

Senate Insurance Committee

How Did Michigan PIP Get So Costly?

Wednesday, February 13, 2019



City of Detroit
Mayor Mike Duggan

October 6, 1972 Michigan Legislature Passed No-Fault on Promise of Lower Rates, Fewer Lawsuits

CLOUDY

Slightly Warmer

High 58-63 Low 34-39

Map and Details on Page 3-A

HOURLY TEMPERATURES

3 p.m. 56	7 p.m. 48	11 p.m. 42
4 p.m. 56	8 p.m. 45	12 mid. 41
5 p.m. 55	9 p.m. 44	1 a.m. 41
6 p.m. 54	10 p.m. 44	2 a.m. 40

Detroit Free Press

ON GUARD FOR 141 YEARS

Vol. 142—No. 153

Sunday, October 8, 1972

METRO

John S. Knight's
Notebook

See Page 2, Section C

• • •
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Two Saturdays ago we took our children for a ride through a forest near our home in Afton. We came on a racing car that had crashed into a tree. A man with a crash helmet told us to be careful because 45 more cars were coming through at 90 to 100 miles an hour. Can you find out what's going on and put an end to it?—R.B., Afton.

Race was legal, though some of the drivers weren't. What we saw was a rally called Press On Regardless. Drivers are not to use public roads, not to speed. Rally officials said they're running an endurance race, not a speed race, and contestants must go over lawful limits get a 30 minute penalty. State police weren't called soon enough last time, only nabbed a

No-Fault Could Lower Rates

BY TRUDY LIEBERMAN
Free Press Consumer Writer

When the state's new no-fault auto insurance law goes into effect next October, you probably will pay less for your car insurance.

That wasn't why no-fault was designed, and there are still many people who don't believe premium reductions really will come about. But projected rates compiled and newly released by the Michigan Insurance Bureau indicate that millions of Michigan drivers could feel some premium relief.

The figures and explanations of various no-fault provisions were made available to the Free Press by Deputy Insurance Commissioner Robert Rowe.

THE MAIN REASON for the reduction is that under the no-fault bill passed by the Legislature Friday, the amount of medical and disability benefits paid to you through no-fault auto insurance will depend on the amount of benefits you receive from other medical and disability coverage.

The more you collect from other insurance, the less you'll need from your no-fault policy, and so the smaller will be your no-fault premium.

For example, a married couple in the 30-64 age bracket who drive to work in a three-year-old Buick Le Sabre and earn \$200 a week might pay \$117 for a minimum coverage no-fault policy.

One exotic provision of the no-fault bill will pay the injured person up to \$20 a day for three years for maid service.

If they choose to deduct their Blue Cross coverage, they could get their car insurance for perhaps \$20 less. Furthermore, if the man is covered by some group disability insurance at work, he will get another few more dollars knocked off his auto premium.

One exotic provision of the no-fault law will pay the injured person up to \$20 a day for three years for maid service. But if you choose not to buy this coverage, you could save even more money.

This is the first time that automobile insurance has been co-ordinated with other forms of insurance. And supporters of no-fault believe that this co-ordination will eliminate overlapping benefits and premiums. But because the law is so new, no one is exactly sure how much of a saving people will realize.

Insurance companies may devise other kinds of deductibles so you can get cheaper insurance. But no one knows what these will be.

The amount of auto premiums you will pay also will depend partly on how much income you have. You will buy insurance to compensate for your lost wages if you are injured and can't work.

So the lowest premiums for lost-wage insurance will be for those who are in low-income groups. And, as before, there will be smaller premiums for those who have low value cars.

Young, single drivers who now pay the most for insurance probably will save the most money under no-fault, for many will not have to buy coverage to supply death benefits to dependents as a man supporting a family would have to do. In

Please turn to Page 8A, Col. 1

Lee Iacocca: No Fault will cut legal expenses, reduce rates.

Strong Vote for No-Fault

THE RINGING endorsement of no-fault auto insurance by Ford Motor Co. President Lee A. Iacocca, following on the heels of Gov. Milliken's own no-fault proposal, was welcome though hardly surprising. Iacocca emphasized that automobile manufacturers have a vested interest in auto insurance: Lower premium costs make it easier for people to own cars. And no-fault insurance should lower premium costs for most Michigan drivers.

The Ford executive cited the success of the Massachusetts no-fault plan under which, he said, premium costs will have been reduced two-thirds by the end of two years. Michigan drivers could also expect a rate reduction, but not so much as Massachusetts, where premium costs were much higher than they are here.

Under the present tort liability system,



Iacocca: An Interest in Reform

much of the insurance premium dollar goes for legal and administrative costs, which are necessary to determine fault. With a no-fault system, where a driver collects from his own insurance company regardless of who was at fault in the accident, much of these costs can be eliminated. The savings could then be passed on to drivers in the form of greater benefits or lower premium costs or both.

In supporting no-fault, Iacocca said damage-resistant vehicles would not significantly reduce insurance costs because, at present, repair bills account for well under half of insurance company costs. Unfortunately, he is right. But a combination of damage-resistant vehicles and no-fault insurance would undoubtedly cause a major reduction in premium costs.

The Legislature is now faced with several no-fault insurance plans, including the governor's, which has very limited tort liability. To be successful in holding costs down, liability must be severely limited or we will still be faced with the same expensive—and time consuming—problem of proving fault.

No-fault auto insurance will be good for the auto industry. And there is a lot of truth in the old saying about what's good for the auto industry is good for Michigan. We strongly urge the Legislature to act promptly and positively on Gov. Milliken's no-fault proposal.

Michigan Trial Lawyers: No Fault dangerous, unconstitutional.

POLITICAL ADVERTISEMENT

The Michigan Trial Lawyers Association believes MICHIGAN'S "NO-FAULT" AUTO INSURANCE LAW IS UNCONSTITUTIONAL

Wayne County Circuit Judge Horace Gilmore has scheduled a full trial starting Nov. 19 because he says there are some serious constitutional questions about it.

In the meantime and until the constitutional issues are settled **IF YOU** need to drive to work, to the doctor, and to the store and are financially unable to buy this "no-fault" auto insurance and you choose to drive and the State attempts to penalize you in any way, the Michigan Trial Lawyers Association will provide free assistance to your court-appointed lawyer to test the constitutional issues involved.

IF YOU choose to drive without insurance as a matter of principle because you are opposed to a law which gives only \$1,000 for the death of a child but will pay up to \$1 million to a train if it is wrecked — the Michigan Trial Lawyers Association will provide free assistance to your own attorney to test the constitutional issues involved.

For further information call or write:

Michigan Trial lawyers Association
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Lansing, Michigan 48933
Phone: (517) 489-2417

Detroit Free Press

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SUNDAY, SEPTEMBER 2, 1973

As We See It

Better Protection for All Under No-Fault Insurance

SOME OF THE QUESTIONS raised in the Michigan Trial Lawyers suit to stop no-fault auto insurance are valid, but most are not new. There will be problems with no-fault, but fewer than with the present tort liability system of auto insurance.

The suit alleges that Michigan's no-fault law, due to take effect Oct. 1, discriminates against poor people because it requires them to buy insurance in order to continue driving legally.

And no-fault does discriminate against the poor — just as everything else that costs money discriminates against the poor.

But the new Michigan law will have the advantage of keeping middle-income accident victims from becoming poor, and will keep some poor accident victims from being doomed to a life of poverty.

Too many Michigan drivers are presently either uninsured or underinsured. They save money as long as they stay out of accidents, but many have found that accidents do not always happen to the other guy.

About 325,000 drivers pay the \$45 uninsured motorists fee, some thinking the

number of accidents involving uninsured drivers who elected to pay the damage before a claim could be filed with the state.

Insured motorists, too, can suffer great financial hardships after being involved in serious accidents. At present, the delays often last years while lawyers for the parties involved in an accident battle in and out of court. Sometimes no determination of fault can be made, and the victims are left to suffer on their own.

Under no-fault there will be no lengthy negotiations or court cases to find fault and the victim's company will be required to make prompt payment.

The fault-finding process is an expensive one, and despite Michigan Trial Lawyers president Harry Philo's statement that lawyers will do better for the first 10-12 years with the no-fault law, the lawyers have been doing quite well under the tort liability system.

Self-interest has never strayed far from the lawyers' hearts, and we doubt that they would do nearly as well under no-fault with lawsuits limited to the most severe accidents.

Typical Editorial of the Day:

“17% of all lawsuits are auto accidents, clogging up the courts.”

“Under no-fault there will be no lengthy negotiations or court cases to find fault...Lawsuits will be limited to the most severe accidents.”

“In Massachusetts under the first year of no-fault, premiums dropped 67%.”

“Young, single drivers will save the most money under no-fault.”

No one in 1972 intended No Fault to shift medical costs to drivers in their car insurance premiums

The 1972 debate had almost no discussion of medical bills or PIP.

Focused on reducing litigation costs through no-fault and reducing collision repairs.

Health Care made up only 6% of total auto insurance costs. Medical bills were paid by:

- **Employer Health Care**
- **Medicare**
- **Medicaid**
- **VA**

300,000 drivers without health care coverage paid \$45 into the uninsured motorist fund.

What makes up cost of car insurance in Michigan today?

Bodily Injury/Tort (Injury to passenger/others)	7%
Theft (Comprehensive)	19%
Collision (Car Damage)	32%
PIP/MCCA (Personal Injury Protection - Medical)	<u>42%</u>
Total	100%

Medical costs have exploded and now make up 42% of Michigan drivers' premiums

Paying No Fault Medical Costs: PIP and MCCA

PIP is Personal Injury Protection. Covers the driver for all medical expenses – for the first \$550,000

**MCCA is Michigan Catastrophic Claims Association
Covers Medical Expenses over \$550,000.**

Current charge: \$192 a year

How does PIP work?

91% of Michigan residents today already have health care coverage:

Employer (Blue Cross, HAP, etc.)

Medicare

Health Care Exchanges

Medicaid

VA

If you have a serious injury (fall from a ladder, get hit by falling brick), your emergency medical treatment and long-term care are paid for by your medical coverage.

For 91% of Michiganders, when you buy car insurance, you are paying for some level of duplicate medical coverage.

12 No Fault States with requirement to buy PIP with your car insurance

Michigan	UNLIMITED
New Jersey	\$250,000
New York	\$ 50,000
Minnesota	\$ 40,000
North Dakota	\$ 30,000
Florida	\$ 10,000
Hawaii	\$ 10,000
Kentucky	\$ 10,000
Massachusetts	\$ 8,000
Pennsylvania	\$ 5,000
Kansas	\$ 4,500
Utah	\$ 3,000

38 States Require You to Buy No Minimum PIP in Car Insurance
You can rely entirely on your own health care coverage.

Michigan is the only state that has shifted virtually all medical costs from car accidents onto drivers' premiums.

Employer health plans, Medicare, Medicaid, VA, almost always have provisions specifying that their coverage is **secondary.**

If you have coverage from another source, Employer plans, Medicare, Medicaid, VA, don't pay until that other source is exhausted.

Michigan's No Fault PIP provision requires drivers to buy unlimited medical coverage in their car insurance. The Michigan Legislature made drivers themselves responsible for **primary coverage through their No Fault premiums.**

The result: A massive shift in Michigan health care payments from employers and Medicare/Medicaid/VA and onto individual drivers.

**In all 49 other States, Medicare pays for car accidents.
In Michigan, we make our senior citizens pay themselves.**

By federal law, Medicare coverage is **secondary – only kicks in if there are no other available payers.**

In all other 49 states, when seniors are injured in a car accident, Medicare pays their medical bills – from emergency room through long-term care.

Because Michigan No-Fault law requires drivers to purchase unlimited PIP, the feds have legally ruled that Michigan No Fault insurance is **primary for medical costs – Medicare will not pay for Michigan car accidents.**

Michigan senior citizens on Medicare are being charged \$800-1,000 per car for unnecessary medical coverage because they don't have PIP choice.

If hospitals and other medical providers would get paid by other insurance, why are they fighting so hard to keep unlimited PIP?

The 1972 No Fault Law allowed doctors, hospitals, and other medical providers to set their own rates for what they charged: what used to be known as “usual and customary charges”.

In the last 47 years, the practice of hospitals just setting their own “usual and customary charges” has been eliminated...

...eliminated everywhere except for drivers in the State of Michigan.

How Much More Could “Usual and Customary Charges” Possibly Cost Michigan Drivers?

	<u>Medicare</u>	Commercial <u>Insurance</u>	<u>No Fault</u>
1 Hr. Phys Therapy	\$ 31	\$ 42	\$ 79
CT Scan	\$262	\$419	\$1,821
MRI	\$484	\$770	\$3,259

Why Are Trial Attorneys Fighting So Hard For Unlimited PIP?

Bodily Injury/Tort (Injury to passenger/others)	7%	← Expected No-Fault Suits
Theft (Comprehensive)	19%	
Collision (Car Damage)	32%	
PIP/MCCA (Personal Injury Protection - Medical)	<u>42%</u>	← Explosion of No-Fault Suits for medical payments
Total	100%	

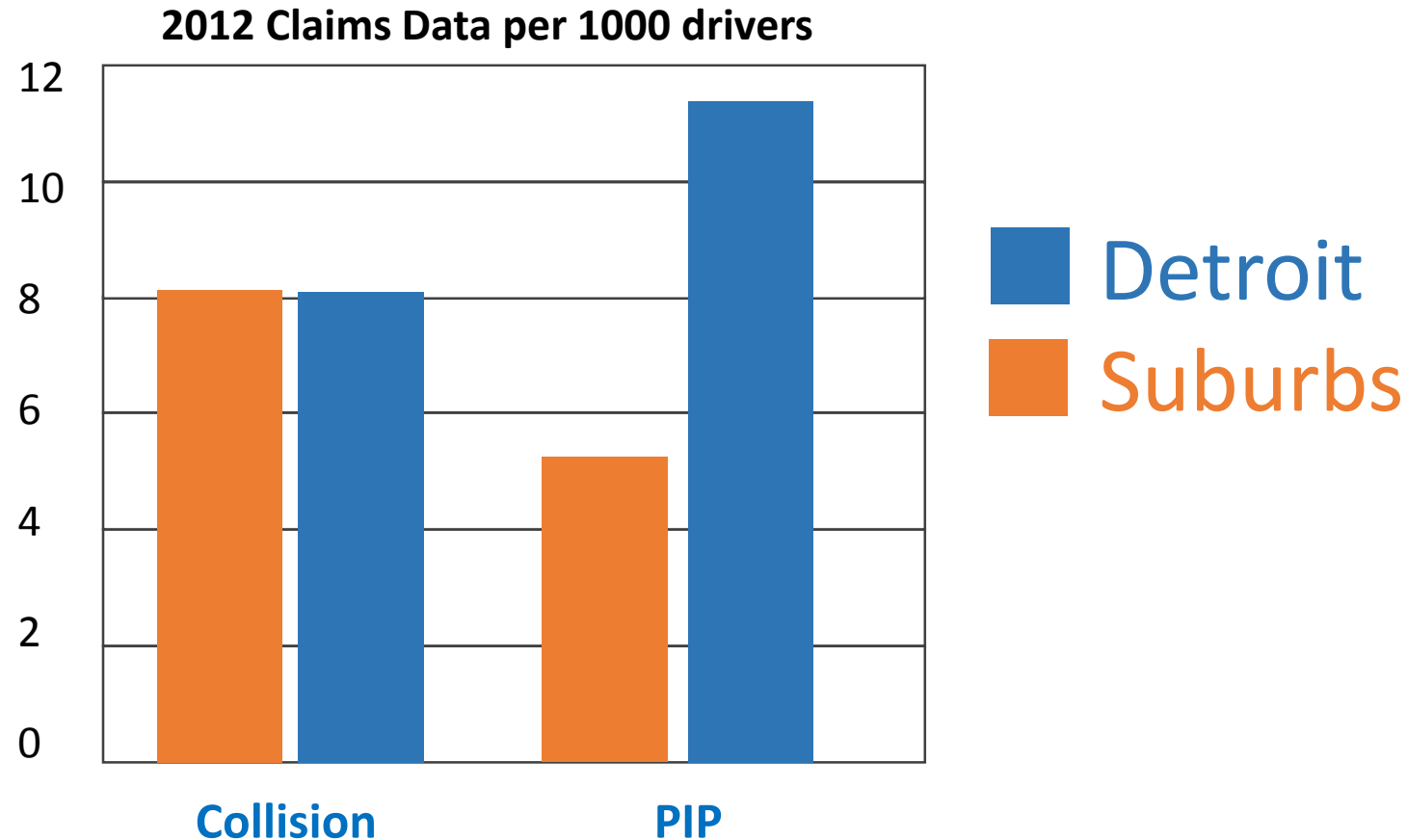
- Some trial attorneys developed an entirely new practice – suing the driver’s own insurance companies for payment of medical bills.
- Medical providers and these trial attorneys now have a unified financial interest – the higher the medical bills, the more they all make.

Detroiters' Premiums Are Double Much Of Michigan – Unlimited PIP Is The Main Reason

In 1990, Detroit Branch NAACP sued AAA in Wayne County Circuit Court alleging illegal redlining because of the higher rates being charged Detroiters.

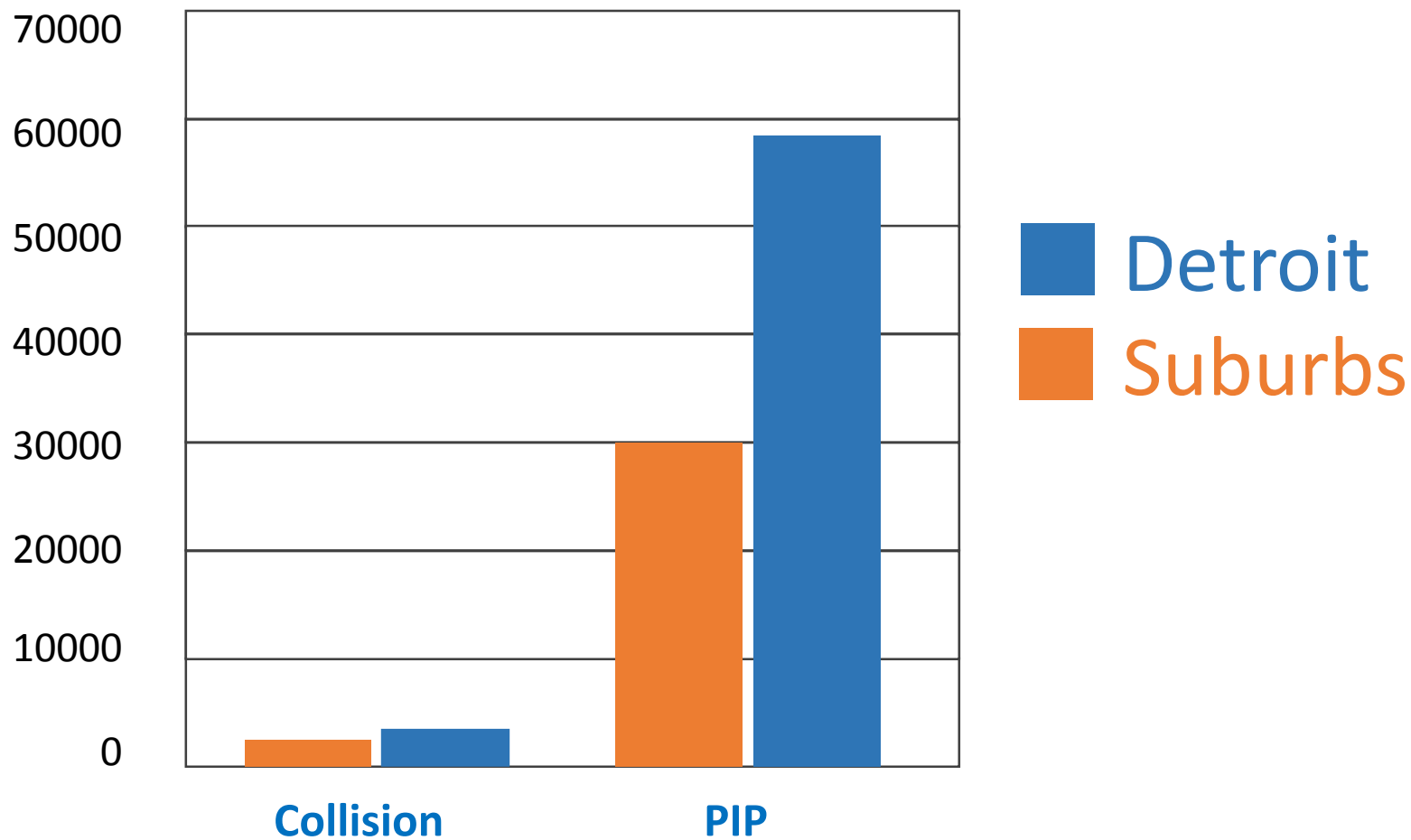
The lawsuit was unsuccessful – AAA loss data proved the higher rates were related to Detroiters filing PIP claims at higher rates.

Our Analysis of 2012 Claims Data Shows The Pattern Continues



Detroiters file the same number of accident claims as surrounding communities. Detroiters file twice as many PIP claims.

Not Only Did Detroit Drivers File Twice As Many Claims – Each Claim Was Twice As Expensive



Average Claim Size

This started out as a Detroit problem



Wayne County Circuit Court Civil Cases

	Total Auto Injury/ <u>No Fault Cases</u>	% Auto Cases <u>Cases Handled</u>
2010	5,635	39%
2013	8,503	54%
2017	11,155	57%

Source: 2017 Annual Report of Michigan State Courts

Is the Explosion of No Fault/Auto Cases Just a Detroit Problem?

No Fault/Auto Cases as % of Civil Docket Dispositions

<u>County</u>	<u>2010</u>	<u>2017</u>
Wayne	39%	57%
Macomb	26%	52%
Washtenaw	21%	52%
Oakland	13%	33%
Kent	13%	30%
STATEWIDE	23%	42%

In 2017, 37,000 Auto No Fault/Negligence cases were filed in Michigan.

Source: 2017 Annual Report of Michigan State Courts

The Results?

Michigan's Auto Insurance Rates are the Highest in the U.S.

2017 Average Cost to Insure Automobile

1) Michigan	\$2394
2) Louisiana	\$1921
3) Connecticut	\$1897
Nat'l Average	\$1318
36) Illinois	\$1159
37) Wisconsin	\$1154
45) Indiana	\$1021
50) Ohio	\$ 900

Source: Insure.com 7/28/17

How Would PIP Choice Work?

- Allowing people choice to buy the amount of insurance they can afford has always been a core American principle.
- Under Obamacare, 12 million Americans get their health insurance through the exchange, with option to buy 4 levels of coverage



In Michigan, 9 Different Insurers Offer 85 Health Plan Options

2019 Monthly Rates – 55 Year Old Non-Smoker

Bronze

Meridian Healthy	\$ 392
Blue Care Select	\$ 455
Priority Health	\$ 492

Silver

Meridian Healthy	\$ 633
Blue Care Select	\$ 646
Priority Health	\$ 675

Gold

Meridian Base	\$ 624
Blue Care	\$ 782
Priority Health	\$ 901
Blue Cross	\$1,184

300,000 Michigan residents buying their health care through the Obamacare exchange break down as follows:

Bronze	25%	(Starting at \$392)
Silver	68%	(Averaging \$650)
Gold	7%	(Comprehensive at \$1,184)

Who would propose eliminating choice and requiring everyone buy the most expensive comprehensive coverage?

That is exactly what Michigan No Fault has done in requiring unlimited PIP coverage.

Which is why the federal judge Thursday labeled Michigan's No Fault Law "shameful" and urged Lansing to act before he had to rule.

The Detroit News

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Judge calls no-fault auto law 'shameful,' urges Michigan leaders to address it

Christine Ferretti, The Detroit News

Published 5:57 p.m. ET Feb. 7, 2019 | Updated 11:28 p.m. ET Feb. 7, 2019



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Detroit — A federal judge on Thursday invited state leaders to address Michigan's "shameful" no-fault auto insurance law during a hearing in a lawsuit that challenges the law's constitutionality.

U.S.District Judge George C. Steeh said he was hopeful state lawmakers would give auto insurance reform more consideration after hearing arguments on a motion to have the case tossed out.

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