



Coalition for Auto **Insurance Reform**

## 10 REASONS TO SUPPORT MICHIGAN NO-FAULT AUTO INSURANCE REFORM

1. Preserve and Protect No-Fault System in Michigan
2. Contain Medical Costs
3. Give Consumers A Choice
4. Save Money
5. Maintain The Highest Level of Benefits for Michigan Drivers
6. Stabilize Number of Uninsured Drivers
7. Benefit Michigan Businesses
8. Make Michigan A More Attractive Place to Live
9. Supported by Michigan's Daily Newspapers
10. It Makes \$ense

[www.coalitionforinsurancereform.com](http://www.coalitionforinsurancereform.com)

## **Editorial: Insurance reform could save dollars**

October 08, 2011

For nearly four decades, Michigan's no-fault auto insurance system has served drivers well. That probably can't continue much longer, not without the public paying more for the unlimited medical costs that the system guarantees to anyone severely injured in a car accident. The average cost of a personal injury claim in Michigan has soared, from \$13,617 in 2000 to \$36,235 last year, the Insurance Institute of Michigan reports.

The sensible response is to look to do something different, and that's just what is happening. State lawmakers in Lansing last week heard hours of testimony on legislation that would give the public more say in how much auto insurance they buy. Done right, this could save money for anyone who gets behind the wheel in Michigan.

Some points to understand: No one is talking about doing away with the principle of no-fault auto insurance. Nor would the legislation affect anyone who now receives medical care due to a past accident.

Going forward, Michigan could eliminate its socialized approach to auto insurance. Drivers now pay a \$145 fee per vehicle to bankroll the Michigan Catastrophic Claims Association, the nonprofit that funds all medical benefits above the \$400,000 plateau from accidents. Instead, the public could buy as little as \$250,000 or as much as \$5 million in medical coverage for auto accidents.

The strongest argument for change is financial: Michigan residents pay more than most for auto insurance, and no state takes a similar approach. Our state had the 10th-highest average auto premium in the nation, and easily the highest in the Midwest. The average policy cost Michigan residents \$1,032 — \$235 higher than in Illinois, \$330 more than in Indiana and \$337 above Ohio.

Think of it as a hidden tax.

## **Editorial- No Fault bill would cut auto insurance costs**

September 27, 2011

Auto and motorcycle insurance costs are rising dramatically in the state and Michigan residents pay far more than motorists in nearby states. Michigan drivers have had the luxury since 1973 of having unlimited medical coverage as a result of the No Fault Insurance Law.

In cases of catastrophic injury that leaves a motorist with a lifelong disability, the unlimited coverage is a blessing.

However, Rep. Pete Lund, R-Shelby Township, introduced a bill Sept. 14 to change the medical coverage provisions of No Fault Insurance.

It will provide insured motorists with a minimum of \$250,000 medical coverage. However, motorists can buy additional medical coverage of \$500,000, \$1 million or \$5 million if desired. Costs of additional coverage are yet to be determined.

As it is, Michigan motorists pay an average annual premium of \$1,035, according to the National Association of Insurance Commissioners. This compares with yearly costs of \$693 in Ohio; \$700 in Indiana, \$798 in Illinois and \$641 in Wisconsin.

In addition, representatives of the nonprofit Insurance Institute of Michigan says insurers have \$74 billion in long-term medical liabilities for traffic accident victims who have had a catastrophic injury.

Michigan also is seeing rate increases that are doubling in less than 10 years.

Proponents believe limited medical coverage under Lund's measure will help alleviate rising costs.

Either way it's a gamble.

But the rising costs of premiums and the likelihood more motorists will stop buying insurance because it is not affordable suggests reform may be needed.

Nearly 20 percent of Michigan motorists are uninsured.

# Detroit Free Press

## Editorial: Options on no-fault mandates can help insure more drivers

September 6, 2011

Michigan's unique no-fault auto insurance system, mandating unlimited lifetime medical benefits, has served Michiganders well for 33 years. Due largely to soaring medical costs, however, the system has become unsustainable, and it has contributed to some of the nation's highest car insurance rates, especially in urban areas like Detroit.

Statewide, 19.5% of drivers are now on the road without insurance, up from 11% in 1989, according to the Insurance Research Council. In Detroit, where paying \$4,000 a year for auto insurance is not unusual, up to half of the motorists are uninsured, driving with no protection at all.

Legislators cannot continue to idle in neutral. Without changes, insurance rates will become increasingly unaffordable, and Michigan's no-fault system, which enables motorists to collect without going to court, will probably end within a decade.

While not perfect, bills scheduled to be introduced this month by state Rep. Pete Lund, R-Shelby Township, would protect injured motorists and keep a lid on insurance rates by controlling medical costs, which currently account for up to 40% of the premium price.

Instead of mandating that drivers buy unlimited medical coverage, the bills would allow them to choose from \$250,000 to \$5-million worth of protection. Even with so-called PIP choice, Michigan would continue to mandate, by far, the nation's highest medical coverage. New York, which boasts the next-most-generous coverage mandate, requires motorists to carry only \$50,000 of coverage.

Fee schedule is key to savings

Equally important, Lund's bills will mandate a fee schedule for medical treatments and services, similar to the one for workers compensation. It's reasonable to ask medical providers to accept the same payments for the same services in auto-related injuries as they do for injuries incurred on the job.

In the absence of cost controls, claims exceeding \$500,000, which are paid through the Michigan Catastrophic Claims Association, have increased eightfold, from \$100 million in 1991 to \$800 million in 2010. Motorists are now assessed \$145 per vehicle to support the MCCA.

In Michigan, average no-fault medical claims run more than three times higher than in those other no-fault states. Moving to a fee schedule for medical treatments would especially help Detroit, where motorists pay some of the nation's highest insurance rates.

# The Detroit News

THE FINAL WORD

## Ending mandatory unlimited medical benefits, possible fee schedule, could bring down costs

September 1, 2011

Sometime this fall, state lawmakers are likely to take another look at limiting what auto insurers are required to pay for treatment of crash injuries. The idea, which has been discussed in the past but never gained much traction in the Legislature, could help tame the high insurance premiums Michigan drivers are forced to pay and deserves thorough consideration this time around.

The limitations to be proposed in upcoming legislation would take the form of a fee schedule similar to that used for workers compensation claims resulting from on-the-job injuries, or by the federal Medicare program.

Savings under such a regimen could be substantial. Data from AAA-Michigan, the state's largest auto insurer, shows that payouts for crash injuries run roughly triple those of workers comp claims for a sampling of 21 common medical care categories. They also run about four times the rates paid through Medicare.

AAA-Michigan's research shows, for example, that insurance payouts for two- or three-view cervical spine X-rays — relatively common in auto injury cases — range from \$124.57 to \$161.96 at hospitals in Detroit, Grand Rapids and Lansing. The Worker's Compensation fee schedule, in contrast, allows just \$54.76 for the procedure. Medicare pays even less.

With Gov. Rick Snyder and a friendly legislature reinventing Michigan's government, this seems an ideal time to consider such reforms in the state's unique no-fault system mandating unlimited coverage of injuries sustained in automobile accidents.

While our state doesn't lead the nation in auto insurance costs, premiums increased by 31 percent from an average of \$716 per vehicle in 1997 to \$934 in 2007. Over the decade, the state jumped from 18th to 11th place, where it remains.

In Detroit, where premiums are among the costliest in the country, it's estimated that half or more of all drivers can't afford insurance and are driving without it. That problem is echoed, to an extent, in other urban areas of the state. The costs incurred from vehicle damage and crash injuries involving those