Michigan Supreme Court, which we expect to have in 2017.

With offices in **Detroit** and **Traverse City**, SRS's Michigan team of insurance law professionals is glad to answer any questions you may have regarding these decisions or how they may impact your Company. Please feel free to call on us at any time.



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