

Name:



DINNER & DIALOGUE

WHY DOES CAR INSURANCE COST SO MUCH IN DETROIT

fraud?

unlimited
benefits?

car
thefts?

credit
scores?

red-
lining?

INFORM. ENGAGE. ACT.

AGENDA

April 26, 2018

workbook updated April 27, 2018

Presentation:

- Auto Insurance 101
- Cost drivers & Reform ideas
- Politics of legislative reform

Guest speakers: Reform efforts

Table Activity: Focused Conversation

AUTO INSURANCE 101

Detroit is the most expensive city and Michigan is the most expensive state for car insurance in the country! Are auto insurance premiums high because the costs are high, or because insurers are charging unfairly? *Let's examine.*

Mandatory No Fault Insurance

All vehicles are required to carry auto insurance. No Fault insurance means that your own insurance company will cover personal injury protection (pay your medical bills and lost earnings if you get in a car accident), regardless of who was at fault. Michigan is the only state in the country that requires unlimited PIP coverage.

Coverages required by law



Personal Injury Protection (PIP)

Unlimited medical bills and 3 years of lost wages for the INSURED person.



Residual Liability (BI/PD)

Medical bills, car repairs for OTHERS; lawsuits



Property Protection Insurance (PPI)

Repair costs for OTHERS' PROPERTY up to \$1 million

Common optional coverages



Collision

Auto repairs for YOUR VEHICLE



Comprehensive

Theft, vandalism, weather events, etc. to YOUR VEHICLE

BY THE NUMBERS: A DETROIT QUOTE

An annual quote provided online by a major auto insurer.

2005 CHEVY MALIBU

Address in 48225 ZIP Code (northeast Detroit)

10,000 miles driven per year

Basic coverage including comprehensive (theft) and collision coverage with \$1,000 deductibles



TOTAL ANNUAL QUOTE:

\$4,952

Personal injury protection \$3,332

Collision \$1,042

Bodily injury liability \$260

Comprehensive \$234

Property protection \$60

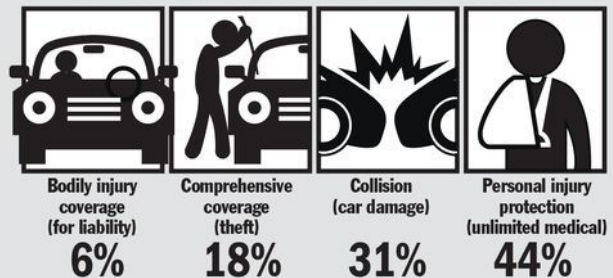
Property damage liability \$24

If the owner chose not to obtain collision and comprehensive coverage, the annual premium would be \$3,676

SOURCE: Pinnacle Actuarial Resources report from 2015, with rate quote provided by City of Detroit representative

The Detroit Free Press

WHAT MAKES UP THE TYPICAL COST OF CAR INSURANCE IN DETROIT



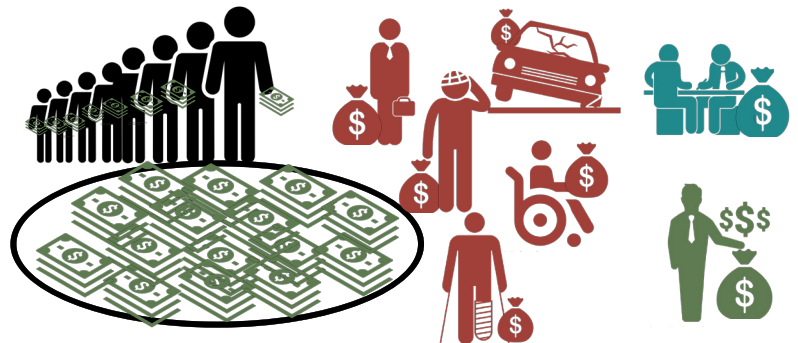
SOURCE: Analysis by Pinnacle Actuarial Resources from 2015

The Detroit Free Press

HOW INSURANCE WORKS

Total Premiums = Losses + Expenses + Profits

Premiums are set to cover anticipated losses (claims), expenses (marketing and agents), and profits.



Total Premiums = Losses + Expenses + Profits

GLOSSARY

ACTUARIALLY JUSTIFIED

The insurance company demonstrates that premiums are proportional to their expected costs, subject to limitations of state and federal law.

CLAIM

A formal request by the insured to the insurance company for compensation or coverage for a covered loss

COVERAGE

The amount of protection provided by an insurance company

DIFS

Department of Insurance and
Financial Services

FILE AND USE (MCL 500.2119 Subsection 5) A filing requirement for insurance companies. “Insurers must file their prices with the state prior to use, but can start charging these rates without state approval. A state can later disapprove a rate but usually cannot require refunds if a rate is deemed to be excessive.” (Hunter 2008)

LOSS

Any injury or damage sustained by the insured as a consequence of an accident covered by insurance. Amount of compensation paid to a claimant.

PIP

Personal Injury Protection

PPI

Property Protection Insurance

BI/PD LIABILITY

Bodily injury/Property damage liability

MCCA

Michigan Catastrophic Claims
Association

MEDICAL FEE SCHEDULE -

Complete listing of maximum fees used to reimburse medical providers for services

PREMIUM

Amount paid for an insurance policy

RATING FACTORS

Characteristics (about you, your car, your behavior) that insurers use to predict the likelihood that you will file a claim

RISK

Possibility of loss

TELEMATIC DEVICE

A telematics device is generally a system that you install in your car that records information about your driving habits, such as the number of miles you drive, your speed, and how quickly you brake. These systems sometimes analyze the time of day when you drive, as well.

UNDERWRITING

*Establishing the risk of insuring
a person and setting a premium
accordingly*

NOTES:

When setting your premium, insurers are primarily concerned with *how likely you are to file a claim.*

1. RATING FACTORS: WHAT DOES MICHIGAN LAW SAY?

Rating Factors: MCL 500.2111 Section 1245: "Must be based only on 1 or more of the following factors, which shall be applied on a uniform basis throughout this state."	
ALL COVERAGES	
1. Age, driving experience, years licensed	5. Vehicle characteristics
2. Driver primacy	6. Commuting Mileage
3. Average miles driven	7. Number of cards insured or number of licensed operators in household
4. Type of use	8. Amount of Insurance
PERSONAL INJURY PROTECTION	
1. Earned Income	3. Coordination of benefits
2. Dependants insured	4. Use of safety belt
COLLISION AND COMPREHENSIVE	
1. Anticipated cost of repairs or replacement (age, price, cost new, value)	
2. Vehicle make and model	
3. Vehicle damageability	
4. Theft prevention devices	
ALL COVERAGES BUT COMPREHENSIVE	
1. Completion of accident prevention education	
2. At-fault accidents	
3. Convictions for violations of vehicle code, but only as long as SOS carries points for that infraction	

Permitted by law:
Grouping risks by Territory (zip code)
Senior discount plan (over 65 and drive less than 3,000 miles)
Prohibited by law:
Gender
Marital Status
THE LOOPHOLE:
Premium discount plan (MCL500.2110a): "If uniformly applied to all its insureds, an insurer may use factors in addition to those permitted by section 2111 for insurance if the plan is consistent with the purposes of this act and reflects reasonably anticipated reductions or increases in losses or expenses."

* Note on Medical Charge Comparison (p.4). "Source data [for average price paid] contain prices only and not total expenditures. Of the 15 most common charges, the average difference between the prices paid by auto insurers in Detroit and Medicare in Detroit was 268 percent. Of the 15 most common charges, the average difference between the prices paid by auto insurers in Detroit and the statewide workers' compensation fees were 160 percent. These calculations use pricing data, are not weighed, and no standard deviation is available" (CRC 2013).

SELECTED COST DRIVERS - DETAIL

MEDICAL CHARGE COMPARISON*

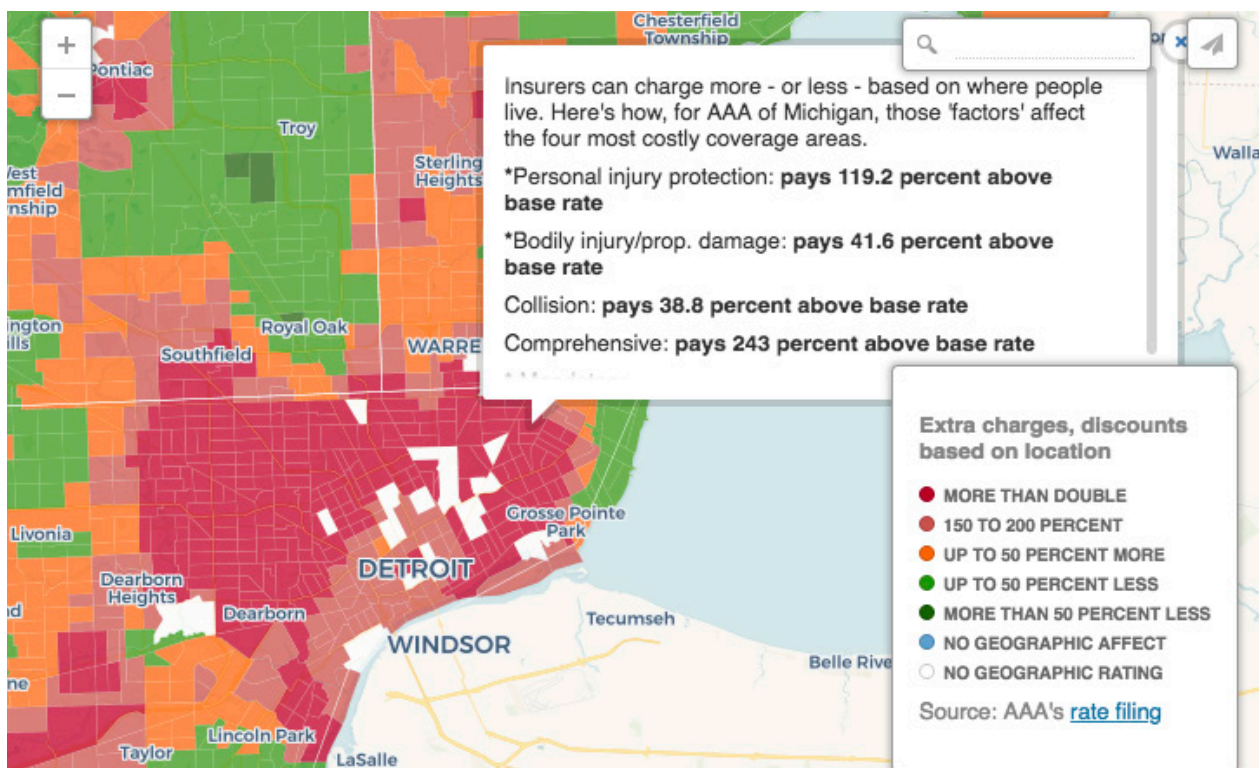
SERVICE DESCRIPTION	AVERAGE PRICE PAID (2013)		PROPOSED	
	DETROIT		HB5013	HB5104
	No-Fault	Medicare	160% Medicare	185% Work. Comp.
ER visit	\$297.04	\$65.70	\$105.12	\$167.89
Phys. Ther. (15 min)	\$66.26	\$12.50	\$20.00	\$30.95
Neck CT scan	\$1,820.09	\$261.50	\$418.40	\$774.74
Low Back MRI	\$3,278.55	\$484.31	\$774.90	\$1,416.30
Shoulder Surgery	\$2,806.13	\$730.70	\$1,169.12	\$1,738.96

Sources: CRC 2013, CitizenDetroit calculations

TERRITORIAL RATINGS

"Geography is considered one of the primary drivers of claims experience. Consequently, it is one of the most well-established and widely used rating variables." (Modlin 2016)









Territorial ratings are used by insurance companies all over the country. A few states (CA, CT, MA) have restrictions on how territorial rating can be used. California only allows territories to be a secondary rating factor, while driving characteristics are primary factors. Connecticut requires a 75%/25% weighting of individual territory and state average loss cost indication. Michigan had constraints on territorial ratings from 1979-1986 (Kaminski 2006)



Source: <https://www.bridgemi.com/public-sector/how-michigans-auto-insurance-premiums-became-nations-highest>

2. COST DRIVERS & REFORM IDEAS

COST DRIVERS	THE DETAILS	MICHIGAN'S SCENARIO
1 UNLIMITED PIP BENEFITS	<ul style="list-style-type: none"> PIP Insurance covers all of your medical expenses and some wage loss after a car accident Unlimited PIP means if necessary, you will receive any care from auto injury for life 	<ul style="list-style-type: none"> MI is the only state that mandates unlimited PIP benefits (Det Free Press 10-12-17) Most states limit benefits from \$3,000 to \$250,000
2 MEDICAL PAYMENT RATES (FEE SCHEDULE)	<ul style="list-style-type: none"> Fee schedules are set rates that car insurers pay for medical procedures 	<ul style="list-style-type: none"> Michigan does not have fee schedules and car insurers pay a "reasonable and customary" charge with the inability to negotiate. Health insurers can negotiate down these prices and pay much less for medical costs than car insurers (<i>Medical Charge Comparison</i>– pg. 4) which leads to plenty of lawsuits Attorneys normally capture 33% of all medical costs won in lawsuits (Det Free Press 5-8-17)
3 MCCA (PIP)	<ul style="list-style-type: none"> The MCCA handles PIP claims that exceed \$550,000 and is funded by an annual fee on each car, currently \$170 and set to increase to \$192 on 7/1/18 Insurers control the MCCA, which does not share its finances 	<ul style="list-style-type: none"> The MCCA is not subjected to FOIA and currently runs a \$2.3 Billion deficit (MCCA 3-29-18)
4 FRAUD	<ul style="list-style-type: none"> Ordering unnecessary medical procedures Exaggerating auto repair costs "Runners" illegally contacting accident victims for attorney and medical services Driving without insurance Selling bogus or illegal insurance policies Claiming a different address for car insurance coverage 	<ul style="list-style-type: none"> Michigan has no fraud authority
5 UNREGULATED INSURANCE PRICING	<ul style="list-style-type: none"> States have different levels of car insurance oversight. Michigan's insurance department is the Department of Insurance and Finance Services (DIFS) 	<ul style="list-style-type: none"> Michigan uses a "File and Use" system where Insurers must file their prices with the state prior to use, but can start charging these rates without state approval. MI can disapprove a rate but usually cannot require refunds if a rate is deemed to be excessive. The profit reported for Michigan's passenger and commercial auto liability lines are not meaningful because of data reporting anomalies arising from the data related to the Michigan Catastrophic Claims Association." (NAIC 2017 report)
6 ZIP CODE (TERRITORIAL RATINGS)	<ul style="list-style-type: none"> Car insurers use your territory as a factor in pricing your policy. "Geography is considered one of the primary drivers of claims experience. Consequently, it is one of the most well-established and widely used rating variables." (Modlin 2016) 	<ul style="list-style-type: none"> MI law allows the use of territory in setting car insurance rates (MCL 500.2111)
7 CREDIT SCORES AND NON-DRIVING FACTORS	<ul style="list-style-type: none"> Insurance Companies use a credit formula (not credit score) for how likely you are to file a claim Insurers consider non-driving factors like marriage and home ownership in your likelihood of filing a claim 	<ul style="list-style-type: none"> Michigan allows use of Non-Driving factors. (See <i>Rating Factors</i> – pg. 3)
8 NO-FAULT	<ul style="list-style-type: none"> No Fault insurance means that your own insurance company will pay your medical bills and lost earnings if you get in a car accident, regardless of who was at fault 	<ul style="list-style-type: none"> Michigan is one of 12 states with Mandatory No Fault Insurance

COST AFFECT IN DET./MI	POSSIBLE SOLUTIONS	FACTS AND INTERESTING ELEMENTS
	<ul style="list-style-type: none"> • Cap benefits or allow the option to cap benefits • Create shared costs with claimant IE: co-pays, networks 	<ul style="list-style-type: none"> • In 2013, the average MI auto accident medical claim was \$75,000 while the 2nd highest state NJ was at \$13,000 (Bridge 2017) • Unlike regular health insurance PIP insurance also covers long term care (AARP 2016 & Mackinac Center 1989)
	<ul style="list-style-type: none"> • Use fee schedules tied to another pricing rate such as Medicare or Workers' Compensation • Use arbitrations rather than court lawsuits for settlement of medical fees paid by car insurers • Cap family attendant care rates 	<ul style="list-style-type: none"> • New Jersey recently set Fee Schedules on medical care such as live-in home attendants at \$180 maximum per 24hr shift (State of NJ) • The number of lawsuits towards car insurers for medical payment are over 2/3rds of all state lawsuits (Det Free Press 5-6-17)
	<ul style="list-style-type: none"> • Mandate that the DIFS Director on the MCCA board shares annual reports with Michigan government 	<ul style="list-style-type: none"> • Motorcyclists must also pay the MCCA per vehicle assessment, but only have access to unlimited PIP benefits if they are involved in an accident with an insured automobile. While motorcyclists have historically contributed only 2% to MCCA revenues, they have represented 7% of all claims paid by the MCCA (www.drivingmichigan.org)
	<ul style="list-style-type: none"> • Create a Fraud Authority tasked with uncovering fraud rings of attorneys, medical providers and citizens • Allow for refunds to consumers who've proven improper charges from Car Insurers • Shorten the current 1 year time limit for accident victims to file for No-Fault 	<ul style="list-style-type: none"> • The Wayne County Prosecutors office has yet to charge anyone for violating the 2014 law prohibiting the solicitation of accident victims for 30 days (Det Free Press 5-7-17) • Estimates of uninsured drivers are 50% in Detroit, 21% in Michigan and 12% nationally (Forbes 9-12-14) • Florida requires drivers to seek care 14 days after an accident and Minnesota 6 months. Both are No-Fault states (carinsurance.com 8-1-16)
	<ul style="list-style-type: none"> • Switch the "File and Use" system to a "Flex Band" system that requires approval for increases in car insurance beyond modest increases • Allow for consumer refunds from insurers should they prove overcharges 	<ul style="list-style-type: none"> • DIFS Director can establish rules called "bulletins" to how they implement the "File and Use" system (State of MI)
	<ul style="list-style-type: none"> • Place limits on use of territorial ratings in car insurance pricing such as mandating its use as a secondary factor or splitting each territory rating with the statewide average territory rating 	<ul style="list-style-type: none"> • MI restricted territorial ratings with the Essential Insurance Act from 1979-86. The Detroit market became 4 insurers (Wolfram 4-98) • CA, MA and CT have different limits on territorial ratings (Roger 10-26-15)
	<ul style="list-style-type: none"> • Ban or restrict the use of credit, gender and income in insurance pricing such as making it a secondary factor to driving history. 	<ul style="list-style-type: none"> • In 2017, Delaware banned the use of gender and income as factors in car insurance pricing and curtailed the use of credit (State of Delaware 8-1-17) • CA, MA and HI all ban the use of credit in car insurance prices (Consumer Reports 7-20-15) • A 2005 effort to ban the use of credit in setting auto insurance premiums was overturned by the Michigan Supreme Court (MI Supreme Ct. 7-8-10)
	<ul style="list-style-type: none"> • Allow option to buy fault based insurance in addition to no-fault • Decrease the 1 year time limit to 3 months after an accident for claimants to use No-Fault 	<ul style="list-style-type: none"> • No-Fault states vary in cost with Florida, New Jersey and New York being more expensive and Minnesota, Utah and Kansas less expensive than the national average (Zebra 2018) • Since 1980, six states have repealed No-Fault with Colorado being the most recent (DePaul Law Review Winter 2012)

3. COMPARISON OF RECENT AUTO INSURANCE REFORM BILLS

	“DUGGAN PLAN” (HB 5013): Sponsored by House Insurance Committee Chair Lana Theis (R-Brighton). Failed House vote in 2017.
1. Unlimited PIP Benefits	Choice between 3 Options: 1. Unlimited PIP 2. \$500,000 PIP Cap 3. \$250,000 PIP Cap
2. Senior Opt Out (62+ with lifetime health coverage)	Yes; Opt out for Seniors over the age of 62 who have other forms of lifetime coverage. (MCL 500.3107c)
3. Targets Non-Driving Factors	HB 5013 does not address non-driving factors
4. Allowable Expenses Under PIP	Limits Family Attendant Care to 56 hrs/week and restricts certain ground transportation charges (MCL 500.3107)
5. Michigan Catastrophic Claims Association (MCCA)	Biannual Audit by DIFS Director and Actuary; Given to House & Senate Insurance Committees; If MCCA surplus exceeds 120% of losses, rebate given to consumers. (MCL 500.3104)
6. Fraud	Creates a Fraud Authority as part of the Michigan Auto Insurance Placement Facility (MAIPF) [MCL 500.6302]; Establishes fact-finding inquiries for Tort-Liability cases to determine level of “severe impairment of a bodily function” (MCL 500.3135); Healthcare providers must provide documentation of charges and procedures to DIFS, Insurers, or MCCA under penalty of business freeze. (MCL 500.3157); Creates additional criterias for Auto Insurance Fraud (MCL 500.4503); Empowers the Director of DIFS and the AG to collaborate and investigate insurance fraud (MCL 500.4505)
7. Fee Schedule	No additional PIP reimbursement above 160% of Medicare (MCL 500.3107)
8. Hospitals	Prohibits hospitals & physicians from charging extraneous or unnecessary costs to PIP (MCL 500.3107); Allows Hospitals to sue Insurers for overdue PIP money for services rendered (MCL 500.3112); Conflicts of interests prohibited between attorneys and health providers receiving PIP benefits (MCL 500.3148); PIP Payouts for healthcare services to be capped at 160% of the Medicare rate, if Medicare doesn’t cover said expense it must be charged at a rate comparable (MCL 500.3157); Healthcare providers must provide documentation of charges and procedures to DIFS, Insurers, or MCCA under penalty of business freeze. (MCL 500.3157)

<p>“FAIR & AFFORDABLE” (HBS 4049, 4672, 5101- 5111; 5115, 5124): In Committee; Competes with Committee Chair’s bill</p>	<p>“MACOMB SOLUTION” (HB 5627-5633): In Committee; Competes with Committee Chair’s bill</p>
Retains unlimited PIP benefits	<p>Repeals mandatory coverage. Drivers can purchase unlimited PIP coverage, limited PIP coverage per individual, or no insurance at all. (HB 5627- Lucido) (HB 5628- Marino);</p> <p>Repeals for Taxis, Ubers, and Lyfts (HB 5629- LaFave); Busses and motorcoaches (HB 5630 Lucido);</p> <p>Switches from No fault to a tort-based system (lawsuits)</p> <p>Tort Liability removed from Albion College volunteers (HB 5632-Dianda) Exemption from tort liability for Non-profit volunteers (HB 5633- Chirkun)</p> <p>Brings Self Insured groups into the MCCA (HB 5631- Green)</p>
Opt out for Seniors over the age of 62 (HB 5124- Greimel)	
Yes, 15 factors would be prohibited in calculating auto insurance rates including territory and credit information (HB 5111- Gay Dagnogo)	
Allows medical marijuana to be covered in PIP, and provide certain documentation for allowable expenses (HB 5101- Webber); Amends regulations regarding allowable expenses, Doesn’t end claimants benefits should they be determined to be fraudulently procured if the claimant wasn’t a part of the fraud. (HB 5016- Roberts); Family attendant care at \$15.00/hr for 24hrs a day. Insurer may contract with a care provider as chosen by the injured (HB 5108- Frederick)	
Requires Certain documents to be published on MCCA website (HB 4049-Green); Prohibits the MCCA from directly or indirectly influencing the adjustment or settlement of a claim for PIP payouts unless allowed by the Courts. (HB 5103- Marino);	
Also creates a Fraud Authority (HB 4672- Graves); Creates a No-Fault independent Medical Examination Board to conduct medical and psychological exams for PIP claims (HB 5101-Bizon); In Tort-Liability cases, Serious impairment of a bodily function is defined in broader terms (HB 5109- Wittenberg)	
Sets fee schedule for health care providers at 185% of Workers Compensation (HB 5104- Canfield)	
Hospitals are allowed to collect PIP benefits on behalf of an injured person (HB 5115- Lucido)	

4. HOW STAKEHOLDERS ARE AFFECTED

	HB 5013 (5-YEAR SUNSET): FAILED VOTE IN THE HOUSE IN 2017 (Sponsored by House Insurance Committee Chair)	FAIR & AFFORDABLE HB 5111 (In Committee; Competes with Committee Chair's bill)	MACOMB SOLUTION: ELIMINATE NO FAULT HB 5627-5633 (In Committee; Competes with Committee Chair's bill)
HOSPITALS	Prohibits hospitals & physicians from charging extraneous or unnecessary costs to PIP (MCL 500.3107); Allows Hospitals to sue Insurers for overdue PIP money for services rendered (MCL 500.3112); Conflicts of interests prohibited between attorneys and health providers receiving PIP benefits (MCL 500.3148); PIP Payouts for healthcare services to be capped at 160% of the Medicare rate, if Medicare doesn't cover said expense it must be charged at a rate comparable (MCL 500.3157); Healthcare providers must provide documentation of charges and procedures to DIFS, Insurers, or MCCA under penalty of business freeze. (MCL 500.3157)	Hospitals are allowed to collect PIP benefits on behalf of an injured person (HB 5115- Lucido)	Drivers can choose whether to have unlimited, limited, or no PIP benefits. Hospitals would charge to health insurers or auto insurers depending on the type of coverage selected by the insured.
INSURERS	Exempts insurers from penalties for transfer of sensitive information (MCL 500.1245); Insurers may sue for attorney fees over fraudulent claims for benefits, claims that were medically unnecessary, and claims that where the client was solicited by an attorney who violated professional conduct laws or other laws (MCL 500.3148); Insurers are required to deal in good faith with a person claiming benefits or is liable for damages and attorney fees. (MCL 500.3149) DIFS and AG may sue for a combined total of \$100,000+ (MCL 500.3165 and MCL 500.3166); Mandatory rate relief through tiers of PIP coverage, 40%, 20% and 10%, reporting requirements given should they not be achieved. DIFS director allowed to appeal rate filing. (MCL 500.3180)	Establishes standards for Insurers to follow regarding good faith dealings with PIP claimants, also requires Insurers to accept electronic notification of PIP claims (HB 5104); Requires the DIFS director to determine whether the rates filed by an insurer reasonably reduced rates for policies that coordinate benefits (HB 5107- Lasinski)	Under a tort-based insurance system, insurers would only cover liability or personal injury protection at coverage levels selected by the insured driver.
ATTORNEYS/JUDICIARY	Changes Attorney fees for overdue PIP benefits from mandatory (MCL 500.3148); Prohibits attorneys from filing lawsuits until after an Insurer lets PIP benefits lapse into overdue status, and notice is given to the insurer (60 days min)[MCL 500.3148]; Conflicts of interests prohibited between attorneys and health providers receiving PIP benefits. (MCL 500. 3148)	Tort Liability increased from \$1,000 to \$5,000 for motor vehicles that are damaged and not covered by insurance. (HB 5102- Marino); Serious impairment of a bodily function is defined in broader terms (HB 5109- Wittenberg); PIP Claims can be made 3 years after the accident instead of 1 year. (HB 5110- Yarocho)	Personal injury attorneys would likely shift from primarily helping insureds sue their own insurance company to helping them sue at-fault drivers' insurance companies.

5. STATE LEGISLATURE

	HOUSE INSURANCE COMMITTEE	SENATE INSURANCE COMMITTEE
LEADERSHIP	Rep. Lana Theis (R) [Chairwoman]	Sen. Joe Hune (R) [Chair]
MEMBERSHIP	17	10
MAJORITY	9	6
DEMOCRATIC	6	3
REPUBLICAN	11	7
VACANCIES	–	–

	FULL HOUSE	FULL SENATE	SUPREME COURT
LEADERSHIP	Speaker of the House Tom Leonard (R)	Senate Majority Leader Arlan Meekhof (R)	Chief Justice Stephen J. Markman (R)
MEMBERSHIP	110	38	7
MAJORITY	56	20	4
DEMOCRATIC	46	10	2
REPUBLICAN	63	27	5
VACANCIES	1	1	–

REFORM EFFORTS TO DATE:

HB 5013	YES	NO	ABSENT/ VACANT
Committee Vote (10.26.17)	11	5	1 Absent
House Detroit Delegation Members on the Insurance Committee (1 Member)	–	State Rep Sherry Gay-Dagnogo	–

HB 5013	YES	NO	ABSENT/ VACANT
House Floor Vote (11.2.17)	45	65	1 Vacant
House Detroit Delegation (10 Members)	State Rep Wendell Byrd State Rep Bettie Cook-Scott State Rep Leslie Love State Rep Sylvia Santana	State Rep Stephanie Chang State Rep Fred Durhal III State Rep LaTanya Garrett State Rep Rosemary Robinson State Rep Sherry Gay-Dagnogo	1 Vacant

! The **“Fair & Affordable”** and **“Macomb Solution”** proposals are awaiting a hearing in the House Insurance Committee, but expire at the end of the Legislative Session, December 31, 2018.

LEGISLATIVE HISTORY OF AUTO INSURANCE REFORM

1956

Public Act 218 of 1956 creates the Michigan Insurance Code

– Legislation signed by Governor G. Mennen Williams

1969

Michigan Auto Insurance Placement Facility (MAIPF) created for people too risky for regular auto insurance. very expensive.

1972

The Auto-No Fault framework is created

– Legislation signed by Governor Milliken-R

– Mandatory No-Fault coverage is required for all Michiganders

1978

Shavers v. Attorney General (Michigan Supreme Court case - decided 4-3)

– ruled that compulsory no-fault was unconstitutional because insurance regulation couldn't ensure "fair and reasonable" rates

– set up for Essential Insurance Act of 1979

1979

Essential Insurance Act (Milliken-R) established rate restrictions to address Shavers decisions:

– Territorial restrictions

– Characteristics that are allowed to be used

– Characteristics that are not allowed to be used

1986-91

Experimental removal of territorial constraints (Blanchard - D)

– Along with graduated premium hikes.

– Extended twice

1993

Mandatory premium reduction veto'd (Engler - R)

– Territorial removal experiment halted

1996

Removed territorial constraints all together (Engler - R)

– Passed seven other insurance laws, including the 500.2110a discount plan language

2005

Ban on using credit history in rate setting (Granholm - D, begun when she was AG)

– Ruled unconstitutional by MI Supreme Court 4-3

2015

SB 288: D-Insurance, a low cost auto insurance for low income drivers with clean records, is proposed in the Senate, but does not advance to a vote on the Senate floor. (At least four reform bills are proposed by various parties from 2011-2017)

Sept. 2017

HB 5013 (Duggan/Leonard Plan) is proposed

– Fails House floor vote 45-65 in November 2017

Oct. 2017

HBs 4049, 4672, 5101-5111, 5115, 5124 (Fair & Affordable) are proposed

– Would retain unlimited benefits

– Would eliminate additional rating factors such as territorial rates, credit score, gender, education level, etc...

– Would allow Seniors to opt out of Personal Injury Protection (PIP)

– Would create Fee Schedule for at 185% of Workmen's Comp fee schedule.

– Would make the MCCA subject to the Freedom of Information Act (FOIA)

– Would create a Fraud Authority

2018

HBs 5627-5633 (Macomb Solution) are proposed

– Would repeal Mandatory Coverage

– Would switch Michigan to a Tort "lawsuit" based system

TIPS TO REDUCE YOUR CAR INSURANCE

- ✓ **COMPARISON SHOP**
How long have you been with the same insurer? Test the market for what you can get
- ✓ **IF NEEDED, IMPROVE YOUR CREDIT**
Accounting Aid Society, United Way, SER-Metro, Southwest Solutions - need good contacts
- ✓ **COLLISION INSURANCE IS NOT MANDATORY**
Evaluate how necessary it is for an older vehicle
- ✓ **RAISE YOUR DEDUCTIBLE**
from \$500 to \$1000. (11% est. savings)
- ✓ **PAY IN FULL**
for entire year (10% est. savings)
- ✓ **INCREASE YOUR CREDIT SCORE**
by one tier (17% est. savings)
- ✓ **DRIVE AN OLDER CAR**
even by just 5 years (12% est. savings)
- ✓ **BUNDLE ALL OF YOUR INSURANCE**
in one plan (8% est. savings)
- ✓ **BUY A HOME OR GET MARRIED**
these are positive non-driving factors insurers look at
- ✓ **USE "TELEMATIC" DEVICES IN YOUR CAR**
or smartphone apps that track your driving habits and report back to car insurer
- ✓ **ARE YOU A MEMBER OF AN ORGANIZATION THAT GIVES DISCOUNTS?** (Wayne State University, Union membership, ect...)

NOTES:

Corrections to the 04/26/18 printing:

Page 6: Note on motorcyclists and the Michigan Catastrophic Claims Association has been corrected (Row 3, Column 3).

Page 10. Detroit Delegation votes on HB 5013 in the full House floor vote has been corrected.

GROUND RULES FOR DISCUSSION

- Be respectful.
- Participate. Be open, honest, and forthcoming.
- Don't dominate the discussion. Invite other points of view.
- Listen and try to understand various perspectives.
- Stay on topic and limit side conversations.
- Turn cellphones off or to vibrate.
- Be mindful of time!

FOCUSED CONVERSATION:

We will first take some time to digest and reflect on the information you heard this evening, and get to a shared understanding of the facts with your table (questions 1 and 2). Then we will move on to a discussion of how we should interpret the information and take action on the issue (Questions 3a, 3b, and 4).

1. OBJECTIVE

What did you hear that stood out to you?

2. REFLECTIVE

How do you feel about what you heard?

3a. INTERPRETATIVE

If you were a State legislator, which of these would you focus on to reduce auto insurance premiums in Detroit?

- ☐ Controlling medical costs (unlimited Personal Injury Protection)
- ☐ Prohibiting use of non-driving factors in setting premiums
- ☐ Cut fraud
- ☐ Eliminate no fault
- ☐ More than one of these

3b. INTERPRETATIVE

Should Michigan allow drivers to choose their own level of PIP coverage?

- ☐ Yes
- ☐ No

Proposed tiers

250,000 cap on PIP (\$225,000 for emergency only)

Save 40% on PIP, or \$1,333*

500,000 cap on PIP

Save 20% on PIP, or \$667*

Unlimited PIP

Save 10% on PIP, or \$334*

PIP opt-out for 62+ with lifetime coverage

Save \$3,332*

**Based on a sample insurance quote of \$4,952 annual premium for 2005 Chevy Malibu (see p. 1)*

4. DECISIONAL

How important is auto insurance reform in your assessment of your state rep and state senate candidates?

- ☐ #1 issue for how I will assess candidates in 2018
- ☐ One of several important
- ☐ Not my priority (education, prisons, welfare, healthcare, etc.)
- ☐ Other

WHY DOES CAR INSURANCE COST SO MUCH IN DETROIT

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