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MICHIGAN NO-FAULT UPDATE

When Regular Use Becomes Ownership: Court Clarifies Constructive Ownership Under Michigan's No-Fault Act

August 2026

KEY HOLDING

The Michigan Court of Appeals recently issued a published opinion, *Labser PLC v Farmers Ins Exchange*, __ NW3d __; __ Mich App __ (2026) (Docket No. 373765), holding that a medical provider cannot use its independent cause of action under MCL 500.3112 to recover PIP benefits when the injured person is rendered ineligible for PIP benefits as a constructive owner of an uninsured vehicle under MCL 500.3113(b).

In reaching this holding, the Court reaffirmed that under MCL 500.3101(3)(l)(i), a person's "regular pattern of unsupervised usage" of a vehicle establishes statutory constructive ownership, regardless of whether the person holds legal title, possesses a written agreement with the title holder or had actual use for more than 30 days. In *Labser*, the Court found that the injured person's unrestricted use and control of vehicle, access to its keys, and contribution towards its gas and maintenance established his statutory ownership of the vehicle. Because the vehicle was uninsured, the Court concluded that the injured person was ineligible for PIP benefits under MCL 500.3113(b).

BACKGROUND ON A PROVIDER'S STATUTORY RIGHT OF ACTION

The 2019 amendments changed the way medical providers could pursue PIP benefits. Before the amendments, providers had no independent cause of action against insurers; instead, they generally relied on assignments from injured persons to recover PIP benefits.

As part of the reformation of the No-Fault Act, the Legislature amended MCL 500.3112 to create "a direct cause of action" for providers:

> A health care provider listed in section 3157 may make a claim and assert a direct cause of action against an insurer, or under the assigned claims plan under sections 3171 to 3175, to recover overdue benefits payable for charges for products, services, or accommodations provided to an injured person.

MCL 500.3112. "A health care provider listed in section 3157" includes "a physician, hospital, clinic, or other person that lawfully renders treatment to an injured person for an accidental bodily injury covered by personal protection insurance." MCL 500.3157(1).

In *Mota-Peguero v Falls Lake National Ins Co*, 350 Mich App 692; 33 NW3d 912 (2024), the Court of Appeals addressed this newly created statutory right in the context of an insurer's attempt to rescind an existing policy based on the insured's material misrepresentations. The Court recognized that, under amended MCL 500.3112, the provider's claim was a direct cause of action, not a derivative claim dependent on the injured person's rights. Accordingly, the Court held that rescission of the insured's policy did not automatically defeat the provider's direct claim. Instead, the trial court was required to consider the provider's interests and balance the equities between the provider and the insurer in determining whether rescission should be enforced against the provider. Thus, while *Mota-Peguero* addressed the effect of rescission on a provider's direct claim, it did not address whether that direct cause of action extends beyond the rescission context.

In a subsequent unpublished opinion, the Court of Appeals clarified that its holding in *Mota-Peguero* was limited to the rescission context. *Cent Home Health Care Servs v Mich Assigned Claims Plan*, unpublished per curiam opinion of the Court of Appeals, issued February 18, 2025 (Docket No. 366589).

Left open from these cases was whether a provider can still recover PIP benefits when the injured person is not legally entitled to those benefits under the No-Fault Act.

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THE ISSUE PRESENTED IN *LABSER*

The dispute in *Labser* was whether a medical provider could recover PIP benefits under MCL 500.3112 if the injured person was determined to be statutorily ineligible for PIP benefits as an owner of an uninsured vehicle under MCL 500.3113(b).

LABSER'S DECISION

At the time of the accident, Joshua Simpson (Simpson) was driving a vehicle that his live-in girlfriend had purchased about two weeks earlier. The vehicle was uninsured.

The claimant sought PIP benefits though the Michigan Assigned Claims Plan (MACP), and Farmers was assigned as the servicing insurer. Farmers denied the claim on grounds that the Simpson was a "constructive owner" of the uninsured vehicle and thus disqualified from PIP benefits under MCL 500.3113(b). The facts established that Simpson was the vehicle's primary driver, had access to its keys, paid for gas and maintenance and could use it without first obtaining his girlfriend's permission.

Shortly thereafter, two of Simpson's medical providers, Labser PLC and Northland Radiology, Inc., sued Farmers for recovery of PIP benefits pursuant to an assignment and MCL 500.3112. Farmers moved for summary disposition, but the trial court denied the motion. On reconsideration, the trial court granted summary disposition to Farmers. Noting that Simpson had already been found ineligible for PIP benefits in his separate no-fault action based on his constructive ownership of the uninsured vehicle, the Court concluded that the providers likewise could not recover PIP benefits.

On appeal, the Court of Appeals affirmed, concluding Simpson's "regular pattern of unsupervised usage" of the vehicle was sufficient to constitute statutory ownership. In reaching its decision, the Court rejected the argument that title ownership, a written agreement, or 30 days of use were required, explaining that the Act recognizes constructive ownership based on "the nature of a person's right to use and whether that use is possessory or proprietary in a manner that comports with ownership."

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Having determined that Simpson was ineligible for PIP benefits, the Court next addressed the providers' argument that they could nevertheless recover directly from Farmers under the amended MCL 500.3112. Relying on *Mota-Peguero*, the providers argued that their statutory cause of action was independent of Simpson's entitlement to benefits. The Court distinguished *Mota-Peguero*, explaining that it involved the rescission of an existing insurance policy, whereas this case involved the absence of PIP coverage for an uninsured owner. Instead, the Court looked to the language of MCL 500.3112, which permits a provider listed in MCL 500.3157 to bring a direct claim, and how MCL 500.3157(1) defines a provider as one who renders treatment for an accidental bodily injury "covered by personal protection insurance." Because Simpson's injury was not "covered by personal protection insurance" under the No-Fault Act, the Court concluded that the providers did not meet that definition and thus could not maintain a direct claim under MCL 500.3112. Accordingly, the Court affirmed the trial court's entry of summary disposition in favor of Favors and dismissal of the providers' claims.

WHAT THIS MEANS FOR NO-FAULT INSURERS

Labser establishes that a provider's direct cause of action under MCL 500.3112 does not extend beyond the injured person's entitlement to PIP benefits. This is favorable to no-fault insurers because it prevents providers from recovering benefits where the injured person is ineligible for coverage. Thus, when defending a claim brought by hospitals, physicians and other medical providers, insurers should first consider whether the injured person was legally entitled to PIP benefits. If the claimant was statutorily disqualified from receiving PIP benefits under the No-Fault Act, *Labser* may support denying the provider's claim as well.

The decision is also important in MACP cases involving uninsured vehicles. If no insurance was in effect, MCL 500.3113(b) may make the owner or registrant of the vehicle ineligible for PIP benefits. If the injured person is ineligible under MCL 500.3113(b), they may likewise be disqualified from seeking PIP benefits through the MACP pursuant to MCL 500.3173. That is what happened in *Labser*, where the Court held that the medical providers could not recover PIP benefits from the MACP-assigned servicing insurer because the injured person was ineligible for PIP benefits under MCL 500.3113(b).

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Although *Labser* involved ineligibility under MCL 500.3113(b), its reasoning may also apply when a claimant is ineligible for PIP benefits for another statutory reason. For example, if a claimant is disqualified under MCL 500.3113(a) for knowingly using a vehicle that was taken unlawfully, an insurer could argue that the claimant' injury was not "covered by personal protection insurance" under MCL 500.3157(1) and thus that the provider cannot bring pursue a claim under MCL 500.3112. While *Labser* did not specifically address MCL 500.3113(a) or other grounds for PIP ineligibility, it provides support for extending the same reasoning to other statutory disqualifications.

THE PRACTICAL TAKEAWAY

Labser signals the importance of addressing an injured person's eligibility for PIP benefits early in the case.

- If an injured person is ineligible for PIP benefits, *Labser* may support early summary disposition for insurers in suits brought by providers.
- Providers should make an initial assessment regarding new patient's PIP eligibility, as an eligibility issue may later affect their ability to recover payment for otherwise reasonable and necessary services.
- All vehicle drivers should be aware of the law regarding a vehicle's ownership and insurance status. A person who regularly drives an uninsured vehicle titled to someone else may be considered the vehicle's constructive owner and thus could be denied PIP benefits under MCL 500.3113(b) and MCL 500.3173 if they are injured in an accident involving the uninsured vehicle.

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MORE INFORMATION

Our team is available to discuss claim evaluation, motion strategy, and ongoing litigation. Please contact your MBL attorney with immediate questions or concerns.

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