



Insurance Institute of Michigan

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Auto Insurance Initiative Is A Job Killer

Lansing, MI – A ballot initiative expected to be considered by the State Board of Canvassers today placing auto, home and business insurance changes before voters in 2010 would kill much needed jobs in this state, according to the Insurance Institute of Michigan (IIM).

One of the initiative's proposals would require auto and home insurers to arbitrarily reduce premiums by 20 percent.

“The initiative should be given the designation Proposal U for the unemployment it will create,” said Kuhnmuench. “Not only will companies in this state be disadvantaged if they have to charge an arbitrary premium, but the state can kiss any new jobs goodbye because insurance companies will not consider doing business in a state where they can't price their product appropriately.”

Insurance premiums are a true reflection of the costs of the things that insurance pays for, such as medical treatment, vehicle repair and lawsuits. Those costs continue to rise significantly. For example, from 1998 to 2008, the average comprehensive claim (auto theft, window breakage) claim rose 25 percent; the average collision (vehicle damage) claim increased 27 percent; the average Bodily Injury (lawsuit) claim increased 46 percent; and the average Personal Injury Protection (medical, wage loss) claim rose a staggering 250 percent.

IIM cautions Michigan residents regarding the unintended consequences of such a proposal, said Kuhnmuench. “Less competition in the insurance marketplace would negatively impact insurance costs for policyholders if they would be able to find coverage at all,” Kuhnmuench said.

IIM supports realistic insurance reform and has released its own proposals designed to reduce the costs of insurance for Michigan residents.

Currently, Michigan law requires that all drivers in Michigan purchase unlimited, lifetime medical benefits as part of the no-fault policy. No other state comes close to mandating such a high level of medical benefits. In 49 other states, drivers have choices in the amount of medical benefits they purchase in their auto insurance policy.

IIM supports allowing Michigan policyholders to choose a level of Personal Injury Protection (PIP) coverage from \$50,000 up to the current mandated level of unlimited, along with a plan to implement a medical fee schedule.

A study commissioned by IIM found that drivers could save between 15 and 45 percent, depending on whether the policyholder has full coverage or carriers only the mandatory coverages by selecting a \$50,000 PIP level.

Other recommendations in the IIM Agenda are:

- Set fair and equitable rates for attendant care services.
- Provide that medical charges for treatment of auto accident injuries be submitted to insurance companies within 90 days, to help reduce fraudulent claims.
- Outlaw the use of runners, cappers and steerers in an insurance transaction.
- Create a Fraud Authority to fund investigators and prosecutors dedicated to fighting insurance fraud and auto theft.

“By addressing the costs that drive the price of insurance, we can lower what Michigan motorists pay for their insurance,” said Kuhnmuench. “Instead of unrealistic proposals, we ask that the Legislature join us in real reform that will benefit all Michigan residents.”

IIM is a government affairs and public information association that represents more than 90 property/casualty insurance companies and related organizations operating in Michigan. IIM member companies provide insurance to 73 percent of the automobile and 67 percent of the homeowners markets in Michigan. ###