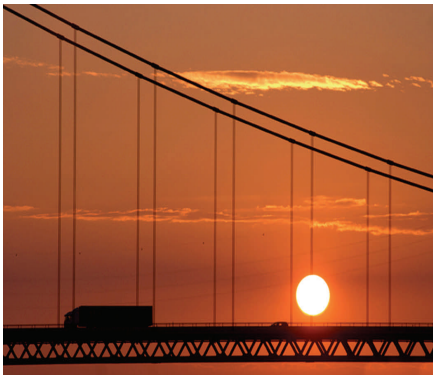


Insurance Institute of Michigan

DRIVING MICHIGAN: AN AGENDA TO REFORM MICHIGAN'S NO-FAULT SYSTEM



“No one has to lose anything if consumers are given more insurance coverage options. It’s not a partisan issue. It’s pro-consumer,” The Detroit News, July 19, 2007

The goal: making auto insurance more affordable

Michigan’s no-fault law is unlike any other.

In 1972 when Michigan’s policymakers were developing a mandatory auto insurance law for residents, they created a system of benefits that would provide unlimited, life-time medical care for those injured in auto accidents.

While this system of unlimited medical benefits was touted as the best in the country, policymakers and insurance companies acknowledged that it came with some uncertainty and would increase the cost of auto insurance for Michigan residents.

In the years since no-fault was enacted, the cost of auto insurance in Michigan has risen, along with the costs of vehicles, car repair, medical treatment and lawsuits.

Some Michigan residents say they can no longer afford auto insurance.

In an effort to get Michigan back on the right track, the Insurance Institute of Michigan supports open, responsible and legitimate discussion about ways to lower the cost of auto insurance for Michigan drivers so they can stay on the road.

Driving to work, to see friends, to see family and to community events is important to Michigan residents.

The Insurance Institute of Michigan offers “Driving Michigan: An Agenda to Reform Michigan’s No-Fault System” as a way to lower costs for all drivers. A more affordable auto insurance system with motorists having greater input into selecting their coverages can help drive Michigan in the right direction.

“Michigan has some of the highest rates in the country in part because the state mandates expensive coverage, notably unlimited medical expenses; offering less lavish options could help consumers save money,” the Holland Sentinel, February 6, 2009

Allowing drivers choice

Currently, state law mandates that auto insurance policyholders purchase unlimited, lifetime medical benefits as part of their auto insurance policy.

This one-size fits all auto insurance system is expensive and doesn't allow policyholders to choose the level of coverage that best fits their individual needs.

In 49 other states, drivers have choices in the amount of medical coverage they purchase in their auto insurance policy. Michigan drivers deserve the same consideration.

The Insurance Institute of Michigan supports reforms that would allow policyholders to choose a level of Personal Injury Protection (PIP) coverage from \$50,000 up to the current mandated level of unlimited.

Even if policyholders selected a \$50,000 coverage option, they would continue to have the best benefits in the country. Michigan would have the same limit as New York with a minimum benefit level at \$50,000. The medical limits for the other no-fault states follow: Florida, \$10,000; Hawaii, \$10,000; Kansas, \$4,500; Kentucky, \$10,000; Massachusetts, \$8,000; Minnesota, \$40,000; New Jersey, \$15,000; North Dakota, \$30,000; Pennsylvania, \$5,000; and Utah, \$3,000.

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

Driving Michigan Reform Agenda: Allowing Michigan drivers to choose the level of Personal Injury Protection (PIP) benefits that fits their individual needs.

“No other state requires motorists to have unlimited personal injury protection benefits. They apparently think it’s ok for policyholders to decide for themselves how much coverage to carry, which is an opportunity those of limited means deserve especially,”
the Flint Journal, July 25, 2007

Reining in medical costs

Medical Fee Schedule

It is not news that medical costs have been increasing significantly, driving up the price of auto insurance for policyholders. During the last 10 years, medical care costs rose about 51 percent in Michigan, while the overall Consumer Price Index increased 27 percent. From 1997 to 2007, the average auto insurance Personal Injury Protection (PIP) medical claim rose more than 225 percent.

A medical fee schedule is one of the most common cost containment tools used in the workers' compensation insurance system. Forty-two states use some sort of medical fee schedule in their workers' compensation system.

IIM supports reforms that would implement a medical fee schedule in the no-fault auto insurance system. According to an IIM study, medical fee schedules could save a policyholder 10-30 percent in the medical portion of their premium, depending whether they have a full coverage policy or carry only the mandatory auto insurance coverages.

Driving Michigan Reform Agenda: Implement a medical fee schedule in the no-fault system similar to one that has brought consistency and stability to the workers' compensation market.

Attendant Care Fees

It is admirable that family members provide care for their relative who has been seriously injured in an auto accident. However, these family members are not skilled medical professionals and should not be entitled to the same rates charged by skilled professionals or institutional health care providers.

Driving Michigan Reform Agenda: Control escalating medical care costs by allowing individuals who care for their friends and family injured in auto accidents to be compensated fairly and equitably at a pre-set rate.

“It will be a tough road ahead to get auto insurance reform passed in the state legislature, but we believe it is a road that should be traveled down and investigated,” the Alpena News, August 3, 2007.

Cracking down on fraud

Prompt Billing

Currently, medical care providers in Michigan have one year to submit invoices to insurance companies for services rendered for injuries resulting from auto accidents.

Under Michigan law, those charges must be “reasonable and necessary” for the care and treatment of the policyholders. The insurance industry is concerned that it is impossible, one year after the accident, to determine the reasonableness of the treatment and the cost. While most hospitals and doctors submit their bills in a timely manner, there are health care providers who wait until the very end of the one-year deadline. Insurance companies are then allowed only 30 days to review and investigate the loss before paying the bills without the risk of penalties.

IIM supports reforms to require medical charges be billed to the appropriate insurance companies within 90 days after each product or service is rendered or within 90 days after the date that the person or institution determined the identity of the appropriate insurance company.

Reducing the time frame for submitting medical claims to insurance companies for review in Michigan will deter fraudulent activity and allow carriers to review claims while the information is still timely—benefiting all policyholders.

Driving Michigan Reform Agenda: To assist in the reduction of fraudulent activity, require medical charges for the treatment of auto accident injuries to be submitted to insurance companies within 90 days.

“Modifying Michigan’s no–fault system, while not without risk, would enable more people to purchase insurance. If insurance rates are to drop, so must costs,”
Detroit Free Press, May 1, 2008.

Cracking down on fraud

Runners, Cappers, Steerers

The terms runner, capper and steerer are used to describe a person who helps set up fake auto accidents or makes false insurance claims for theft rings, medical facilities or law firms.

Insurance fraud is one of the most costly white-collar crimes in America, ranking second to tax evasion. The National Insurance Crime Bureau estimates that property/casualty insurance fraud costs Americans \$30 billion annually. Adding other lines to the equation, like health, life and specialty insurance, the total cost of insurance fraud may exceed \$100 billion each year.

Driving Michigan Reform Agenda: Reduce fraudulent activity by outlawing the use of runners, cappers and steerers in the insurance transaction.

Fraud Bureau

To combat insurance fraud in Michigan, insurance companies have established Special Investigative Units (SIU) which train insurance personnel to identify suspicious losses that should be given a closer look. The SIUs work with law enforcement and prosecutors to ensure that the people and organized crime rings driving up the cost of insurance by taking advantage of the system are caught and punished. There is a need, however, at the local level to provide additional funding so that investigators and prosecutors can pursue insurance fraud criminals.

A Fraud Authority would dedicate funding to local units of governments for investigators or investigative units and prosecutors that would be specifically assigned to auto insurance fraud and theft cases. Funding for the Authority would be raised through the assessment on all auto insurance policies written in Michigan.

Driving Michigan Reform Agenda: Fund investigators and prosecutors dedicated to fighting insurance fraud and auto theft to reduce costs to the insurance system — benefiting all policyholders.



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